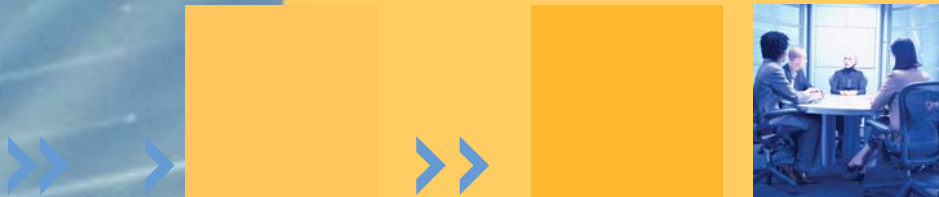


HIMSS

LEADERSHIP SURVEY

June 9, 2004



VENDOR CEO RESULTS: FINAL REPORT

15th ANNUAL HIMSS LEADERSHIP SURVEY

Sponsored by Superior Consultant Company
Final Report: IT Vendor CEO

Sponsored by Superior Consultant Company, Inc., the 15th Annual HIMSS Leadership Survey reports the opinions of information technology (IT) executives from healthcare provider and vendor organizations from across the United States regarding the use of IT in their organizations. The survey is designed to obtain information about IT priorities, barriers, applications, and other crucial factors in the use of IT to enhance healthcare.

This is the second in a series of four reports on findings from the 15th Annual HIMSS Leadership Survey. It reports the data collected from IT vendor organization executives in the United States. The first report, released in February 2004, presented the opinions of CIOs at provider organizations. The final two reports, which will represent the opinions of healthcare CEOs and healthcare clinicians, will be published in June.

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1. Executive Summary

Results of the 15th Annual HIMSS Leadership Survey, sponsored by Superior Consultant Company, Inc., indicate that cost pressures and patient safety concerns will be the business issues that will have the most impact on healthcare in the next two years. Focus on patient safety is further demonstrated by IT vendor responses regarding their clients' top IT priorities and applications and technologies deemed most important now and in the next two years. Vendors indicate that implementing an electronic medical record (EMR) and technology to reduce medical errors/improve patient safety will be top priorities of their clients in the next two years.

- **HIPAA:** Upgrading security on IT systems and implementing privacy modification to meet HIPAA requirements remain among the top current IT priorities for vendor clients; however a sharp decline in importance is expected within the next two years.
- **Clinical applications:** The top three healthcare applications areas vendors considered to be among the most important for their clients over the next two years are all clinical. EMRs were cited most frequently (60%), followed by computer-based practitioner order entry (CPOE) (55%), and clinical information systems (47%).
- **Top technologies:** High-speed networks, data security, and bar coding were most frequently cited as technologies vendors considered most important to their healthcare clients now. High-speed networks and bar coding technology showed the greatest increases in importance compared to 2003 results.
- **Technology adoption:** Vendors most frequently identified wireless information systems, web-enabled clinical processes, and web-enabled business transactions as technologies they considered among the most important to their healthcare clients in the next two years. Focus on speech recognition technology is predicted to increase substantially.
- **Data security:** Biometric technologies, electronic signature, and data encryption were identified by vendors as the security tools that will be most important to healthcare organizations in the next two years.
- **IT outsourcing:** Two-thirds of respondents (67%) predicted their outsourcing revenues would increase in the next 12 months. None projected a decrease in outsourcing revenue.

Other notable findings include:

- Vendors continue to report the need to prove quantifiable benefits or return on investment to be the top barrier to implementing IT at client facilities.
- System integration was most frequently identified by vendors as the area in which healthcare organizations have staffing needs. Other staffing needs noted by vendors include process/workflow design and clinical champions.

2. Methodology

To ensure the most informed, representative coverage of the field possible, data were solicited from one individual per supplier/consultant organization. Nine hundred CEOs and/or healthcare division leaders at IT vendor, supplier, and consulting organizations across the United States were e-mailed invitations to participate in this year's survey. This format helped ensure that each organization was represented only one time in the survey and that the respondents were senior-level executives at their companies.

Senior-level executives from 83 different vendor, supplier, and consultant organizations in the United States completed the self-administered Web-based questionnaire beginning in November of 2003. Data from healthcare CIOs were collected in a separate survey, and the results were reported at the 2004 Annual HIMSS Conference and Exhibition in February. Results from surveys of healthcare CEOs and chief clinical officers will be released in June.

3. Profile of Survey Respondents

The majority of respondents (73 percent) were presidents or chief executive officers; last year, 72 percent of the respondents indicated they had these titles. Another 13% of respondents reported consultant as their title. The remaining respondents include managers, directors, vice presidents and other senior-level executives.

Over half of the survey respondents (54 percent) reported that strategy was their primary responsibility within their company, compared with 51 percent of 2003 respondents. Another quarter (27 percent) identified consulting as their primary responsibility. Other areas of primary responsibility reported include sales/marketing and product management or development.

Respondents identified the primary business of their firm as follows:

- Consulting firm—54 percent (up from 37 percent in 2003)
- Enterprise application vendor—17 percent (down from 23 percent in 2003)
- ASP/outsourcing vendor—10 percent (up from 9 percent in 2003)
- Departmental/niche application vendor—7 percent (down from 17 percent in 2003)
- Networking vendor—1 percent (down from 2 percent in 2003)
- Hardware vendor—1 percent (up from none in 2003)
- Other—10 percent (down from 13 percent in 2003).

The healthcare market segments targeted by respondent organizations include hospital/health system (81 percent, compared with 84 percent in 2003), physician office/clinic (57 percent), health plan/insurer/payer (39 percent), and other healthcare facilities (33 percent) such as nursing homes or home health agencies. Another 20 percent indicate the products and services offered by their company are directed toward the federal government market, while 18 percent indicate that their company targets the pharmaceutical industry. These numbers are similar to those reported in 2003.

The majority of survey participants (84 percent) indicated that three-quarters or more of their company's business is focused on the healthcare industry. Another seven percent indicated from 26 percent to 75 percent and the remaining nine percent of respondents indicated that 25 percent or less of their company's business is focused on healthcare.

Annual gross revenue for the vendor organizations represented in this year's survey is:

- Less than \$5 million—63 percent of respondents (compared with 61 percent in 2002)
- \$5 million to \$9 million—14 percent (compared with 11 percent in 2002)
- \$10 million to \$29 million—12 percent (compared with 12 percent in 2002)
- \$30 million to \$49 million—4 percent (compared with 3 percent in 2002)
- \$50 million to \$99 million—3 percent (compared with 2 percent in 2002)
- \$100 million to \$500 million—1 percent (compared with 5 percent in 2002)
- More than \$500 million—3 percent (compared with 2 percent in 2002)

Approximately 20 percent of respondents reported that their company was headquartered in the East North Central region of the United States. This is followed by the South Atlantic (19 percent), Mid-Atlantic and Pacific regions (13 percent each).

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- Figure 4. Healthcare Market Segment Targeted by Respondent Firms
- Figure 5. Percent of Business Focused on Healthcare Industry
- Figure 6. Location of Corporate Headquarters of Respondent Firms
- Figure 7. Annual Revenue of Respondent Firms

4. IT Priorities

Vendors project that EMR implementation and patient safety will be top priorities for their clients in the next two years, while focus on HIPAA privacy and security requirements is expected to decline.

Respondents were asked to identify their clients' current top five IT priorities. Integrating systems in a multi-vendor environment (51 percent in 2004; 53 percent in 2002), implementing technology to reduce medical errors/increase patient safety (48 percent), upgrading security on IT systems to meet HIPAA requirements (42 percent), and implementing privacy modifications to meet HIPAA requirements (35 percent) were the most frequently cited priorities. All these were also among the top four cited by 2003 respondents.

Survey participants were also asked to identify their clients' top IT priorities in the next two years. The most frequently cited priorities were implementing an EMR (46 percent), implementing technology to reduce medical errors/promote patient safety (46 percent), and implementing wireless systems (44 percent). Last year's most frequently identified response, integrating systems in a multi-vendor environment, was selected by only 35 percent of respondents, compared to 48 percent of 2003 survey respondents.

Although it is among the top current priorities, respondents project that integrating systems in a multi-vendor environment will become less of a priority in the next two years. Half of the respondents report it is a current priority for their clients, while only 35 percent report it as a priority in the next two years. HIPAA is also projected to decrease as a priority in the next two years. The implementation of privacy modifications to meet HIPAA requirements was identified as a current priority by 35 percent of respondents; it was identified as a future priority by only six percent of respondents. Upgrading security and implementing EDI solutions to meet HIPAA requirements also showed similar decreases. Respondents also project that training personnel to

use existing and newly installed systems will be less of a priority in the next two years (19 percent currently; six percent in the next two years).

With a focus that has shifted from HIPAA, respondents project that clients will show an increased interest in several systems in the next two years. Specifically, 41 percent indicated that the implementation of enterprise-wide applications would be a priority to their client in the next two years (compared to 21 percent who identified this as a current priority). Respondents project that the implementation of EMRs, wireless systems, speech recognition systems, and inpatient clinical information systems will also be a greater priority in the next two years. Compared to the number of respondents who selected each of these items as a current priority, each was identified by ten to 15 percent more respondents as a future priority.

Respondents were also asked to identify the five business issues they believed would have the most impact on healthcare in the next two years. The most frequently cited issues were cost pressures (59 percent), increasing patient safety/reducing medical errors (55 percent), adoption of new technology (49 percent), and improving operational efficiency (40 percent)—all were among the top five cited in 2003. Compared to 2003 responses, the most significant decreases were observed for HIPAA compliance (decrease from 68 percent to 31 percent) and availability/retention of staff (decrease from 27 percent to five percent). The largest increases were observed for increasing patient safety/reducing medical errors (increase from 39 percent to 55 percent) and adoption of new technology (increase from 34 percent to 49 percent)

Figures:

- Figure 8. Current IT Priorities (Within Next Twelve Months)
- Figure 9. Projected IT Priorities (Today vs. Next Two Years)
- Figure 10. Top Business Issues Facing Healthcare (Within Next Two Years)

5. IT Barriers

Vendors identify the ability to prove quantifiable benefits/return on investment as the top barrier they face in implementing IT at client facilities.

For the second consecutive year, respondents have identified difficulty in proving quantifiable benefits or a return on IT investment as the most significant barrier to successful implementations of IT in their clients' organizations. This was identified by 27 percent of respondents, compared to 23 percent of respondents in 2003. Rounding out the top three are lack of adequate financial support for IT (21 percent) and lack of a strategic IT plan (12 percent).

The percent of respondents who identified difficulty achieving end-user acceptance or use as a barrier decreased from 14 percent in 2003 to three percent in 2004.

Figure:

- Figure 11. Most Significant Barrier to IT Implementation at Client Facilities

6. IT Applications

EMRs top the list of applications that vendors identify as most important to their healthcare clients in the next two years.

Survey respondents were asked to identify the five healthcare applications areas they considered to be the most important for their healthcare clients over the next two years. EMRs were cited most frequently, identified by 60 percent of respondents; 51 percent of 2003 respondents identified this application as a priority. Rounding out the top three are CPOE, identified by 55 percent of respondents, and clinical information systems, identified by 47 percent of respondents.

Last year, enterprise-wide clinical information application sharing was identified most frequently, by 52 percent of respondents. This year, only 36 percent of respondents identified this application as being among the most important for their clients. Web-based applications (28 percent) and enterprise-wide master patient index (18 percent) were each identified by substantially fewer respondents in 2004 than in 2003.

Figures:

Figure 12. Applications Areas Considered Most Important For Healthcare Clients Over Next Two Years

7. IT Security

Vendors identify biometric technologies, electronic signature, and data encryption as the security tools that will be most important to healthcare organizations in the future.

Respondents were asked to indicate the security tools they believed were most important to healthcare organizations in maintaining data integrity, both currently and in the next two years. Currently, firewalls were identified by 80 percent of respondents, making them the most frequently cited security tool for the third consecutive year (81 percent in 2003 and 46 percent in 2002). For the second consecutive year, user access controls (72 percent) and disaster recovery tools (67 percent) round out the top three.

Over half of survey respondents (56 percent) identified biometric technologies as a security tool that would be most important to healthcare organizations in the next two years. No other option was selected more frequently. This represents a substantial increase over the six percent of respondents who report that they presently use this technology. Rounding out the top three security tools of the future are electronic signature (48 percent) and data encryption (47 percent). In 2003, firewalls (72 percent) were identified as the tool that would be most important to healthcare organizations in two years. This year it was cited by only 40 percent of respondents.

Figures:

Figure 13. Current Use of Security Tools

Figure 14. Security Tools (Today vs. Next Two Years)

8. Technology Adoption

Wireless information systems and web-enabled technology were identified by vendors as being among the most important technologies for their healthcare clients in the next two years.

Respondents identified high-speed networks (54 percent), data security (49 percent), and bar coding (43 percent) most frequently when asked to identify the technologies they considered most important to their healthcare clients currently. High-speed networks and bar coding technology showed the greatest increases compared to 2003 results, while the largest decreases were observed for extranet and data warehouse.

When asked to indicate which technologies they considered most important to their healthcare clients in the next two years, wireless information systems (60 percent), web-enabled clinical processes (46 percent), and web-enabled business transactions (44 percent) were most frequently cited by survey respondents.

Comparing current versus future importance of technologies, speech recognition is expected to become considerably more important for respondents' healthcare clients. Only six percent of respondents indicated that speech recognition is among the most important technologies currently; however, 32 percent indicated that this technology will be among the most important in the next two years. Web-enabled clinical processes and wireless information systems are also expected to rise significantly in importance in the next two years.

Figures:

Figure 15. Technology Adoption for Healthcare Clients

Figure 16. Technology Adoption for Healthcare Clients (Today vs. Next Two Years)

9. IT Outsourcing

Respondents continue to predict an increase in outsourcing revenue. Systems integration, project management and e-business are expected to be service areas with the most growth potential.

Two-thirds of respondents expect that their organization's revenue will increase in the next 12 months due to outsourcing on the part of their clients, compared to 64 percent of respondents who predicted this trend in 2003. Another 18 percent of respondents indicated that their revenue would remain constant in the next 12 months, and none of the respondents predicted a decrease. For the second consecutive year, respondents identified systems integration (35 percent) as the area that would have the most impact on their revenues, followed by project management (31 percent), e-business (30 percent), and applications development (27 percent). Compared to 2003 responses, the largest increase was observed for ASP services, while technical support showed the largest decrease.

Figures:

Figure 17. Projected Outsourcing Revenue

Figure 18. Outsourcing Services

10. IT Decision Makers and Staffing Needs

Vendors continue to identify CIOs as the primary IT decision makers at their client sites. Systems integration is the area in which their clients are most likely to have staffing needs.

When asked to identify who, in their experience, was the primary IT decision maker within their clients' organizations, more than one third of respondents (39 percent) indicated it was the chief information officer (CIO). This represents a slight decline from last year, when 45 percent of respondents indicated that CIOs were the primary IT decision maker. Chief executive officers (24 percent) and chief financial officers (17 percent) continue to round out the top three. However, compared to last year's data, this year's respondents were somewhat more likely to identify the CEO or CFO as the primary IT decision maker. Only five percent of respondents report that the chief medical officer is a primary IT decision maker, and none of the respondents identified chief nursing officers.

Systems integration (37 percent), process/workflow design (33 percent), and clinical champions (23 percent) were the most frequently cited areas in which respondents' felt their healthcare clients had staffing needs. Network and architecture support, IT planning, and IT management were each identified by 22 percent of respondents. The largest decrease was observed for regulatory/reimbursement/accreditation issues; down from 26 percent in 2003 to nine percent in 2004.

Figures:

Figure 19. Primary IT Decision Maker at Client Facilities

Figure 20. IT Staffing Needs at Client Facilities

11. Survey Sponsors

About Superior Consultant Company, Inc.

Recipient of Frost & Sullivan's 2003 Best Bang for the Buck Award for providing services and solutions with the highest ratio of value to cost, Superior Consultant is a leading national provider of transformational outsourcing, management and information technology consulting services and solutions to the healthcare industry. Superior specializes in Digital Business Transformation™ services that enable clients to thrive in the information-driven economy, and its transformational outsourcing, management and information technology consulting services and solutions help clients plan and execute better business strategies and meet their fiscal challenges while advancing clinical quality. Superior's best practices outsourcing model includes a full range of flexible business process and information technology solutions, including data center services, 24/7/365 network monitoring and help desk services, facility management, interim management, and application outsourcing services. For 20 years, Superior has been recognized as an innovative leader within the healthcare industry and has been rewarded with full and partial outsourcing contracts, thousands of engagements, approximately 150 interim management assignments, and nearly 3,000 clients.

For more information on Superior Consultant Holdings Corporation simply dial 1-800-PRO-INFO and enter the Company ticker: SUPC (a no-cost fax-on-demand service) or visit the Company's Web site at <http://www.superiorconsultant.com>.

About HIMSS

HIMSS (Healthcare Information and Management Systems Society) is the healthcare industry's membership organization exclusively focused on providing leadership for the optimal use of healthcare information technology and management systems for the betterment of human health. Founded in 1961 with offices in Chicago, Washington D.C., and other locations across the country, HIMSS represents more than 14,000 individual members and some 220 member corporations that employ more than 1 million people. HIMSS frames and leads healthcare public policy and industry practices through its advocacy, educational and professional development initiatives designed to promote information and management systems' contributions to ensuring quality patient care. Visit www.himss.org for more information.

12. How to Cite This Study

Individuals are encouraged to cite this report and any accompanying graphics in printed matter, publications, or any other medium, as long as the information is attributed to the 15th Annual HIMSS Leadership Survey sponsored by Superior Consultant Company.

13. For more information, contact:

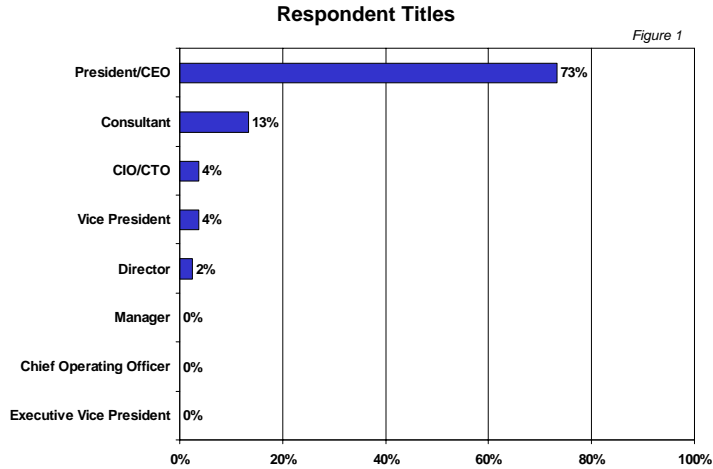
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Participant Profile

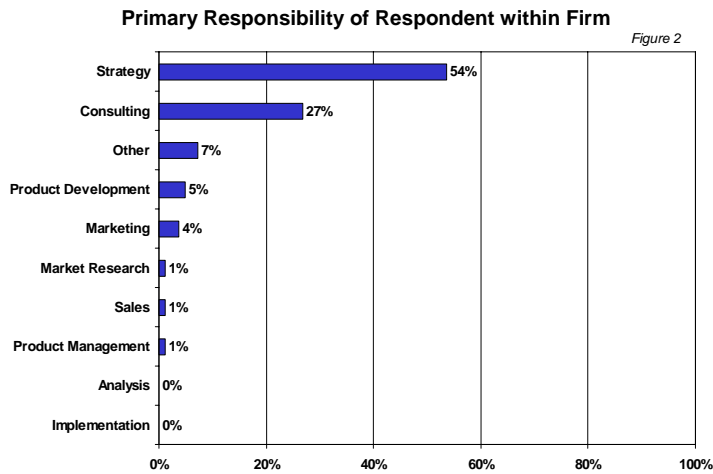
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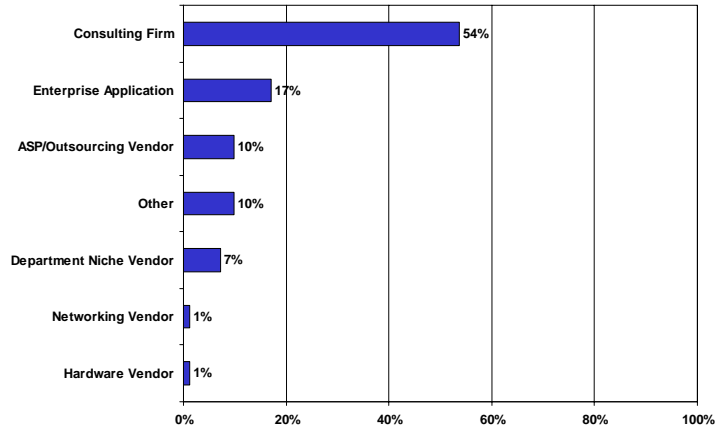
Participant Profile (continued)

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Primary Business of Respondent Companies

Figure 3

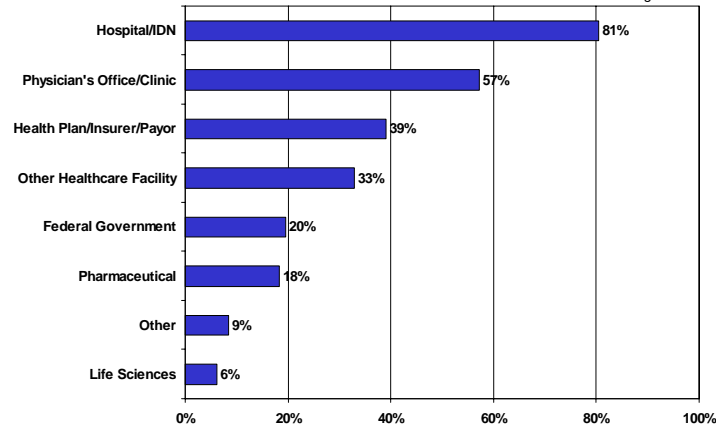


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Healthcare Market Segment Targeted by Respondent Firms

Figure 4



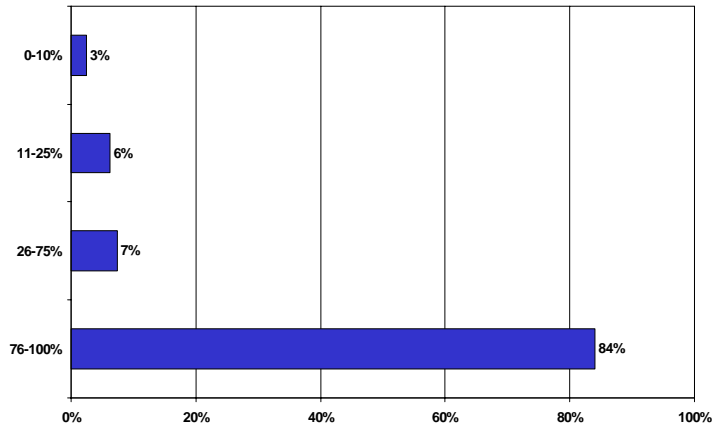
Participant Profile (continued)

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Percent of Business Focused on Healthcare Industry

Figure 5

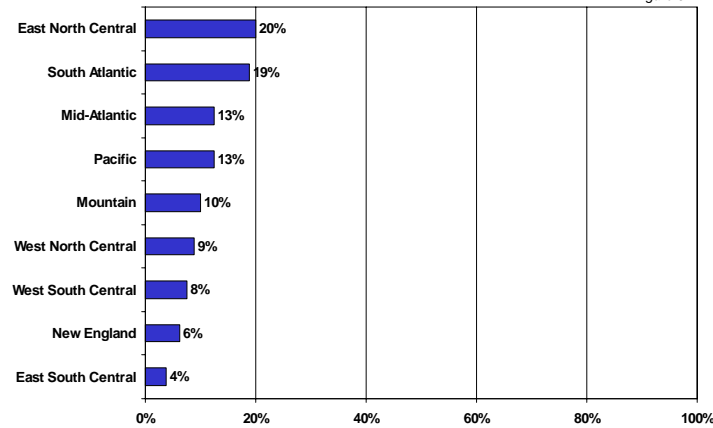


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Location of Corporate Headquarters of Respondent Firms

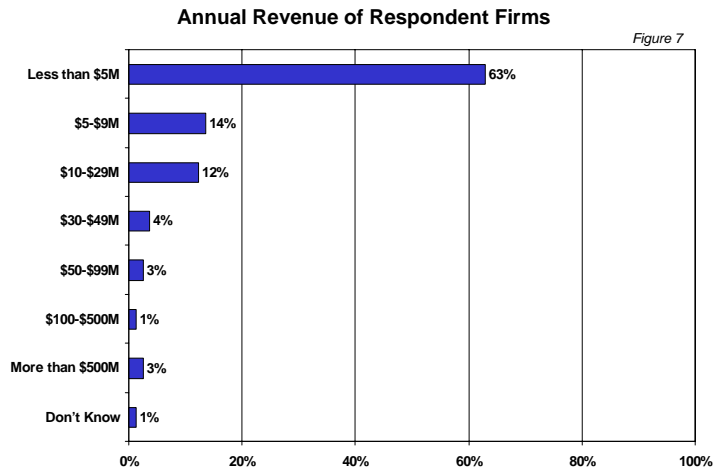
Figure 6



Participant Profile (continued)

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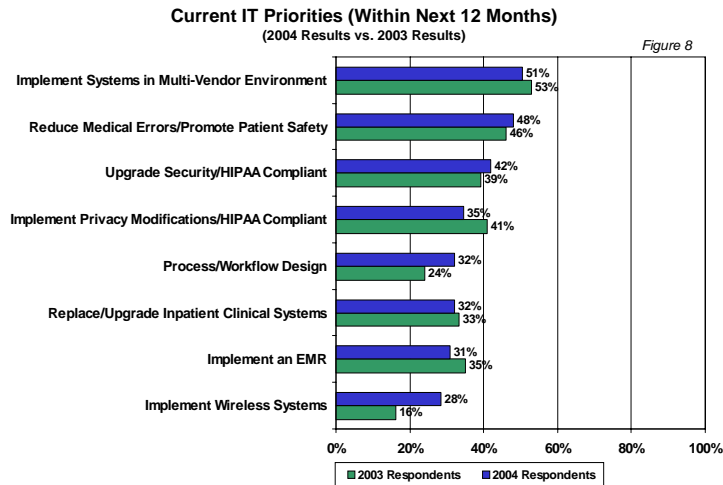
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IT Priorities

15th Annual HIMSS Leadership Survey – Vendor Results

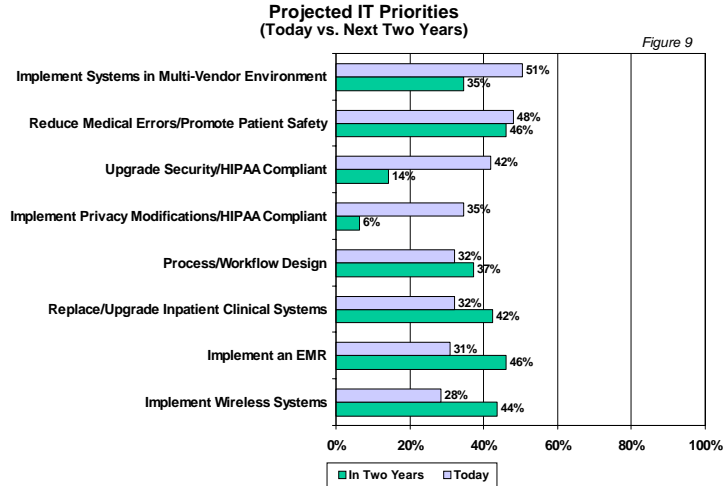
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IT Priorities (Continued)

15th Annual HIMSS Leadership Survey – Vendor Results

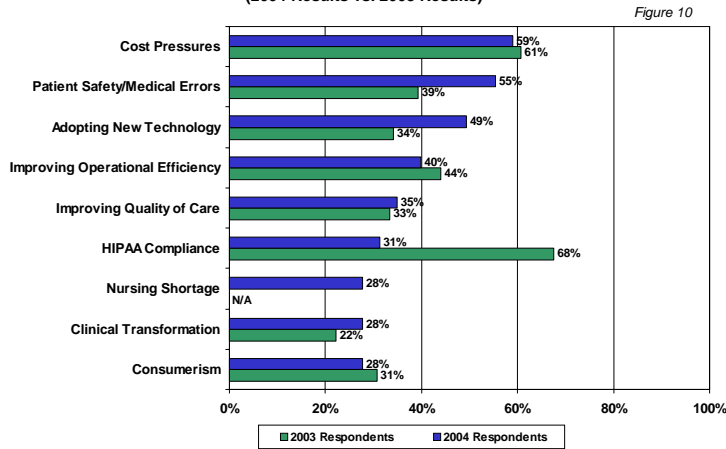
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Top Business Issues Facing Healthcare (Within Next Two Years)
(2004 Results vs. 2003 Results)



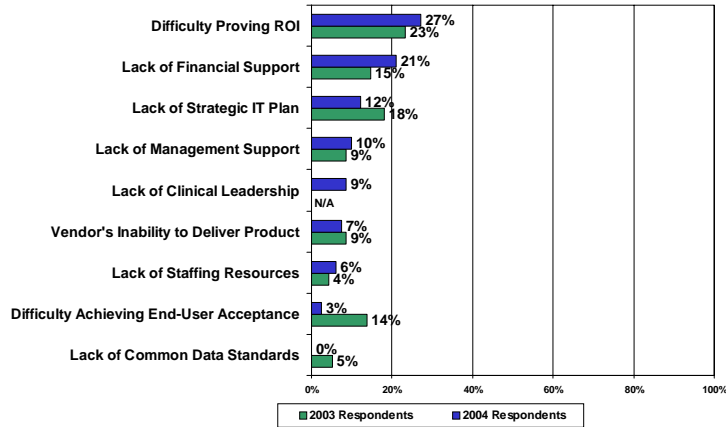
IT Barriers

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Most Significant Barrier to IT Implementation at Client Facilities (2004 Results vs. 2003 Results)

Figure 11



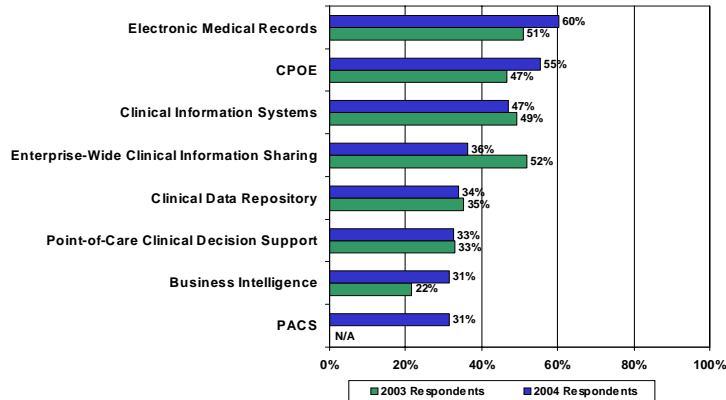
IT Applications

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Applications Areas Considered Most Important for Healthcare Clients over Next Two Years (2004 Results vs. 2003 Results)

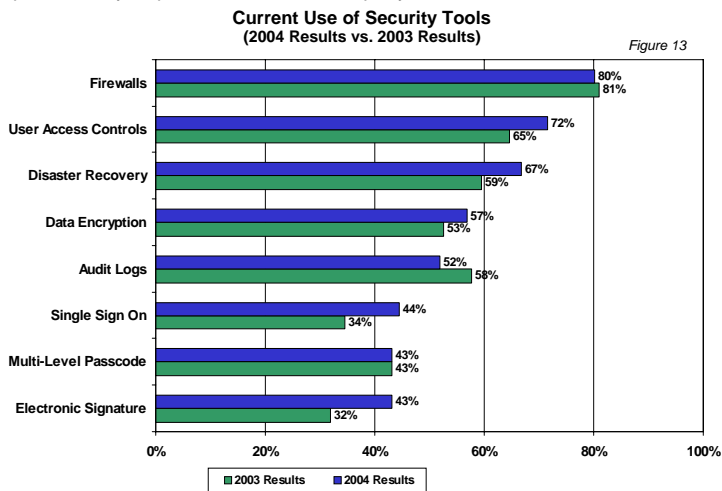
Figure 12



IT Security

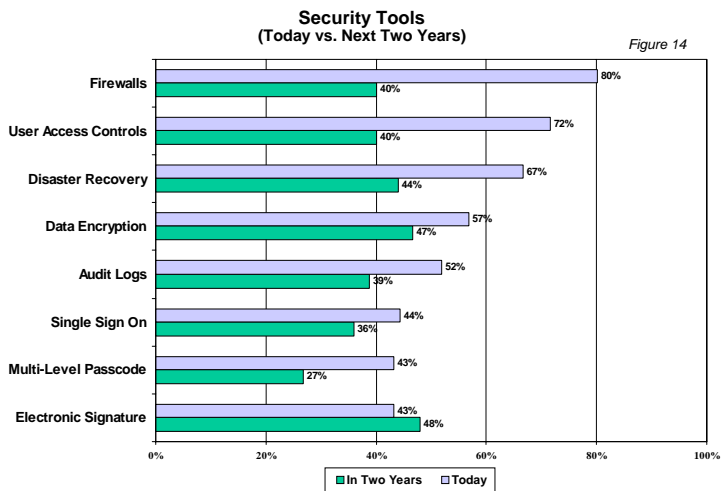
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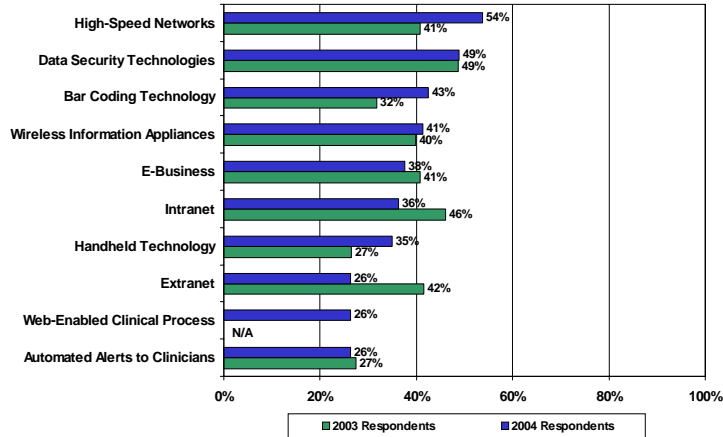
Technology Adoption

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Technology Adoption for Healthcare Clients (2004 Results vs. 2003 Results)

Figure 15

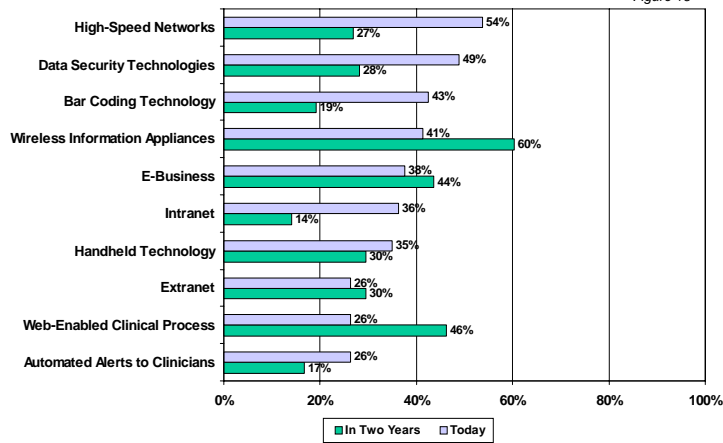


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Technology Adoption for Healthcare Clients (Today vs. Next Two Years)

Figure 16



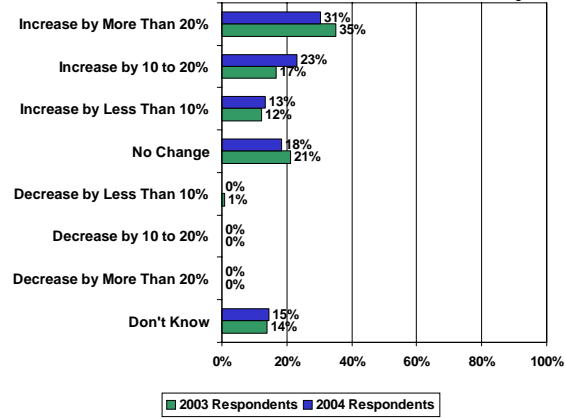
IT Outsourcing

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Projected Outsourcing Revenue

Figure 17

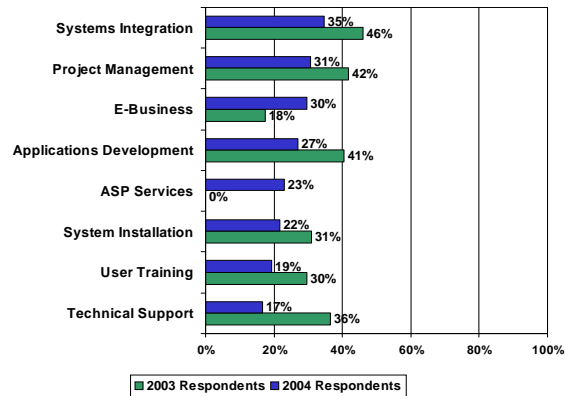


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Outsourcing Services (2004 Results vs. 2003 Results)

Figure 18



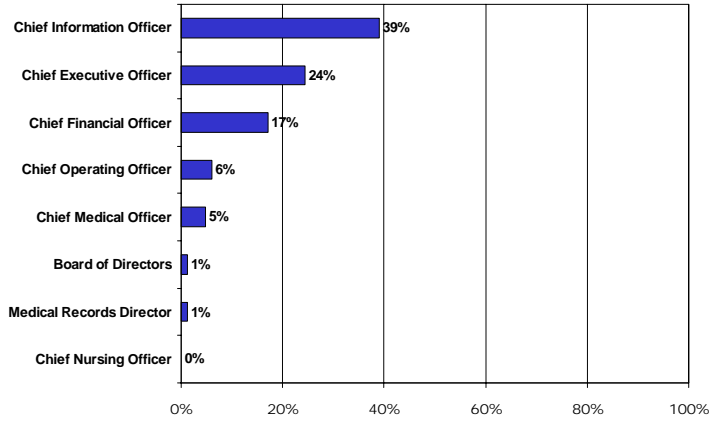
IT Decision Makers & Staffing Needs

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Primary IT Decision Maker at Client Facilities

Figure 19



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IT Staffing Needs at Client Facilities (2004 vs. 2003 Results)

Figure 20

