# GE Healthcare IT
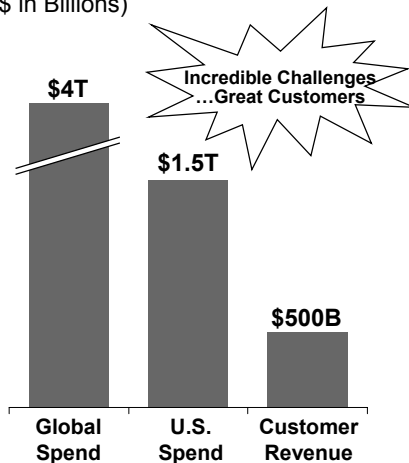## Building a Healthcare Growth Business

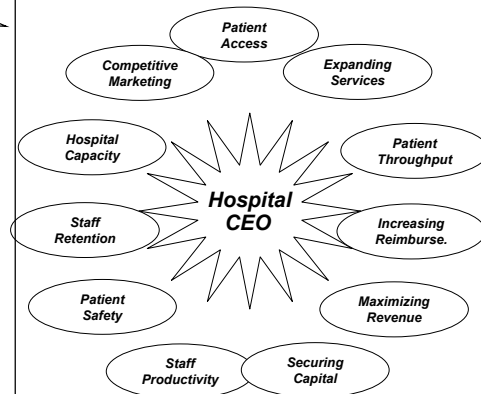Joe Hogan
CEO, GE Medical Systems

June 20, 2003

*This presentation includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from these expectations due to changes in global political, economic, business, competitive, market and regulatory factors. More detailed information about those factors is contained in GE's filings with the Securities and Exchange Commission.*

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## Healthcare Industry

($ in Billions)

**Incredible Challenges …Great Customers**

$4T — Global Spend

$1.5T — U.S. Spend

$500B — Customer Revenue

### Hospital CEO Focus…

- Patient Access
- Competitive Marketing
- Expanding Services
- Hospital Capacity
- Patient Throughput
- **Hospital CEO**
- Staff Retention
- Increasing Reimburse.
- Patient Safety
- Maximizing Revenue
- Staff Productivity
- Securing Capital

**Huge Growth Opportunity … Solving Customer Problems**

## GEMS Today

| Imaging | Services | Information |
|---|---|---|
| **10% 5-Yr CAGR** | **15% 5-Yr CAGR** | **20% 5-Yr CAGR** |
| *Focus* <br> • *Leading Technology* <br> • *Rapid Globalization* <br> • *Clinical & Productivity* | *Focus* <br> • *Partnership* <br> • *Whole Hospital* <br> • *Performance ROI* | *Focus* <br> • *Physician Workflow* <br> • *Clinical Benchmarks* <br> • *Paperless, Filmless, Wireless* |
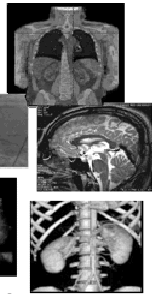
*Functional*

*Hospital Productivity*

*CIS*

*Anatomical*
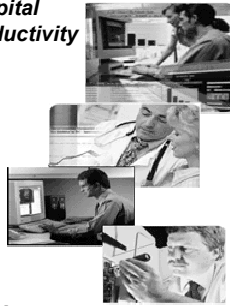
*Maintenance*
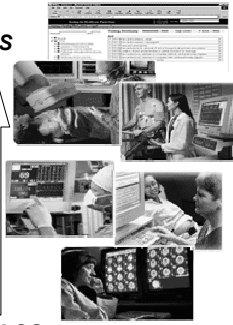
*PACS*

**Healthcare Growth Engine… Unlimited Opportunities**

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## Why HCIT? … Hospital Transformation

| | | Industry Drivers | GE Focus |
|---|---|---|---|
| **Paper** | **Paperless** | • **Make Data Move as Fast as Patient** <br> • **Integrate at POC** | ✓ **Devices / IT Convergence** <br> ✓ **Rapidly Creating Integrated Enterprise System** |
| **Film** | **Filmless** | • **Modality Data Explosion** <br> • **Rise of Teleradiology** | ✓ **Advanced PACS Provider** <br> ✓ **Leader in Workflow Integration (3D, RIS, HIS)** |
| **Wired** | **Wireless** | • **Mobile Caregiving** <br> • **Networks Converging** | ✓ **Telemetry** <br> ✓ **Caregiver Communications** |

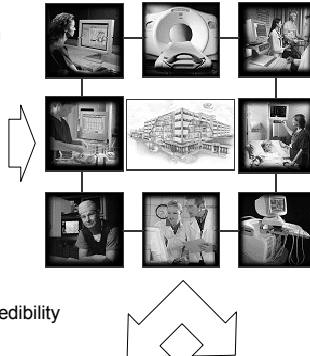**GEMS Technology & Six Sigma Drive Care Quality and Efficiency**

# GE Healthcare IT

## What GE Adds

- Integrated Products
- Best Services Platform
- Financing Portfolio
- Six Sigma Workflow
- Leadership Training

GE "DNA"

- Six Sigma
- Globalization
- Process Rigor
- Digitization
- Imaging Quality
- Clinical Expertise & Credibility

## GE HCIT Offering

- Clinical Information Systems
- Cardiology Information Systems
- Radiology Information Systems
- Patient Monitoring Systems
- Diagnostic Cardiology Systems
- Clinical IT Networks
- Clinical IT Implementation
- Data Mining
- Industry Benchmarking
- Training / Education

### Improve Hospital Vitality
- *Just 4% Profit Margins*
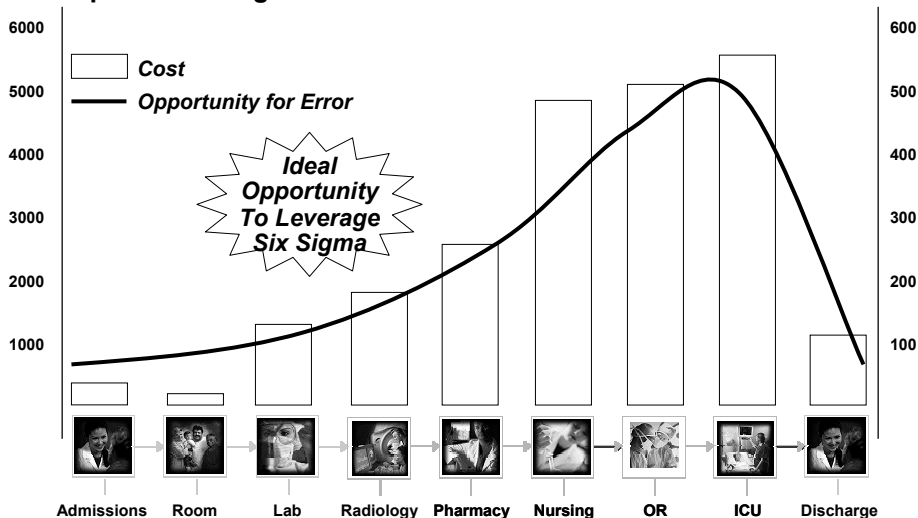- *Reimbursements ↓; Costs ↑*

### Better Clinical Outcomes
- *Medical Errors #8 Killer*
- *Limited Care Quality Metrics ... No Standards*

*Technology +GE "DNA" = Improved Healthcare Performance*

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# Where to Focus?

## Composite of Surgical Patient in 2000



Legend:
- ☐ Cost
- —— Opportunity for Error

*Ideal Opportunity To Leverage Six Sigma*

X-axis: Admissions | Room | Lab | Radiology | Pharmacy | Nursing | OR | ICU | Discharge

Left axis: 1000, 2000, 3000, 4000, 5000, 6000
Right axis: 100, 200, 300, 400, 500, 600

*Opportunity Is In The Clinical Trenches ... GE's "Sweet Spot"*

## Building GE Healthcare IT

**Define & Launch** → **Reshape** → **Build-Out**

- **Define the Segments** … $25B, 2-3X GDP Growth

- **Launch the Platform** … PACS and Marquette

- **Reshape the GE Way** … Integrate Efficiently, Build on GE Clinical Expertise, Drive Technology Evolution
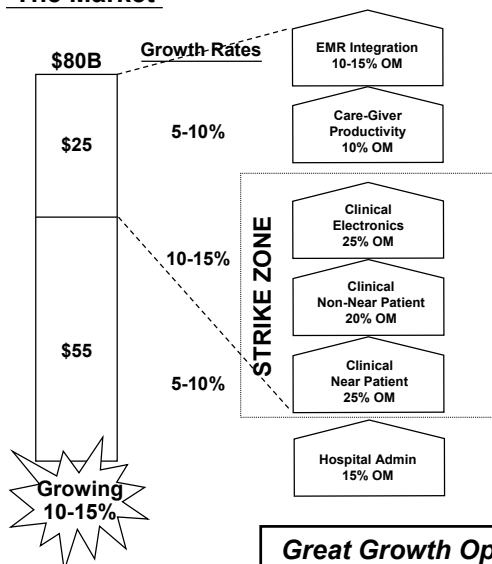
- **Disciplined Build-out** … Organic and Inorganic

*Proven GE Approach to Build Growth Businesses*

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## Healthcare IT

**Define & Launch**

**The Market**

$80B

**Growth Rates**

EMR Integration
10-15% OM

$25 — 5-10%

Care-Giver
Productivity
10% OM

**STRIKE ZONE**

Clinical
Electronics
25% OM

10-15%

Clinical
Non-Near Patient
20% OM

$55

Clinical
Near Patient
25% OM

5-10%

Hospital Admin
15% OM

**Growing 10-15%**

**Why We Like This Business**

✓ **Fast Growing**

✓ **Good Margins, ROTC**

✓ **Fragmented**

✓ **Essential**

✓ **In the GE "Sweet Spot"**
  – Customers
  – Products
  – Clinical Expertise
  – Process & Digitization

*Great Growth Opportunity*

## Customer Digitization

### GE PACS Solution Helps Manage Clinical Data Explosion

**Best Clinical Efficiency**

- Workflow Integration (3D, RIS, HIS)
- First Mammo PACS.
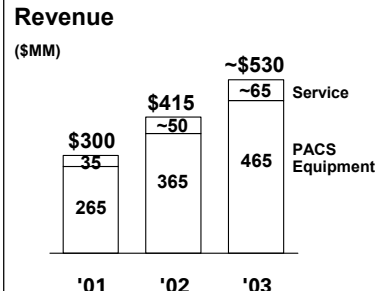- Integrated Radiology-Cardiology Systems…

**Best in IT Infrastructure**

- Designed for 100% Uptime
- Off Site Enterprise Repository

**Experienced Buyers Choose GE**

- Brigham & Woman's, Baylor University, UCLA, Loyola of Chicago, Duke University, Stanford U…
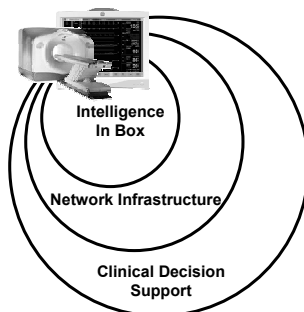- Tenet Healthcare, HCA

*<10% Adoption*

**Film**   **Filmless**

**Revenue**
($MM)

| | '01 | '02 | '03 |
|---|---|---|---|
| Service | 35 | ~50 | ~65 |
| PACS Equipment | 265 | 365 | 465 |
| Total | $300 | $415 | ~$530 |

*Rapid Growth … But Even Bigger Opportunity Beyond PACS*

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## IT / Device Convergence Strategy

Intelligence In Box

Network Infrastructure

Clinical Decision Support

**Intelligence in the Box**

- Traditional Best-in-Breed Approach … Parameters, Algorithms, User-Interface, Platform
- Information Convergence at the Point of Care

**Network Infrastructure … Move Data… Not Patients**

- Enterprise Monitoring … New Information System Offerings
- Next-Gen Wireless Infrastructure for Mobile Devices
- Mission Critical and Life Critical Networks

**Clinical Decision Support**

- Alerting Systems
- Diagnostic Assistance
- Therapy Critiquing and Planning
- Image Recognition and Interpretation
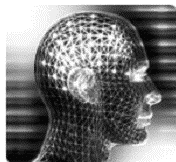
*GE Vision … Bringing the Pieces Together Around the Patient*

## Intelligent Devices

### Old Box to "New" Clinical Device

*"Execution"*



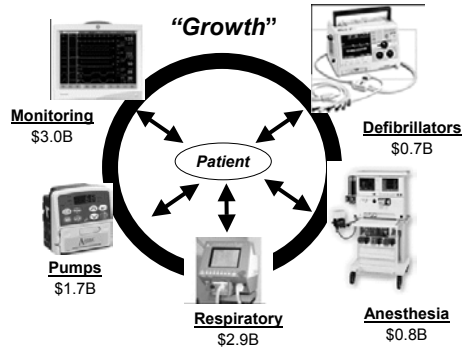| Traditional | Future |
|---|---|
| • Disparate Monitors | • Enterprise Wide |
| • Unconnected | • Networked |
| • Parameter Centric | • Patient Centric |
| • One-Way Info. Flow | • Bi-Directional |
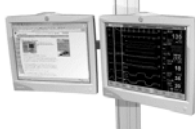
**Key Actions**

• Embed Clinical Intelligence at POC in Monitor

• Develop Specific Care Area Monitors

• Every Patient Monitored

*$350M*

### Convergence at Point of Care

*"Growth"*



**Monitoring** $3.0B

**Defibrillators** $0.7B

*Patient*

**Pumps** $1.7B

**Respiratory** $2.9B

**Anesthesia** $0.8B

**Key Actions**

• Integrate for Real-Time Clinical Decision Support

• Acquire/Partner Next Devices

*$7B Market*

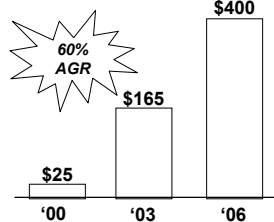### GE Clinical Expertise Advantage vs. Pure IT Players

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## Enterprise Wireless

### GEMS Wireless Growth
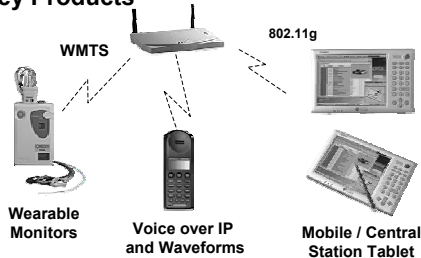
$400

*60% AGR*

$165

$25

'00  '03  '06

**Drivers**

• Miniaturization
• Wireless/Telemetry
• Network Reliability
• Clinician Shortage
• Caregiver Productivity

**Market**

• Clinical Data Moves as Fast as Patient
• Clinical Data Capture and Transfer 24x7… Anywhere in Enterprise
• Continuous and Remote Monitoring
• Workflow Flexibility and Design

### Key Products



WMTS

802.11g

**Wearable Monitors**

**Voice over IP and Waveforms**

**Mobile / Central Station Tablet**

**Key Actions**

• **Best Wireless Position**

• **Six Sigma Workflow**

• **Monitor & Device Integration**

### Seamless Availability of Life & Mission Critical Information

## Solutions Provider

**First All-Digital Heart Hospital…**
- Free-standing, 88-Beds, Brand New
- Digitization for Better Patient Care
- No Nursing Stations
- No Medical Records Department

**$25M GE Revenue**

**GE Delivering:**
- Info Anytime, Anywhere…
- Lab Tests … 3 Days → 3 Secs
- Medical Errors… ↓ 45%
- Report Turnaround…
  Hours to Secs

**Cincinnati Children's**
Hospital Medical Center

**$14M GE Revenue**
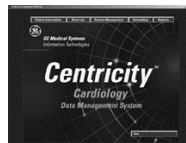
**Improving Quality Pediatric Care…**
- 373-Beds, $150MM Expansion
- Digitizing the OR … Tracking Surgeries
- 500+ GE Patient Monitors

**Centricity**
Cardiology
Data Management System

**GE Delivering:**
- OR "Mission Control"…
  Paperless, Filmless
- More Certainty, Less Errors
- 25%↑ Utilization

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*Total GE Solution… "The Hospital of the Future"*

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## Build Out – Healthcare IT

**Where We Were**   |   **What We Did**   |   **Where We Are**

**Market '98**

**~$18B**

- ✓ Fast Growing
- ✓ High Margins
- ✓ Fragmented
- ✓ Essential
- ✓ *GE Position = $0*

**Growing 10–15%**

**Inorganic**
Multiple Acquisitions

**+**

**Organic**
Globalization
Services
Cost
Integrated

**'03 Estimate**

**~$1.7B**

**~$300MM**

**Rev.**   **OP**

---

*Disciplined Blend of Acquisitions and Organic Growth*

## Build Out – Healthcare IT

### IT Market

**$15B… 15% AAGR**

| Hospital Administration/Clinic | | |
|---|---|---|
| Finance | Admin | Decision Support |
| Billing | | ADT |

| Clinical Non-Near Patient | |
|---|---|
| Pharmacy | Lab |

**Clinical Near Patient**

| Scheduling | MPI | Charge Cap |
|---|---|---|

**Order Entry/Results**

| ED | Ambulatory | Critical Care | Periop | OB/NICU | Cardiology | Radiology |
|---|---|---|---|---|---|---|

### Data Acquisition Market

**$10B… 10% AAGR**

**EMR Integration**

| Web Integration | Data Model | Real-Time Information |
|---|---|---|

**Caregiver Productivity**

| Phone | Pager | Tablet | 802.11B |
|---|---|---|---|

**Clinical Electronics**

**Parameter Technology**

| ED | Ambulatory | Critical Care | Periop | OB/NICU | Cardiology | Radiology |
|---|---|---|---|---|---|---|

☐ Loral
☐ Marquette
☐ MicroMedical
☐ Prucka
☐ SEC
☐ Critikon
☐ DataCritical
☐ iPath
☐ Medicalogic
☐ Millbrook
☐ BDM

**$25B Market Growing at ~10- 15%**

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## Acquisition Integration

**Milwaukee**

**Barrington**

*Consolidation into "HCIT Campus"*

### Success Factors

- **Build on GE Distribution … Deep Sales Cross-Training**
- **Drive Product Integration … Retain Engineering Talent**
- **Reduce Variable Costs … LCC Mfg and Sourcing Crunch**
- **Back Office Cost Out … IT Integration**

**Benefits Show in Solid Year 1 Results**

| | Rev Growth | Profitability |
|---|---|---|
| Loral | 30% | 2X |
| iPath | 45% | (62%) → 24% |
| MedicaLogic | 69% | (150%) → 11% |
| Marquette QS | 25% | 1.5X |

**Repeatable Process Executed by Experienced Leaders**

## Growth Plan

**Revenue**

+ GE Capability
**+$0.5**

~$4.0B

*30+% AAGR*

+ Market Growth
**+$1.0**

+ Acquisitions
**+$1.0**

~$1.7B

**'03**

~18% OP

**'06**

~25%+ OP
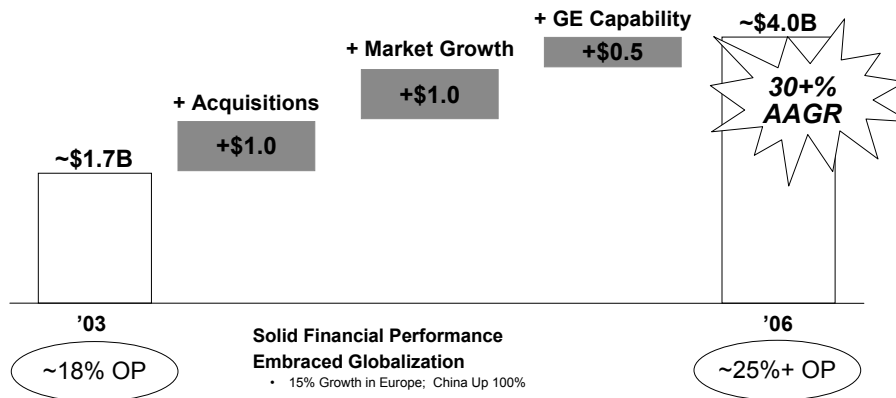
**Solid Financial Performance**
**Embraced Globalization**
- 15% Growth in Europe; China Up 100%

**Built Clinical IT Platform**
- **Centricity**tm and **Mercury** Architecture
- Best Image Management (Radiology & Cardio)
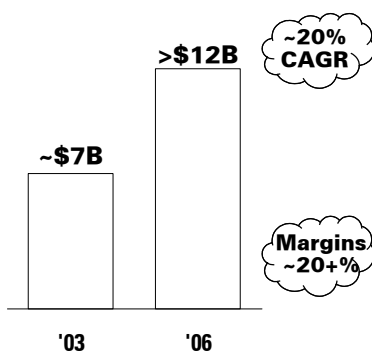
**Expanded Devices Capability**

*Great Progress So Far … an Even Better Future*

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## Industrial Growth Platforms

**Sales**                                    **Drivers**

>$12B

**~20% CAGR**

~$7B

**Margins ~20+%**

**'03**        **'06**

- Strong Underlying Demand

- Share Gains Through Global Distribution & New Products

- Product Leadership with GE Technology

- Expand Service Offerings

- Consolidating Acquisitions in Fragmented Industries

*GE Build Out Process*
✓ *Step #1 … Define Market & Launch*
✓ *Step #2 … Reshape the GE Way*
✓ *Step #3 … Disciplined Build Out*