# **Investment Community Meeting HIMSS Las Vegas**

**February 22, 2012** 

**HIMSS Las Vegas** 





## **Agenda**

Welcome and Overview	Marc Naughton	Executive Vice President and Chief Financial Officer							
<u>Marketplace</u>									
United States Market	Zane Burke	Executive Vice President, Client Organization							
Global Market, Lighthouse	Matthew Swindells	Managing Director & SVP, Global Consulting							
Imperatives and Strategies									
2012 Imperatives Getting Larger Share of Growing Health Care Spend	Mike Nill	Executive Vice President and Chief Operating Officer							
Millennium+, Cloud Platform, Big Data	Jeff Townsend	Executive Vice President and Chief of Staff							
Evolving Health Landscape, Predictive Modeling and Analytics									
Evolving Health Landscape	Dick Flanigan	Senior Vice President, Research and Employer							
Predictive Modeling and Data Analytics	Harlen Hays	Senior Researcher							
Physician Productivity and Experience									
Fast, Smart, Easy	Max Reinig	Vice President, Physician Solutions							
PowerChart Touch Demo	Dr. Doug Dickey	Director, Physician Solutions							
Financial Overview	Marc Naughton	Executive Vice President and Chief Financial Officer							
Chairman's Comments	Neal Patterson	Chairman, CEO, President & Co-Founder							
Q&A	All								

#### **Safe Harbor Statement**

- This presentation may contain forward-looking statements that involve a number of risks and uncertainties. It is important to note that the Company's performance, and actual results, financial condition or business could differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to:
  - (a) the possibility of product-related liabilities; (b) potential claims for system errors and warranties; (c) the possibility of interruption at our data centers or client support facilities; (d) our proprietary technology may be subject to claims for infringement or misappropriation of intellectual property rights of others, or may be infringed or misappropriated by others; (e) risks associated with our non-U.S. operations; (f) risks associated with our ability to effectively hedge exposure to fluctuations in foreign currency exchange rates; (g) the potential for tax legislation initiatives that could adversely affect our tax position and/or challenges to our tax positions in the United States and non-U.S. countries; (h) risks associated with our recruitment and retention of key personnel; (i) risks related to our dependence on third party suppliers; (j) risks inherent with business acquisitions; (k) the potential for losses resulting from asset impairment charges; (l) risks associated with the ongoing adverse financial market environment and uncertainty in global economic conditions; (m) changing political, economic and regulatory influences; (n) government regulation; (o) significant competition and market changes; (p) variations in our quarterly operating results; (q) potential inconsistencies in our sales forecasts compared to actual sales; (r) the volatility in the trading price of our common stock; and, (s) our directors' authority to issue preferred stock and the anti-takeover provisions in our corporate governance documents.
- Additional discussion of these and other factors affecting the Company's business is contained in the Company's periodic filings with the Securities and Exchange Commission. The Company undertakes no obligation to update forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial condition or business over time.



#### **Cerner at a Glance**

- Founded in 1979, based in Kansas City
- Most experienced health care IT management
- Largest standalone health care IT company in world
  - ~9,300 facilities around the world, including > 2,650
    hospitals; 3,750 physician practices; 40,000 physicians; 500
    ambulatory facilities; 800 home-health facilities; 40 employer
    sites; and 1,600 retail pharmacies.

#### R&D Commitment and Clinical Culture

- \$3B of cumulative R&D
- Over 1,000 Clinicians, most in industry
- Most comprehensive suite of health care solutions & services
- Contemporary, scalable architecture and cloud platform

#### **2011** Revenues of \$2,203M; Net Earnings of \$325M

- 10-year Revenue CAGR of 15% (mostly organic growth)
- 10-year Earnings CAGR of 25%

#### ~10,000 Associates Worldwide

- Over 4,500 in Professional / Managed Services / ITWorks
- Over 2,000 person Intellectual Property (IP) Organization







## **Marketplace**

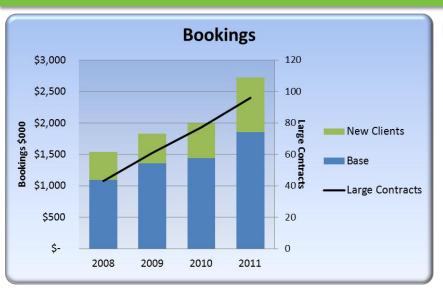
## Zane Burke

Executive Vice President, Client Organization

## **Matthew Swindells**

Managing Director and Senior Vice President, Global Consulting

## **2011 Bookings Highlights**





#### Record Bookings of \$2.7B

- 37% growth over record 2010
  - Installed base +28%
  - New client bookings +58%
- Record volume of large contracts
  - 96 over \$5M
  - 55 over \$10M
- Balanced contribution
  - 20%+ growth for all business models
  - Consistent mix of long-term bookings
- Strong"Works" Contribution
  - Breakout Year for DeviceWorks
  - 3 new ITWorks clients, 9 total
  - 2 new RevWorks clients, 4 total
  - 1<sup>st</sup> QualityWorks client



#### **DeviceWorks**

#### Breakout Year

- DeviceWorks revenue \$180M, up 69%
  - \$103M Device Resale revenue
  - \$41M iBus Device Connectivity Software
  - \$36M Services and Support

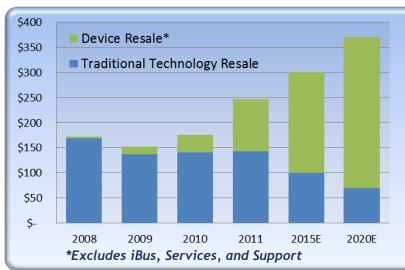
#### Strategically Positioned

- Clients need connectivity for devices and value being able to get from it one company
- Device manufacturers value our deep relationships
  - Clients view us as more strategic

#### Trends and Opportunities

- SmartRoom interest accelerating
- Supply Chain Services Opportunity
  - Planning, configuration, testing and installation of technology infrastructure and device related items
  - One client signed, several prospects







## **Strong Performance in Physician Market**

#### Record Bookings

60% growth over 2010

#### Strong Competitiveness

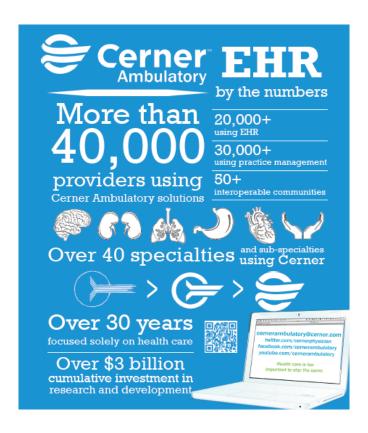
- Ability to leverage health system client base
- Displaced every major competitor
- Increasing preference for integrated platform favors Cerner
- Millennium+, PowerChart Touch

#### Growing Footprint

- Over 10,000 new providers in 2011
- Over 40,000 providers using Cerner ambulatory solutions

#### Growth Opportunities

- Decisions from 2007-2008 that went to competition coming back to Cerner for integrated offering
- Significant greenfield opportunities

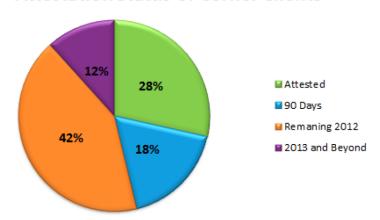




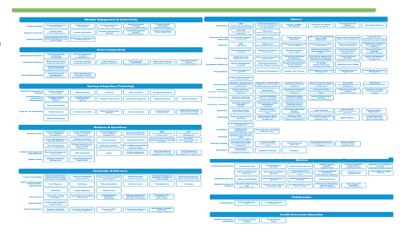
## **Marketplace Observations**

- Cerner Clients doing well on path to Meaningful Use
- Stimulus is beginning of multi-year digitization of health care
  - Stimulus demand will play out over several years, not one wave
- Many drivers beyond stimulus
  - Significant Solutions and Services Whitespace
    - Meaningful Use solutions only about a third of our total solution portfolio
    - New "Works" services less than 5% penetrated
    - Cloud solutions and services provide incremental growth
  - Policy focused on cost and quality
    - Quality and reporting requirements make IT necessary to be competitive
    - Accountable Care, Value-Based Purchasing, Quality Reporting, ICD-10

#### Attestation Status of Cerner Clients



#### Over 200 Solutions and Services





## **Market Share Opportunities Increasing**

#### Several competitors' installed bases actively looking to switch

- Vulnerability caused by suppliers requiring transition to a new platform and/or not being positioned to keep up with future requirements
- 2011 results reflect front end of this trend

#### Cerner has strong competitive position

- Proven scale, breadth, delivery capabilities, predictability
- Momentum in physician market has improved our competitiveness against primary competitor
  - Changing game with Millennium+, PowerChart Touch
- Cerner's investments in interoperability, data analytics, and cloud platform are major differentiators
  - Differentiation increases in Stage 2 and 3 of Meaningful Use and beyond





## **Global Marketplace and Lighthouse**

**Matthew Swindells** 

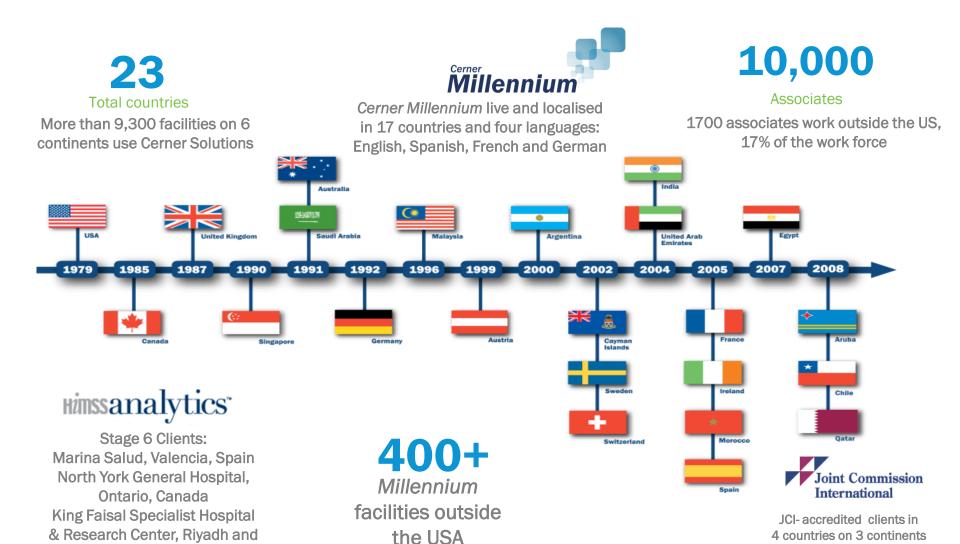


## **Unmatched Global Presence**

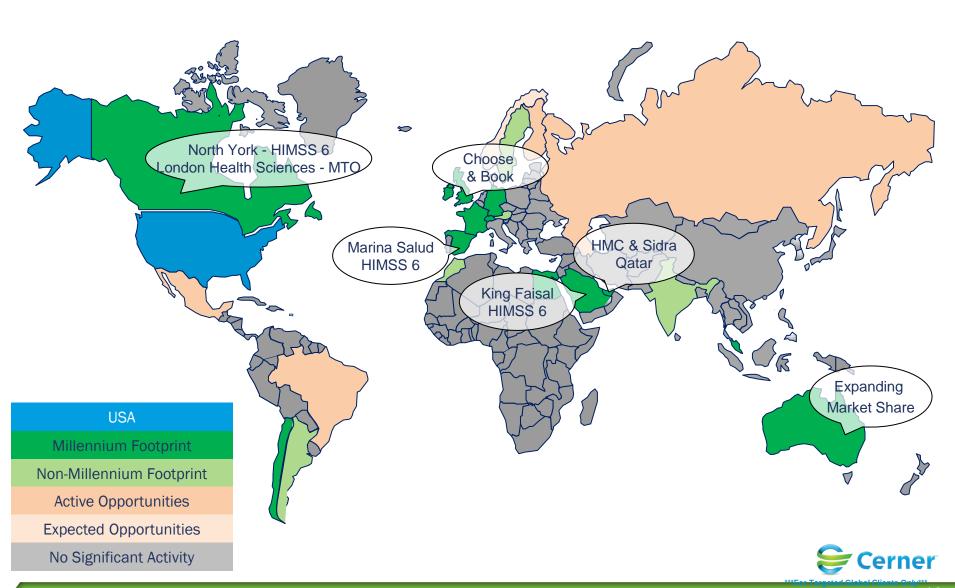
Jeddah, Saudi Arabia



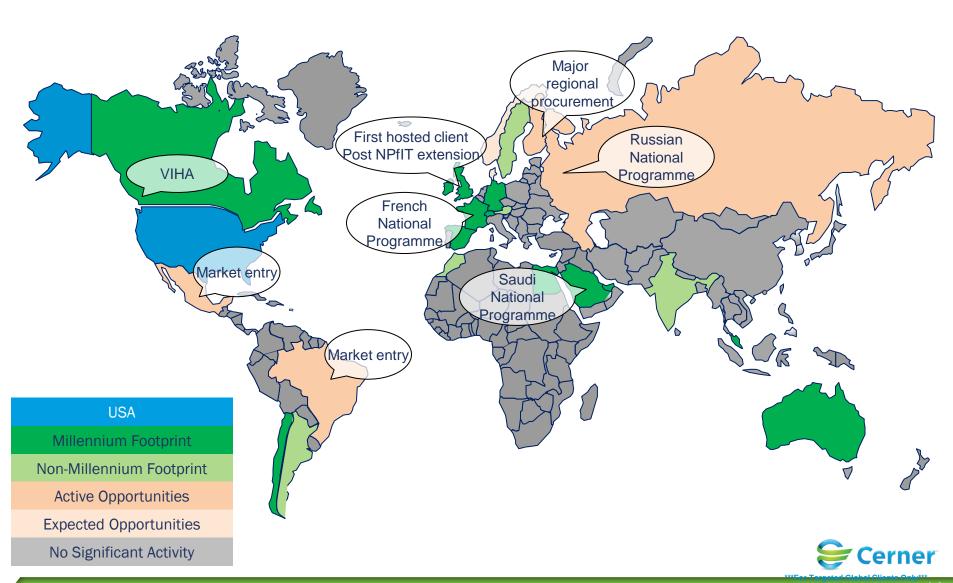
and in 2 languages



## **Global Activity and Highlights**



## **Strategic Opportunities**



#### **Global Markets**

#### **Build on market strength**

#### **Australia**

- Expanding on market leadership
- •>100 hospitals live
- Opportunity to build on existing base

#### Canada

- Good win in London Health Sciences
- Presence in 9 of 10 Provinces
- Strong and improving reputation
- Interest in our population health offerings

#### **Develop from initial footprints**

#### **Latin America**

- Potential national programme in Chile
- Aligned with Spanish business
- Opportunities in Mexico
- Promising early conversations with large hospitals and regional government in Brazil

#### Southeast Asia

- Singapore
- Malaysia
- China (future)

Build case for investment -> better health care at lower cost



#### **Global Markets**

#### **Build market leadership**

#### UK

- Good reputation
- Big go lives
- Shift to sales focus
- Strong pipeline from failure of iSoft/CHC
- Baggage from NPfIT
  - Gov't delays
  - Programme price
  - Missing IP
- Tight finances

#### Middle East

- Strong 2011
- Dominant regional player
- Focus on delivery
- Positioning for Saudi program
- Seeking new markets post Arab Spring

#### Battened down for financial storm

#### **France**

- A number of strong EPR opportunities
- Finance system well regarded
- Relaunch of national programme announced
- Tight Finances

#### Germany

- Focus on big hospital chains
- Moving to sell iBus and other solutions
- Market saturated with finance based systems

#### Spain

- Some of our best clients and good reputation
- Engaging at government & regional level
- Financial challenges
- Little government money

Build case for investment -> better health care at lower cost



## **Lighthouse / QualityWorks**



## **Lighthouse:** Cerner's Approach to Performance Excellence

#### Strategic Partnerships with Clients

- Optimize Process
  - · Clinical, Quality, Operational
- Define metrics to measure success
- Contractually commit to improving metrics
  - Client & Cerner share in benefits
- Implement reporting and on-going assessment process

#### QualityWorks

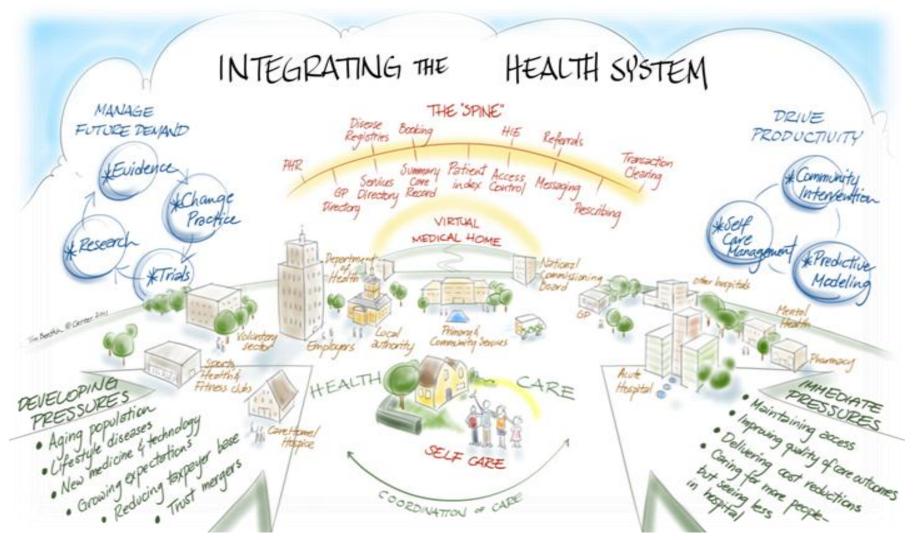
- Extension of Lighthouse capabilities
  - Strategic and Operational Alignment focused on Quality and Outcomes
  - Cerner manages and delivers the Quality and Outcomes plan for a fee
    - CMS, Meaningful Use, Value Based Purchasing, Medicare Re-admits
  - Cerner earns bonuses for agreed upon performance







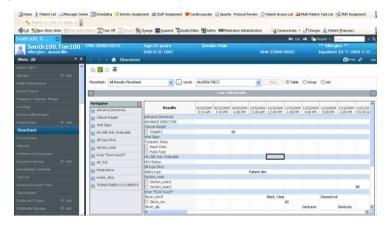
## **Driving productivity improvement**



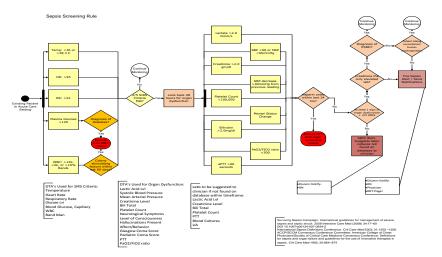


## Improve care through technology

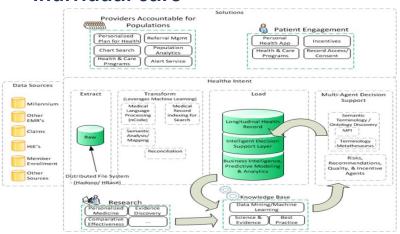
# Collect data as part of the care process



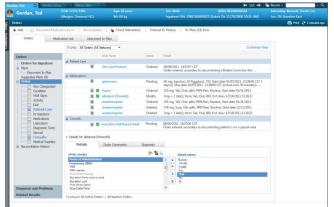
#### Imbed real clinical evidence



## Use data to plan population & individual care



# Guide clinical practice with executable knowledge







## **Imperatives and Strategies**

## Mike Nill

Executive Vice President and Chief Operating Officer

## **Jeff Townsend**

Executive Vice President and Chief of Staff

# **2012 Imperatives and Getting Larger Share of Growing Health Care Spend**

**Mike Nill** 



## **2012 Corporate Imperatives**



#### Corporate Imperatives **Dramatically Improve Power Population Drive Meaningful Use** Physician Experience **Health Management Meaningful Use** >80% of base **Future Proof our** driving unprecedented attested for Stage 1 clients physician adoption by end of year **ACOs, Value-Based** ICD-10 also part of Millennium+, **Purchasing PowerChart Touch** 2012 release Cloud, analytics, build on progress interoperability **Fast, Smart, Easy** capabilities



## **Getting Larger Share of Growing Health Care Spend**

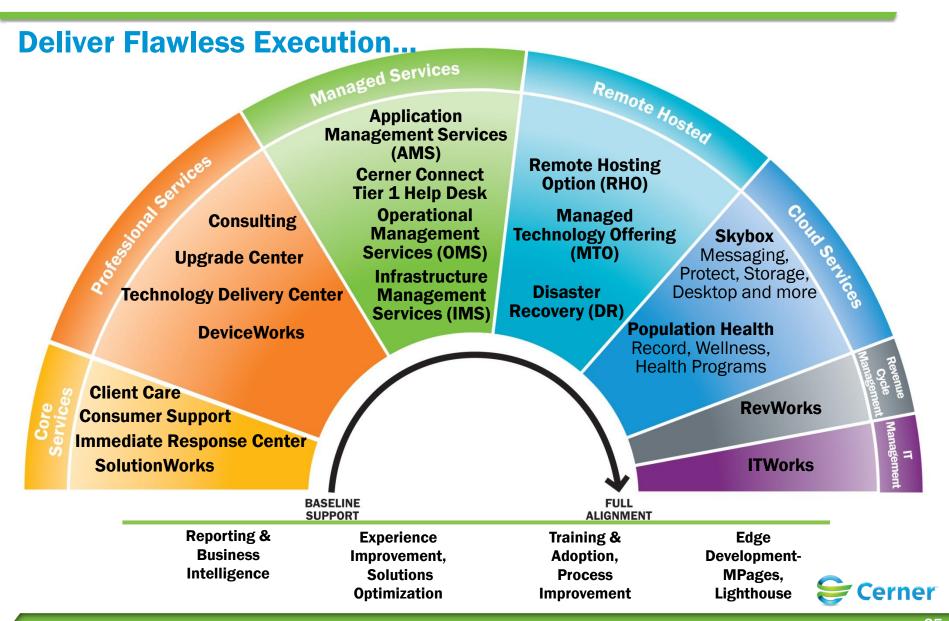
- Expect % of total spend on IT to increase over next decade
  - U.S. Health Care is 17% of GDP, but only 9% of total IT Spend
- Cerner capturing larger % of this growing spend with new offerings
- Three tops-down scenarios reflect Cerner revenue CAGRs of 10%-18% from 2011 to 2020

\$ in Billions		MID	]	LOW		HIGH		
	2011	2020E	CAGR	2020E	CAGR	2020E	CAGR	Comments / Assumptions
Health Care Operating Spending*	\$2,462	\$ 4,100	5.8%	\$4,100	5.8%	\$4,100	5.8%	Growth at projected National Health Expenditure rate
% of Spend on IT	3.5%	4.5%		4.0%		5.0%		Current all-industry average is 4.5%
Worldwide HCIT Spending*	\$ 86.2	\$ 184.5	8.8%	\$164.0	7.4%	\$205.0	10.1%	
Cerner Client Spending	\$ 12.9	\$ 27.7		\$ 24.6		\$ 30.8		Estimated 15% market share in markets we have presence
New Client Spending		\$ 4.2		\$ 2.5		\$ 7.7		Assumes client base increases of 15% (Base), 10% (Low), 25% (High)
Total Cerner Client Spending	\$ 12.9	\$ 31.8	10.5%	\$ 27.1	8.6%	\$ 38.4	12.9%	
% of Client Spending	17%	22%		20%		25%		Increased share of spend through new offerings
Cerner Revenue	\$ 2.2	\$ 7.0	13.7%	\$ 5.4	10.5%	\$ 9.6	17.8%	Low scenario supports bottoms up 2020 view; high reflects upside

\*In Markets Cerner has presence Gartner and Cerner Estimates



#### **Cerner's Continuum of Services**



#### **Cerner's Continuum of Services**

# Revenue Cycle Management

# Application Management Services (Mth) Operational Management Services (Clinica, Technical Upgrade Center Services (OMS) Systems Integration, Eventer Management Services (Mth) Client Care Consumer Support Immediate Response Center SolutionWorks Low Description Low Description Frogram Remote Hosting Option (Rth) Management Services (Mth) Management Services (Mth) Menaging Menagement Menagement Services (Mth) Menagement Servi

#### RevWorks

- Partner with client and manage revenue cycle departments, including patient accounting and billing systems, revenue cycle transaction services, business office and revenue cycle department management
- Executive leadership on-site and staff ownership, management or augmentation to manage the revenue cycle process, and client's team of revenue cycle department leaders
- Benefits include:
  - Lower total cost of ownership by reducing average cost-to-collect
  - Improve net revenue and reduce denials
  - Decrease cost through process improvement projects
  - Modernize the revenue cycle by leveraging innovative technology



## **Revenue Cycle Highlights**

#### Strong Growth

- 2 new RevWorks clients; 4 total
- Revenue up 110% to \$84M
  - Driven by RevWorks Services, Patient Accounting, Access Management, Health Information Management

#### Execution

- Delivering Patient Accounting
  - Brought 31 hospitals live; now have 76
  - Brought 95 clinics live; now have 365

#### Opportunity

- Client base spends ~\$15B annually on Revenue Cycle
- Alignment with clinical provider is strategically important with more reimbursement tied to clinical data





#### **Client Benefit Examples**

- \$3.5M in new revenue
- 10% decrease in revenue cycle spend
- Reduced A/R > 90, Improved net AR Days
- Point-of-service collections up 14%
- Pre-registration rates up 43%
- HIM chart delinquency down 30%
- Eliminated coding backlogs
- 100% cash collections targets

## **Cerner's Continuum of Services**



#### **Cerner ITWorks**

- Align with client to equip them with the tools, software and methods needed to improve efficiency, patient safety and overall healthcare delivery
- With ITWorks, Cerner handles the organization's day-to-day IT operations, so its leadership can focus on key strategic initiatives and care delivery.
- Benefits include:
  - Rapid clinical road map advancement (Meaningful Use, ICD-10 & beyond)
  - Effective technology service delivery
  - Operational efficiencies that can facilitate strategic initiatives
  - Collaborative innovation at the edge through clinical process optimization and technology

#### **ITWorks** Clinical & **Care Delivery Business Services**

Clinical Transformation Ambulatory Clinics nformation Deliver

#### Administration & Operations

## **ITWorks Highlights**

#### Strong Growth

- 3 new ITWorks clients; 9 total
  - 2 of 9 have been net new clients
- Revenue up 106% to \$70M

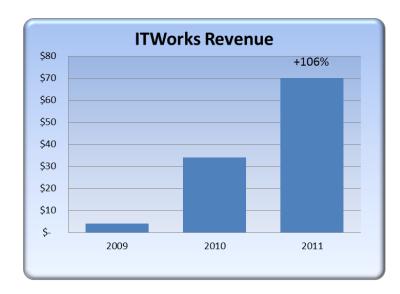
#### Achievements

- High client satisfaction
- Accelerated Meaningful Use and HIMSS EMR Adoption Model Attainment
- Early adopters of new offerings
  - Smart Rooms, Chart Search, HIE, mobility

#### Opportunity

- Currently less than 5% penetration in base
- 20% penetration of existing targets would be over \$500M annual revenue
- Already expanding scope at initial clients
  - Skybox services
  - Revenue cycle software and implementation
  - Specialty practice solutions and implementation (i.e. Women's Health and Oncology)



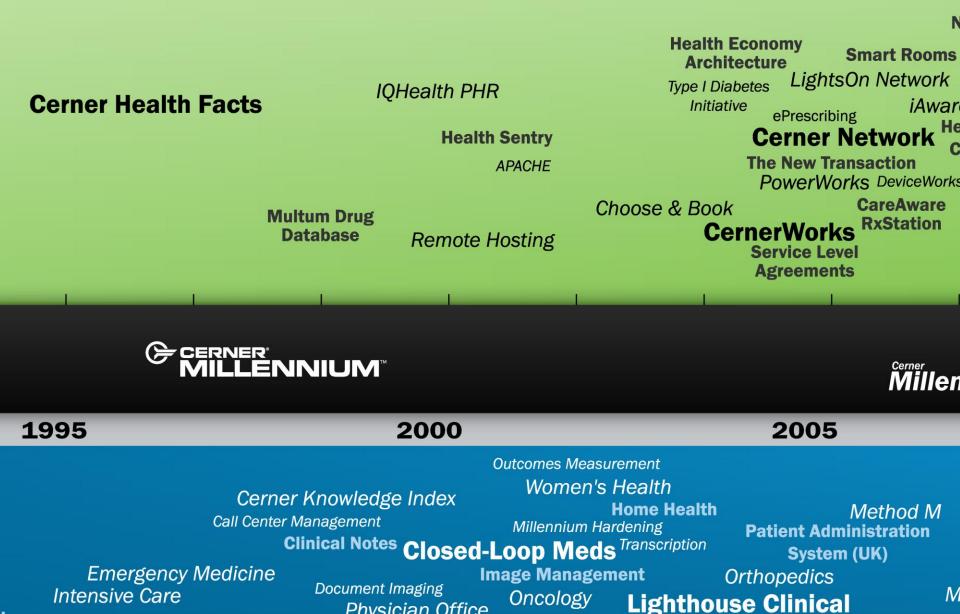




## Millennium+, Cloud Platform, Big Data

**Jeff Townsend** 





ions **Enterprise Billing** th System Management

Accounts Receivable First Multi-Facility IDN

Physician Office Cardiology Patient Accounting

Medical Research Repository

**Lighthouse Clinical Process Optimization** 

Workforce Management

**Distributed Database** 

Critic

Mi





2005 2010

nt lth e Health Method M ng **Patient Administration** scription

System (UK)

**Orthopedics** 

ghthouse Clinical ocess Optimization

Management

**Distributed Database** 

**FetaLink** 

**MPages for Ambulatory** 

**MPages for Inpatient** Infusion Management

**MPages** 

**Enterprise Sepsis Alerting** 

Critical Care Dashboard

Millennium Release 2007

#### **Moment of Decision**



Social Media

Enterprise and Cloud



Research Journals (Evidence)





Community Surveillance







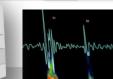


Visit History PowerChart+



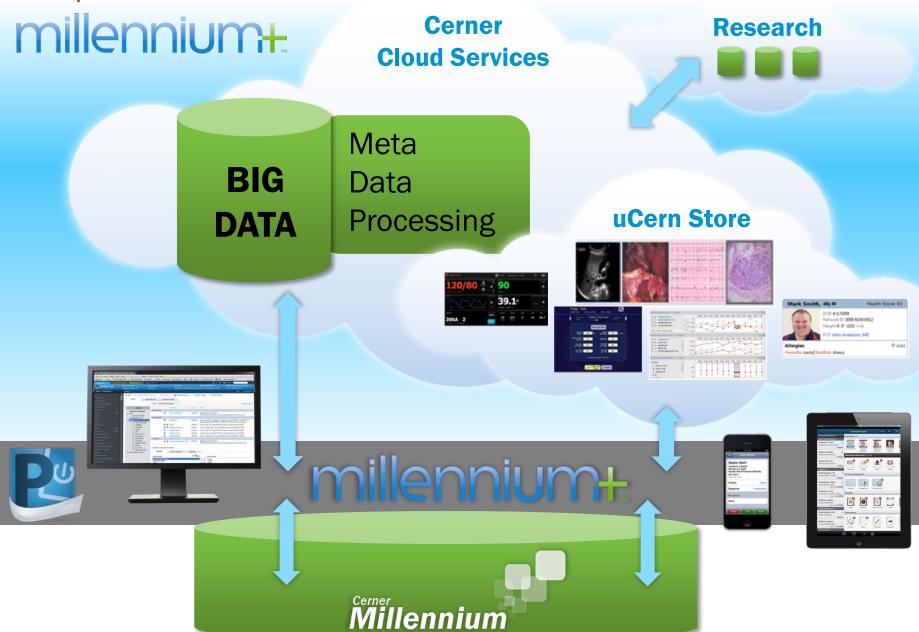








## The power of



The power of

millennium+

## Cerner **Cloud Services**

BIG **DATA**  **Meta Data Processing Semantic Mapping Nomenclatures** Ontology Membership MPI **Provider Directory Indexing of Sources** 

Cloud MPI -**Supervised Machine Learning** 

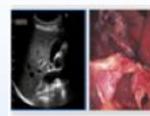
Person Demographics **Visit Time Series Algorithms Individual Clinical Integrity** 



Researc

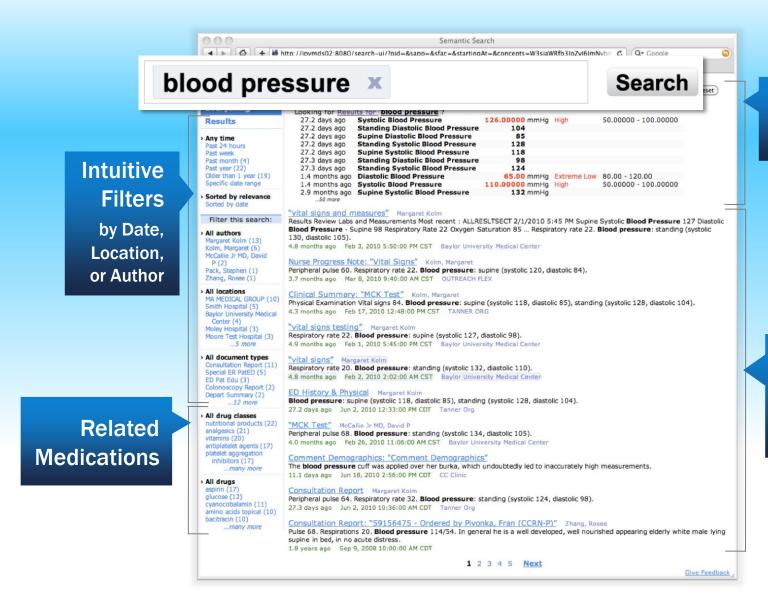


uCe





#### **Enterprise** → Cloud: "Find concepts related to"



Discrete Vitals

Documents – Most Relevant First Related concepts

#### Cloud → Enterprise: "Anticipate Next" without asking





# **Evolving Health Landscape, Predictive Modeling and Analytics**

# Dick Flanigan

Senior Vice President, Research and Employer

# Harlen Hays

Senior Researcher

## **Two Factors are Driving the Market Opportunity**

#### Digitization of Healthcare:

- Resulting in the proliferation of Electronic Medical Records
- Enabling the interoperability of data
- Promoting the information-based management of care and
- Encouraging health of communities

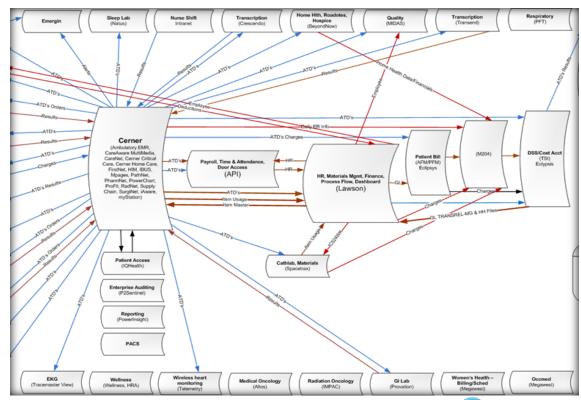
#### Emergence of the Accountability Framework

- Risk management is shifting from insurers to providers
- Accountable Care Organizations (and their variants) are here to stay
- Shift from Safety and Quality to Outcomes and Value
- Big Data and Analytics will be the next foundation system



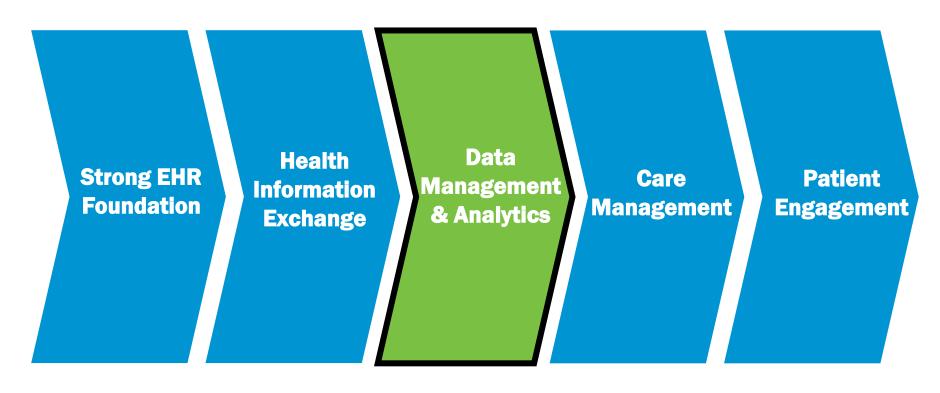
#### Welcome to the Post-Enterprise Medical Record (EMR) World

- Within 5 years, all providers will operate with a digital transaction infrastructure
- That infrastructure will not all come from one supplier
- Interoperability of data will not magically create interoperability of care or the management of health
- EMR's alone will not solve the problem





#### What's Required to manage in the new framework?



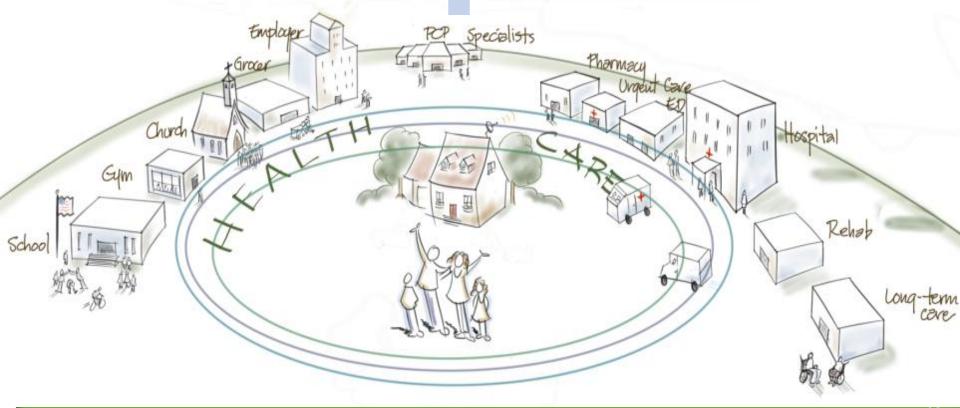
Aligning Persons, Payers, and Providers

Driving Accountability for Outcomes and Value

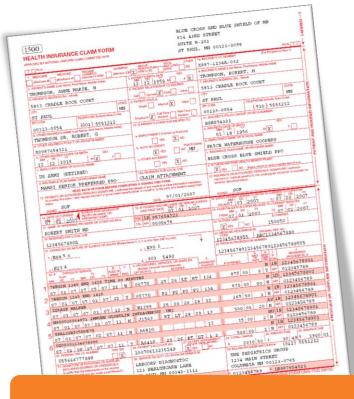
© Cerner







#### Where does all of the data come from?



#

Claim Form

480

data elements



Electronic Health Record

26,000

data elements





**Predictive Modeling and Data Analytics Examples** 

**Chronic Disease: Diabetes** 

**Acute Condition: Sepsis** 

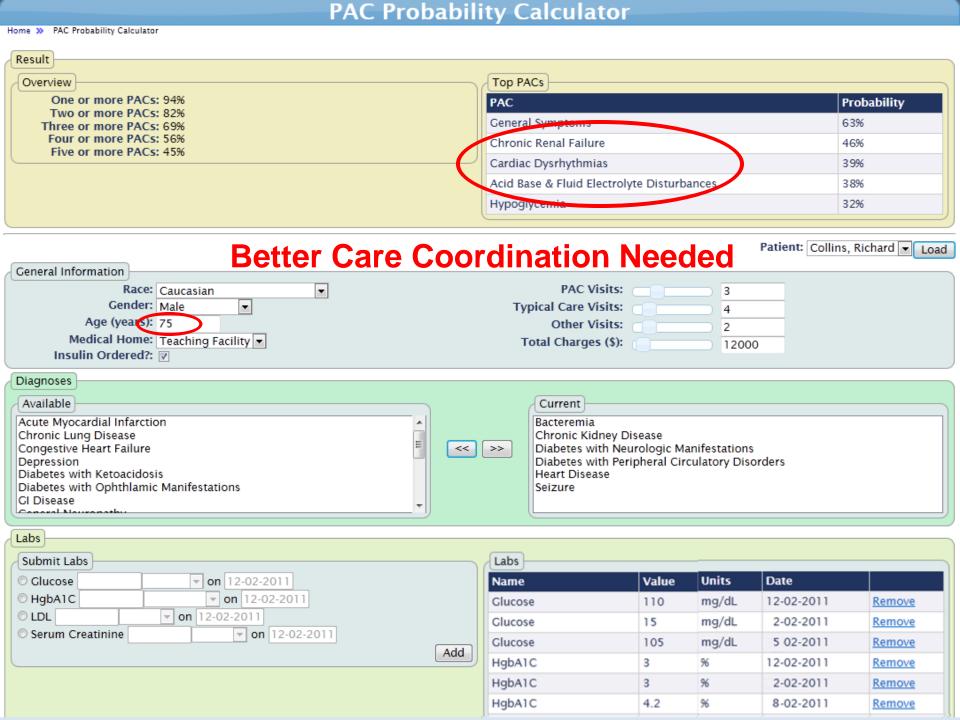
**Harlen Hays** 

## **Diabetes Potentially Avoidable Complication (PAC)**

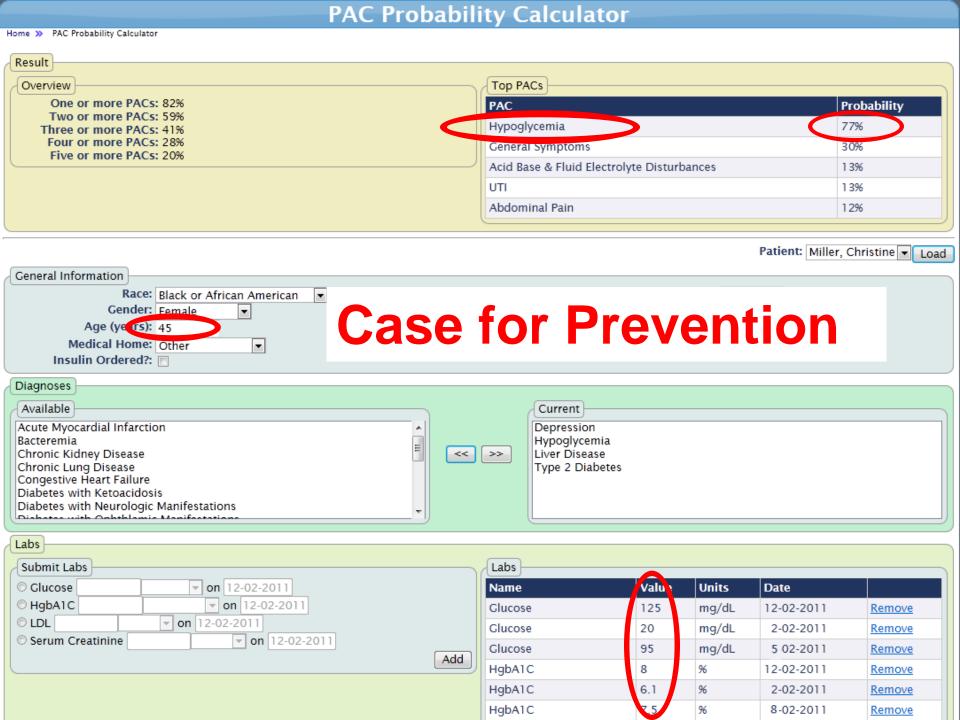
- The DM PAC model is built using analysis of clinical data from Health Facts® observational data set
  - Able to leverage hundreds of data inputs to derive the model
  - Population of over 200,000 diabetics identified to build and validate the algorithm
  - Output: Individualized predictive model to better manage disease
    - Help to focus efforts on the behaviors that will have the biggest return on investment
    - Small steps for the patient, targeted points for the provider
- Once a model has been externally validated (prospectively) in clinical setting, it can be utilized to inform and guide both clinicians and consumers on potential complications



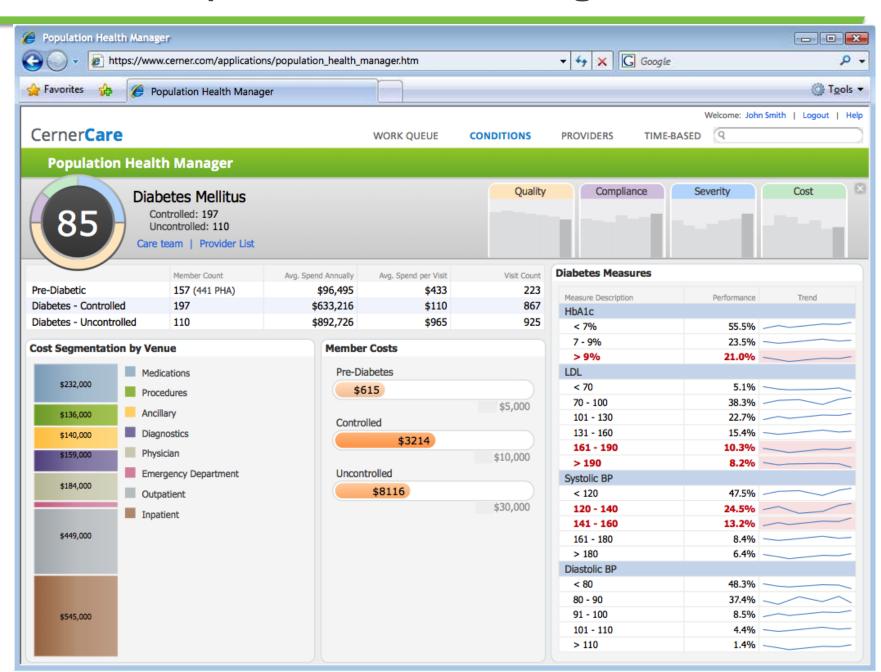
PAC Probability Calculator Home >> PAC Probability Calculator Result Top PACs Overview One or more PACs: 94% PAC **Probability** Two or more PACs: 82% General Symptoms 63% Three or more PACs: 69% Four or more PACs: 56% Chronic Renal Failure 46% Five or more PACs: 45% Cardiac Dysrhythmias 39% Acid Base & Fluid Electrolyte Disturbances 38% Hypoglycemia 32% Patient: Collins, Richard -Load General Information Race: Caucasian PAC Visits: • 3 Gender: Male ▾ **Typical Care Visits:** 4 Age (years): 75 Other Visits: 2 Medical Home: Teaching Facility ▼ Total Charges (\$): 12000 Insulin Ordered?: 🔻 Diagnoses Available Current Acute Myocardial Infarction Bacteremia Ш Chronic Lung Disease Chronic Kidney Disease Congestive Heart Failure Diabetes with Neurologic Manifestations << >> Diabetes with Peripheral Circulatory Disorders Depression Diabetes with Ketoacidosis Heart Disease Diabetes with Ophthlamic Manifestations Seizure GI Disease Concret Nauronathu Labs Labs Submit Labs Olucose on 12-02-2011 Value Units Date Name on 12-02-2011 O HgbA1C 12-02-2011 Glucose 110 mg/dL Remove O LDL on 12-02-2011 mg/dL 2-02-2011 Glucose 15 Remove ▼ on 12-02-2011 Serum Creatinine Glucose 105 mg/dL 5 02-2011 Remove Add HgbA1C 3 96 12-02-2011 Remove HgbA1C 3 2-02-2011 Remove HqbA1C 4.2 8-02-2011 Remove



PAC Probability Calculator Home >> PAC Probability Calculator Result Top PACs Overview One or more PACs: 82% PAC **Probability** Two or more PACs: 59% Hypoglycemia 77% Three or more PACs: 41% Four or more PACs: 28% General Symptoms 30% Five or more PACs: 20% Acid Base & Fluid Electrolyte Disturbances 13% UTI 13% Abdominal Pain 12% Patient: Miller, Christine -Load General Information Race: Black or African American PAC Visits: 3 Gender: Female Typical Care Visits: Age (years): 45 Other Visits: 2 Medical Home: Other • Total Charges (\$): 12000 Insulin Ordered?: Diagnoses Available Current Acute Myocardial Infarction Depression 111 Bacteremia Hypoglycemia Chronic Kidney Disease << >> Liver Disease Chronic Lung Disease Type 2 Diabetes Congestive Heart Failure Diabetes with Ketoacidosis Diabetes with Neurologic Manifestations Diabatas with Onbthlamic Manifastation Labs Labs Submit Labs on 12-02-2011 Olucose Name Value Units Date ○ HqbA1C on 12-02-2011 mg/dL Glucose 125 12-02-2011 Remove O LDL on 12-02-2011 Glucose mg/dL 20 2-02-2011 Remove O Serum Creatinine on 12-02-2011 Glucose 95 mg/dL 5 02-2011 Remove Add HgbA1C 8 96 12-02-2011 Remove HgbA1C 2-02-2011 6.1 Remove HgbA1C 7.5 8-02-2011 Remove



#### **Condition Prospectus - Cost and Risk Segmentation**

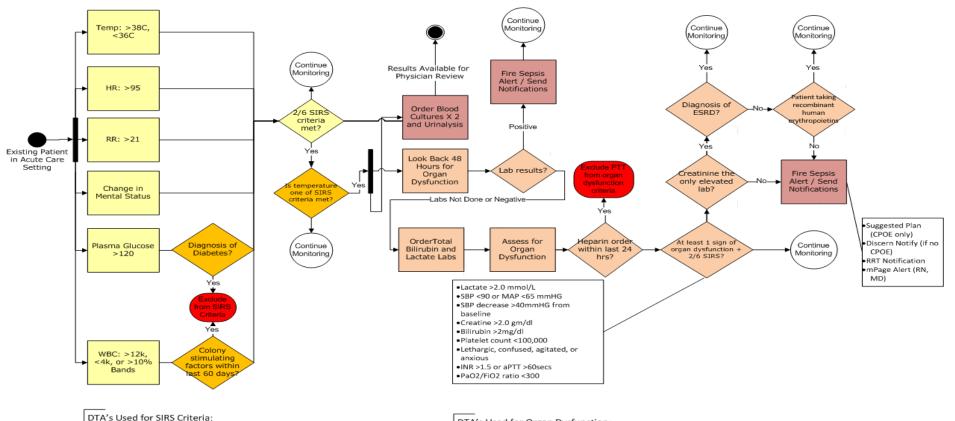


Moving Sepsis Detection and Intervention beyond the EMR
Revising and Validating current Algorithms



# **Sepsis Rescue Agent - Screening Algorithm**

Sepsis Screening Rule



Temperature Heart Rate Respiratory Rate

Neurological Symptoms Level of Consciousness Hallucinations Present

Affect/Behavior

Glasgow Coma Score Pediatric Coma Score

Glucose Lvl Blood Glucose, Capillary

WBC

Band Man

DTA's Used for Organ Dysfunction:

Lactic Acid Lvl

Systolic Blood Pressure

Mean Arterial Pressure

Creatinine Level

Bili Total

Platelet Count

Neurological Symptoms Level of Consciousness

Hallucinations Present

Affect/Behavior

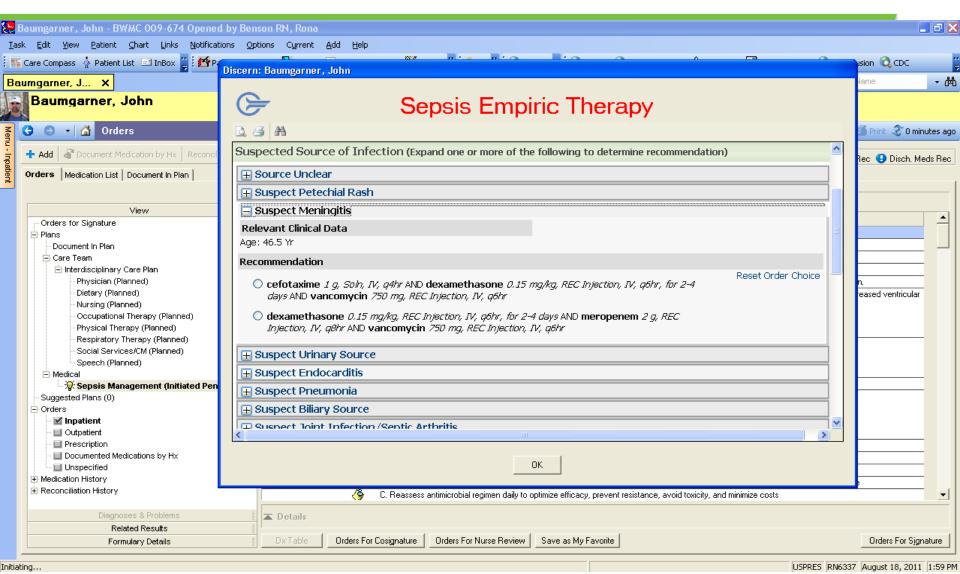
PaO2/FiO2 ratio

Surviving Sepsis Campaign: International guidelines for management of severe sepsis and septic shock: 2008 Intensive Care Med (2008) 34:17-60 DOI 10.1007/s00134-007-0934-2

International Sepsis Definitions Conference. Crit Care Med 2003; 31:1250 -1256. ACCP/SCCM Consensus Conference Committee: American College of Chest Physicians/Society of Critical Care Medicine Consensus Conference: Definitions for sepsis and organ failure and guidelines for the use of innovative therapies in sepsis. Crit Care Med 1992; 20:864-874



# **Real Time Patient Surveillance for Sepsis**



#### **Health Facts® Simulation**

- Imagine a hospital (Lawrence Memorial Hospital) wants to see how well the alert is working
  - Put alert into production, but suppress the actual alert
  - Accumulate enough cases to perform statistical tests
    - To match our Health Facts® Simulation it would take over 4 years to accumulate enough cases to perform the exact same tests
- Health Facts® was able to identify over 68,000 patients that met our criteria for a study
  - Full study took less than a month to conduct
  - Framework created to test different thresholds (balance Sensitivity and Specificity for optimal workflow at a given institution)
    - This allows for the algorithm to learn based upon actual application
    - Currently have 5 clients submitting their data and experiences so the algorithm can be further refined



# **Validating Decision Support with Health Facts**

# Sepsis alerting

#### Alert would have fired in:

- 73% of admissions with sepsis
- 23% of admissions without sepsis

# Sepsis present:

- 14% of admissions with Alert
- 2% of admissions without Alert

Sensitivity	.73
Specificity	.77
Positive Predictive Value	.14
Negative Predictive Value	.98





# **Physician Productivity & Experience**

# Max Reinig

Vice President, Physician Solutions

# Dr. Doug Dickey

Director, Physician Solutions

# Fast Smart Easy







# Fast

# Smart

Easy

- Instantaneous response
- Streamlined workflows
- All clicks intentional
- Knows me
- Tailored to venue, patient, condition
- Guides me through my workflow
- Works out of the box, no configuration
- Intuitive
- No training

10:49 AM



Pad ≎

# PowerChart touch



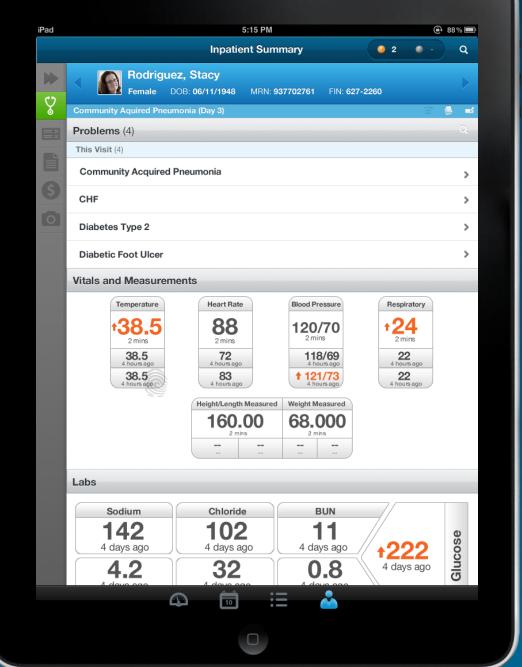




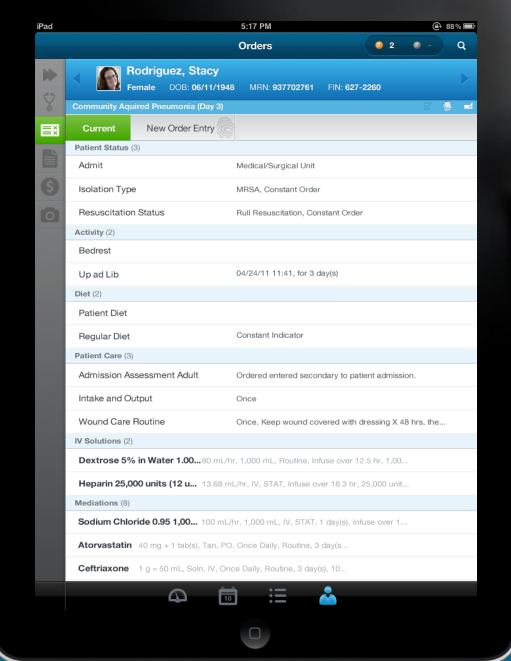




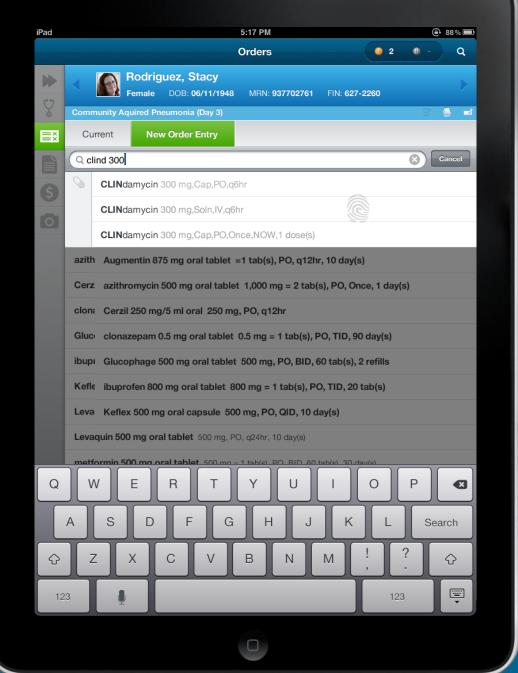
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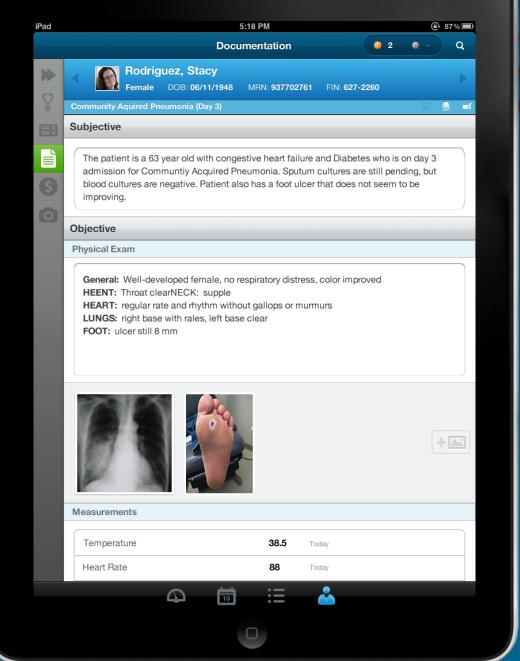
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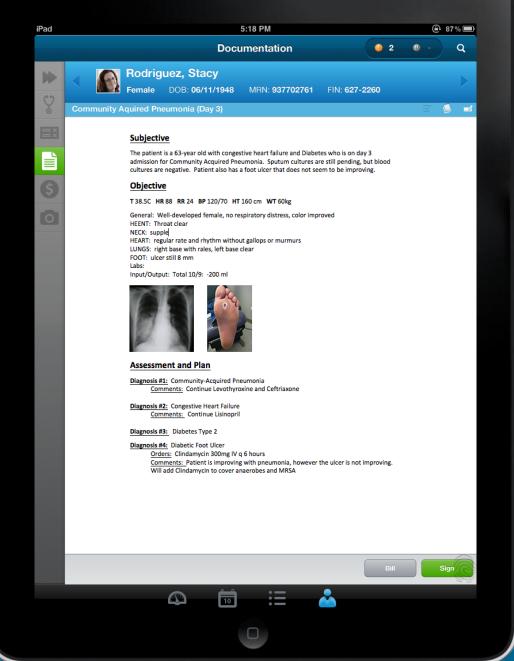


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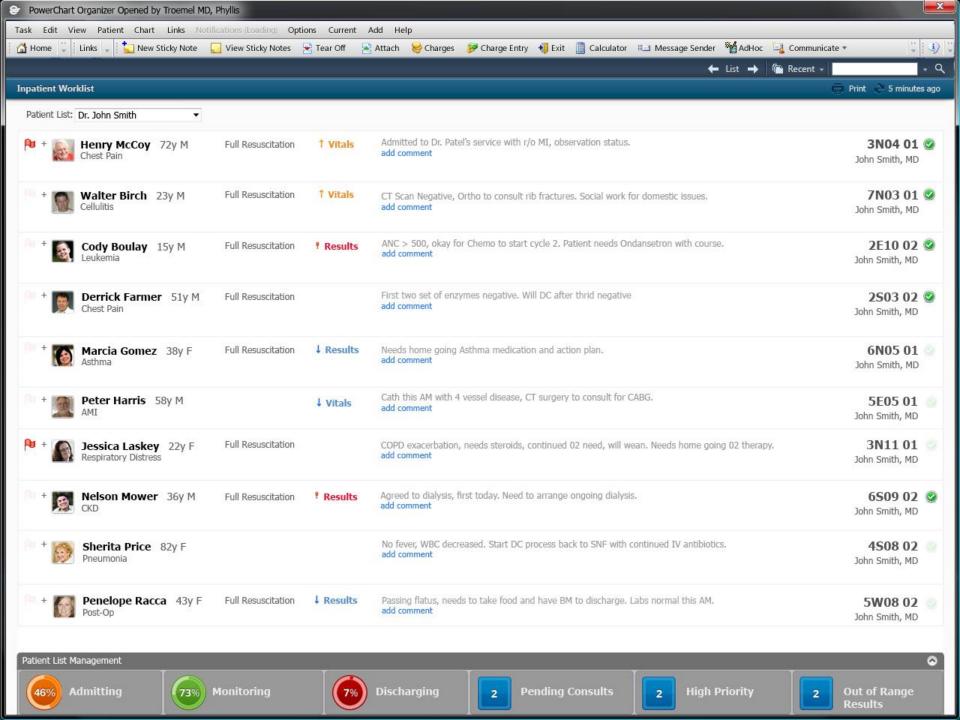


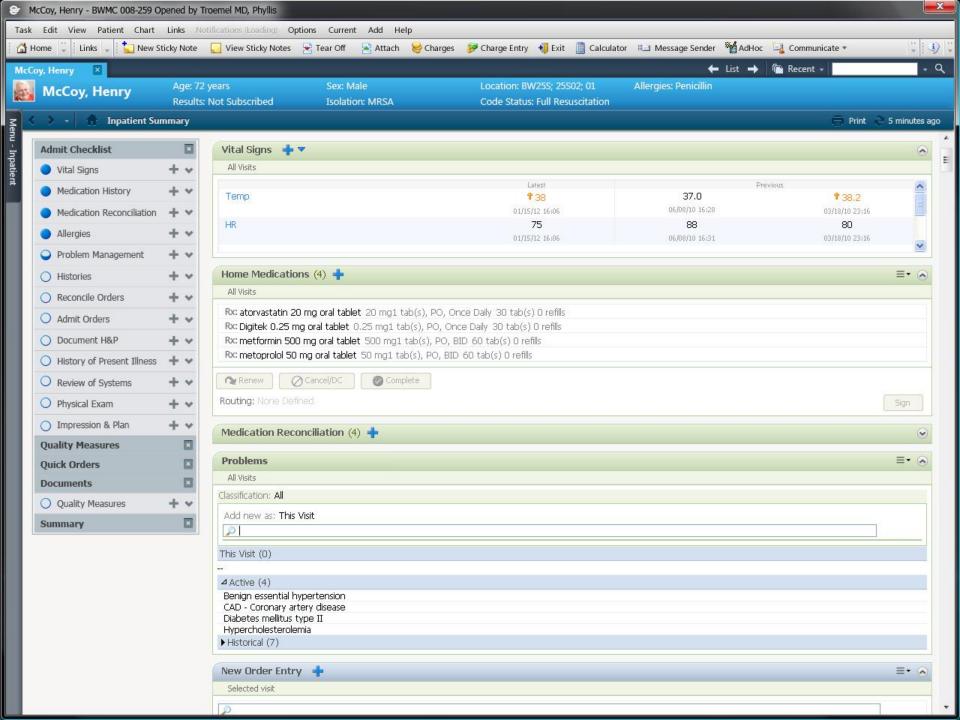
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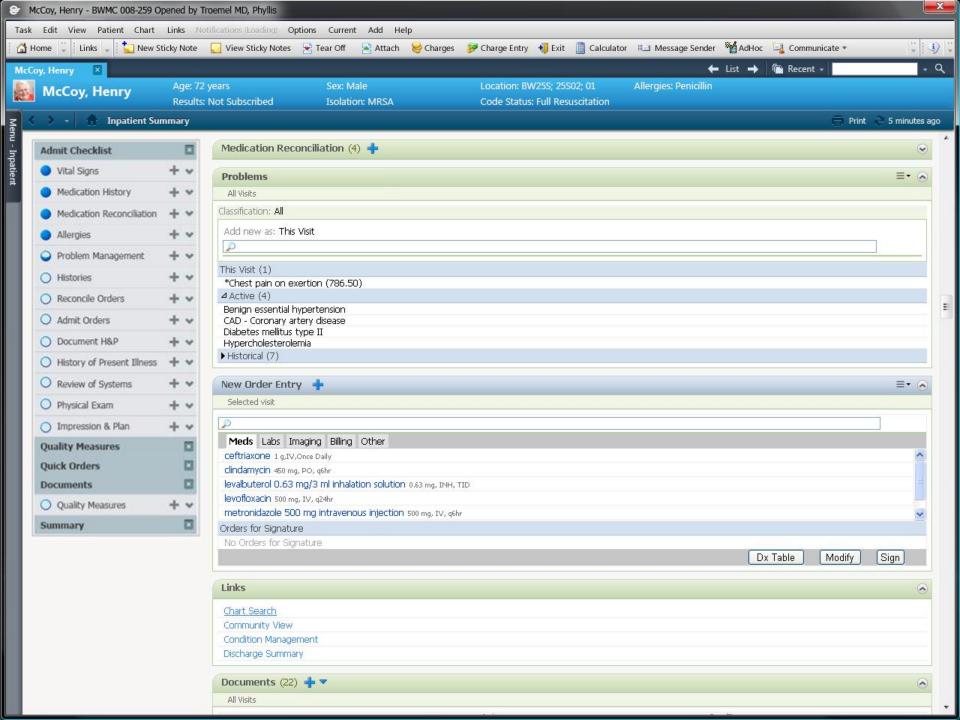
# **Hospitalist Desktop Workflow**

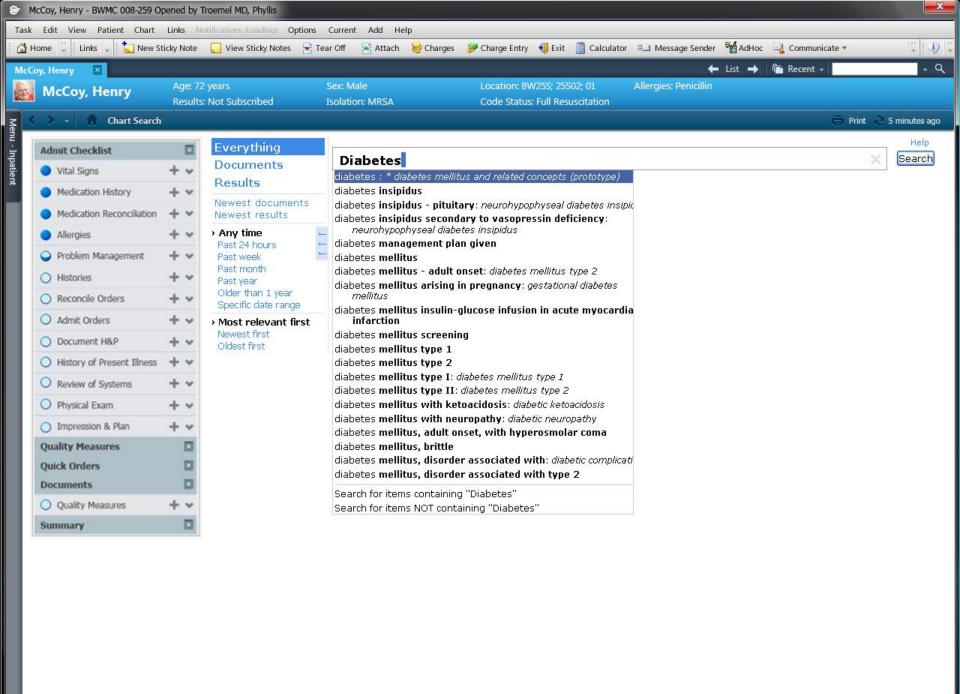


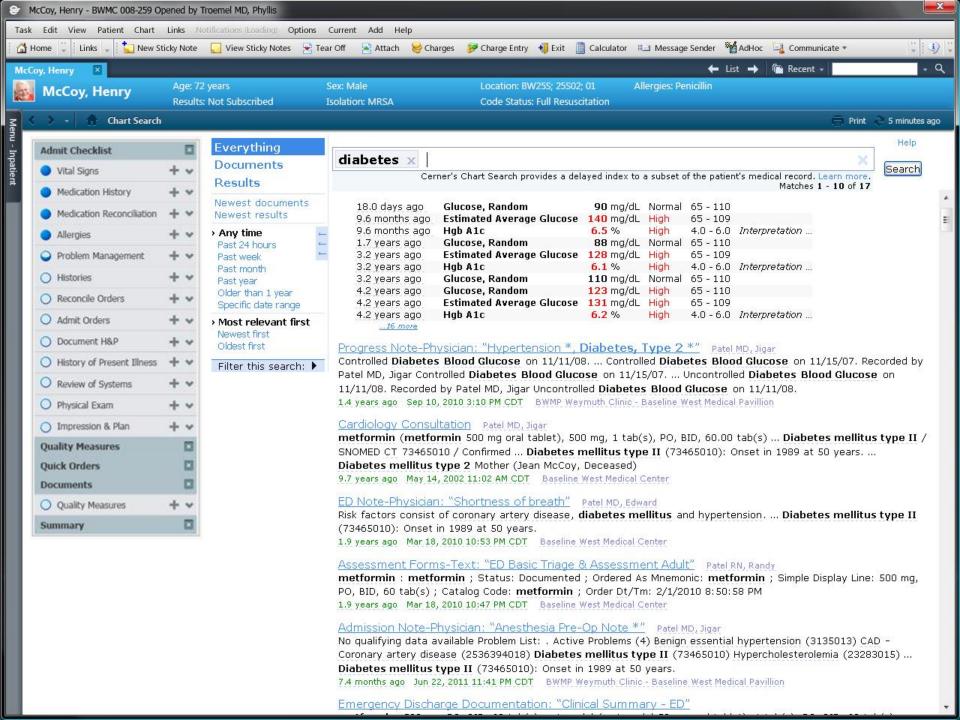


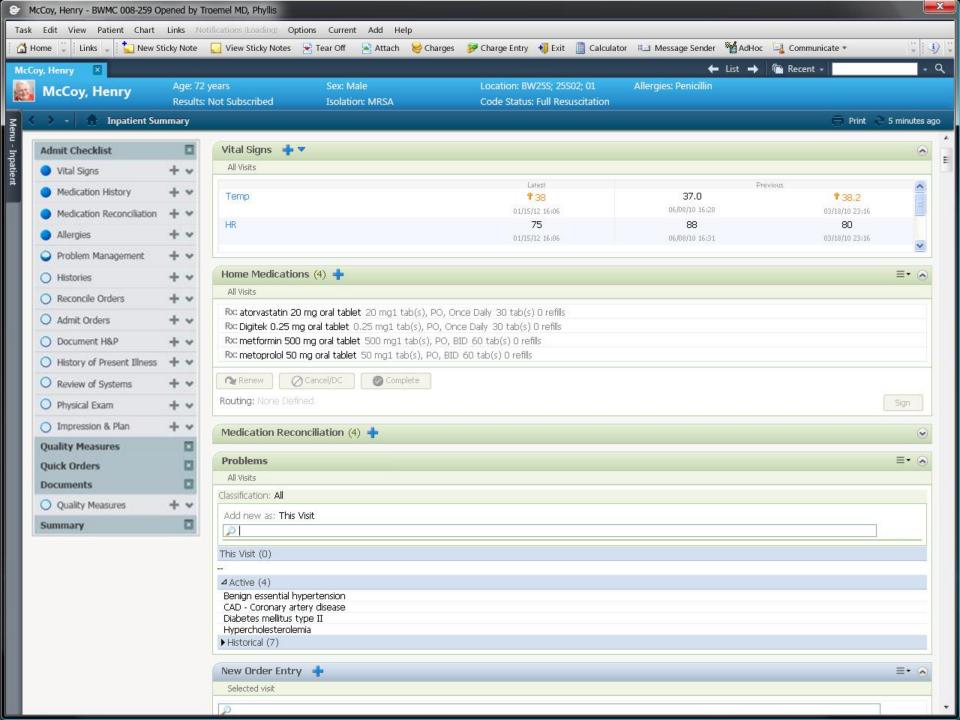


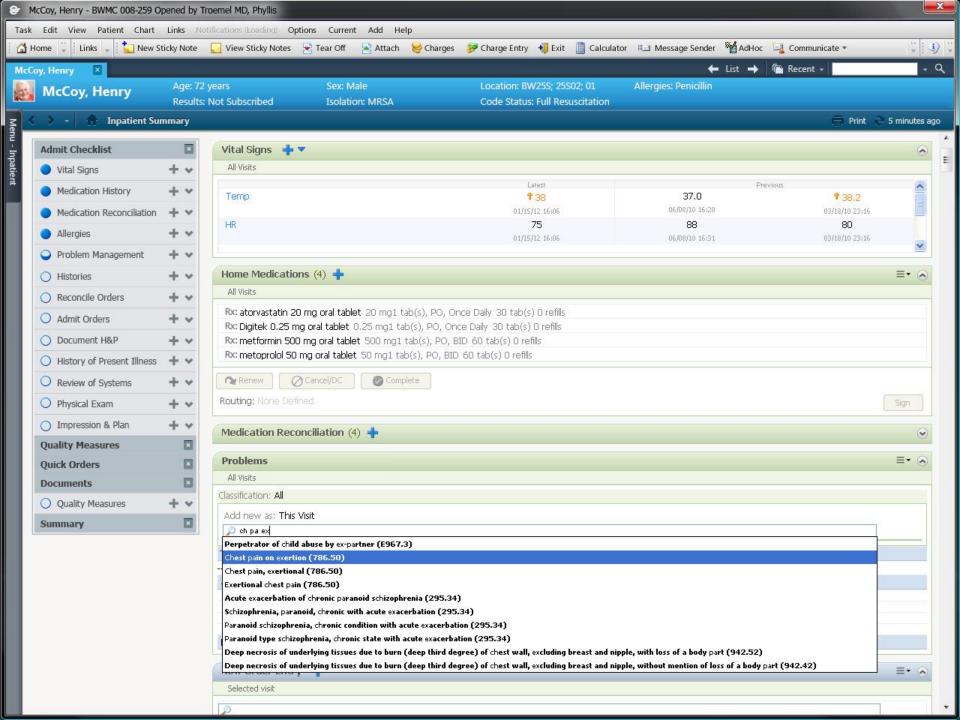


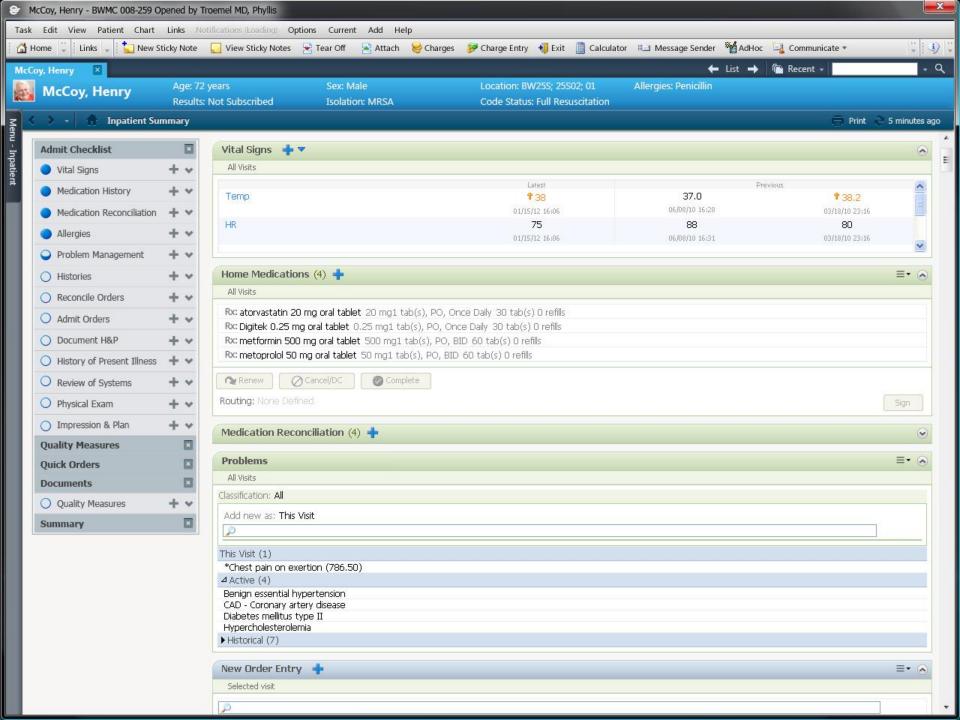








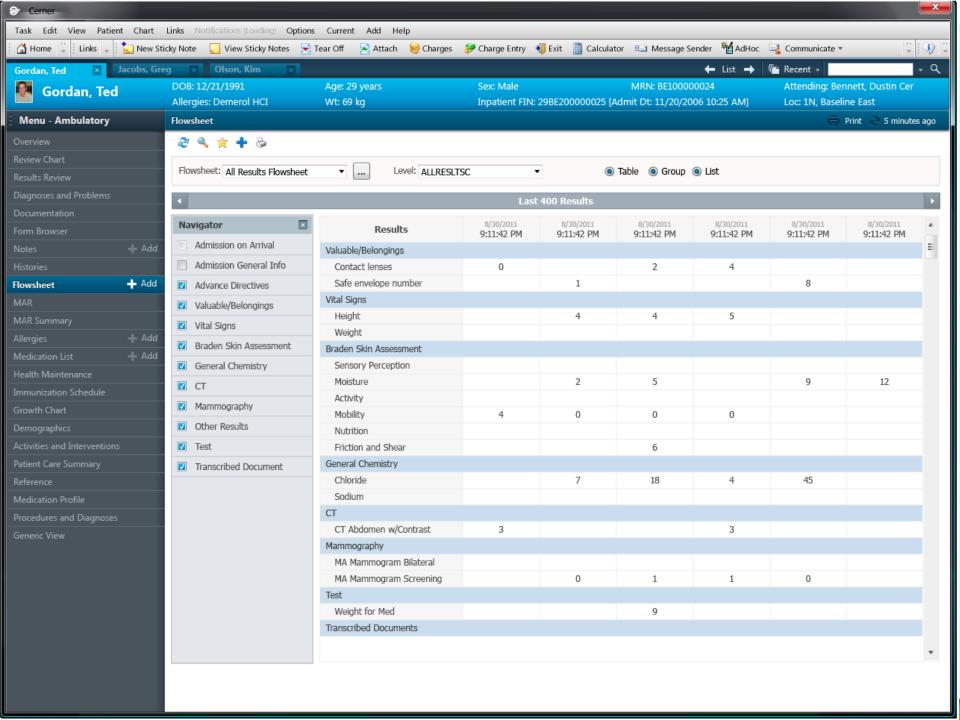


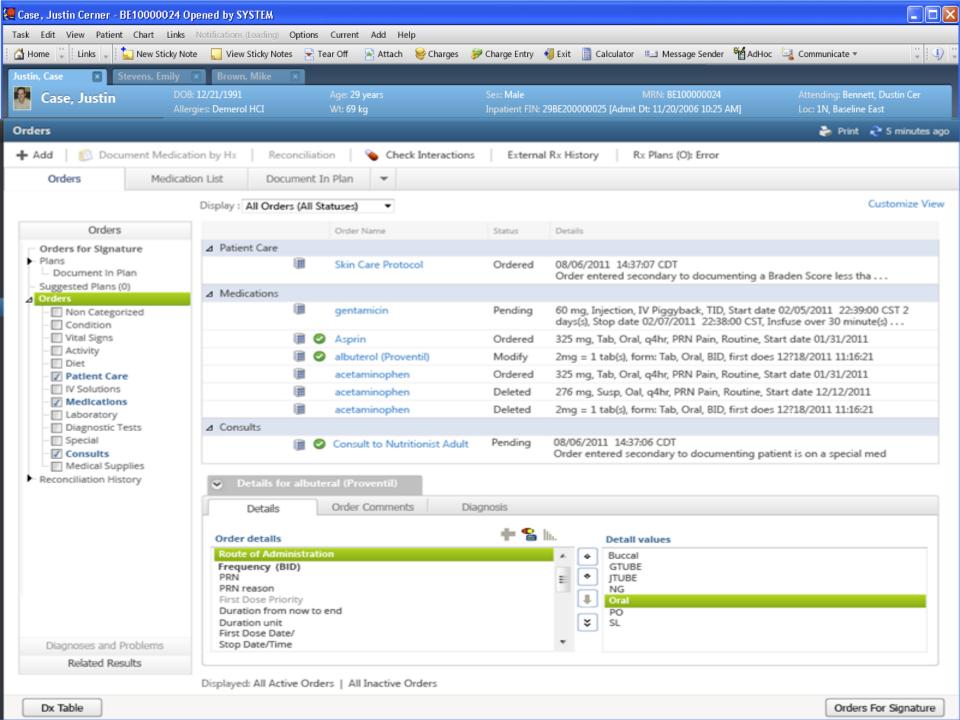


### Plus...a New Look and Feel









# **PowerChart Touch Demonstration**

**Dr. Doug Dickey** 





### **Financial Overview**

# Marc Naughton

Executive Vice President and Chief Financial Officer

## **2011 Financial Highlights**

#### Income statement

- Bookings
  - Up 37% to \$2.7B
- Revenue
  - Up 19% to \$2.2B
- Operating Margin
  - Up 140 basis points to 22.2%
- EPS
  - Up 26% to \$1.87
  - Met or exceeded guidance 48 / 49 quarters

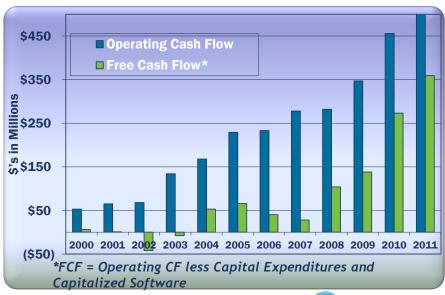
#### Balance Sheet

- \$1.1B cash and investments
- \$127M debt

#### Cash Flow

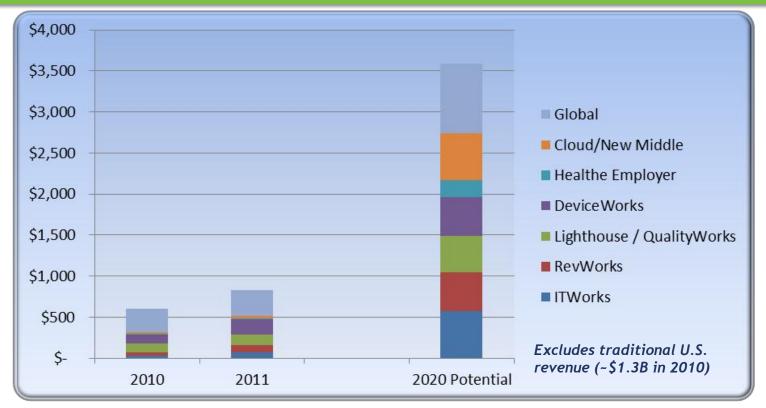
Free cash flow up 31% to \$359M





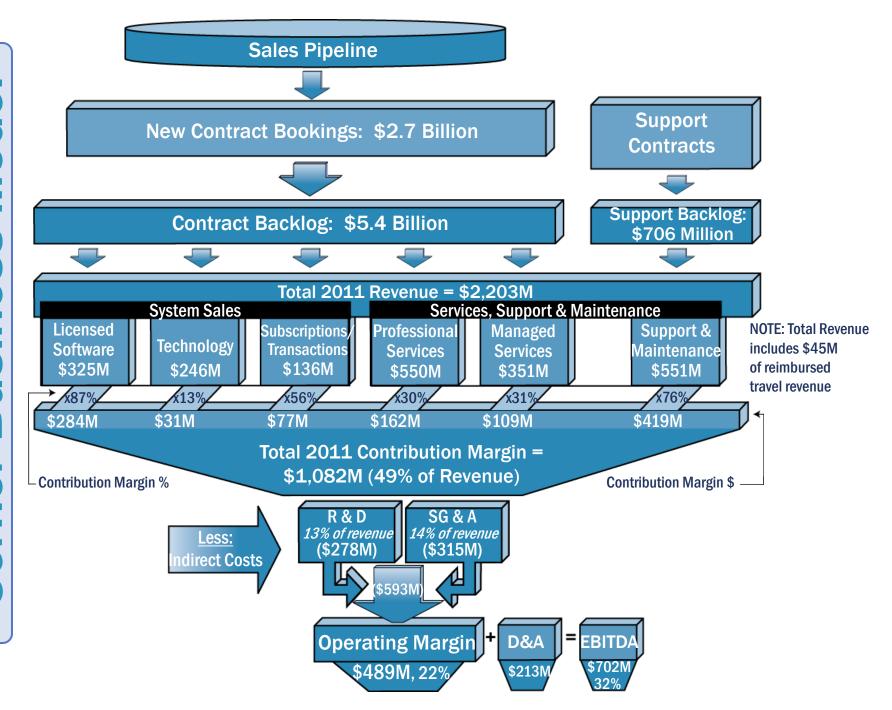


### **New Initiative Potential Revenue**



- Reaching potential in these areas would support double-digit revenue CAGR for Cerner through 2020 even if traditional U.S. revenue were flat.
- A large portion of growth is services, but each area has a high margin software or content component that supports ongoing margin expansion.





#### **2011 Compared to 2010 Support** ■ Revenue up 28% Revenue up 20% **Contracts Contribution Margin Revenue up 21%** Contribution up to 56% from 52% Contribution margin up to 31% **Higher mix of Margin % flat** from 29% on fixed Support Backlog: llic subscriptions and on cost leverage \$706 Million op exp leverage 0 11 Revenue = \$2. **System Sales** rt & Maintenance Services, S. Licensed Subscriptions **NOTE: Total Revenue Professional** Support & Managed **Technology Software Transactions** includes \$45M Maintenance Services **Services** S of reimbursed \$325M \$246M \$136M \$551M \$550M \$351M travel revenue x76% x87%/ ×13%/ x56% **x**30%/ x31%/ \$284M \$31M \$77M \$162M \$109M \$419M **Total 2011 Co** ion Margin = \$1,082M n revenue) 0 - Contribution Margum Contribu Vlargin \$ Revenue up 21% ■ Revenue up 39% Growth in device Contribution Margin % flat Revenue up 6% resale offset flat **Hardware and** Contribution Margin Absorbed initial Sublicensed software training cost of new % consistent with Contribution margin hires last year D&A up to 13% from 11% Expect margins to \$213M on op exp leverage increase in 2012

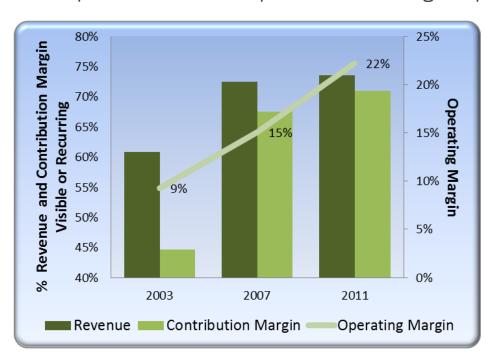
### **Increasing Visibility and Profitability**

#### Recurring and Visible Revenue and Margin

- 74% of Revenue, up from 61% in 2003
- 71% of Contribution Margin, up from 45%

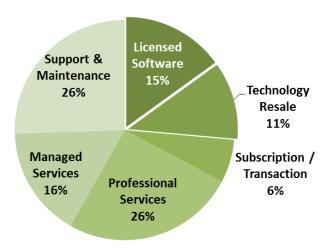
#### Strong Operating Margin Expansion

- Up from 9% to 22% since 2003
  - Growth of Services Revenue and Margins
  - R&D and SG&A Leverage
- Expect 100-200 basis points annual margin expansion



#### **2011 Revenue Mix**

(before reimbursed travel revenue)



### 2011 Revenue Mix Summary

Managed Services, **Recurring (48%):** Support & Maintenance,

Subscriptions

Visible (26%): Professional Services

Non-Recurring (26%): Licensed Software, Technology Resale



## Guidance as of February 7, 2012

#### First quarter 2012

- Revenue between \$565 million and \$585 million
- Adjusted diluted earnings per share before share-based compensation expense between \$0.48 and \$0.50
- New business bookings between \$560 million and \$600 million

#### **2012**

- Revenue between \$2.425 billion and \$2.5 billion
- Adjusted diluted earnings per share before share-based compensation expense between \$2.20 and \$2.30
- Share-based compensation expense to reduce diluted earnings per share by \$0.03 in the first quarter of 2012 and \$0.12 to \$0.14 for the year.

Reg FD Disclaimer – This slide reflects guidance provided in the most recent earnings press release and does not imply a reiteration or update of guidance.





### **Chairman's Comments**

### **Neal Patterson**

Chairman, Chief Executive Officer, President and Co-Founder



# **Questions**

### **Appendix - Non-GAAP Financial Measures**

The presentation of Adjusted Net Earnings and Free Cash Flow, non-GAAP financial measures, are not meant to be considered in isolation, as a substitute for, or superior to, Generally Accepted Accounting Principles (GAAP) results and investors should be aware that non-GAAP measures have inherent limitations and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. Adjusted Net Earnings and Free Cash Flow may also be different from similar non-GAAP financial measures used by other companies and may not be comparable to similarly titled captions of other companies due to potential inconsistencies in the method of calculations. The Company believes that Adjusted Net Earnings and Free Cash Flow are important to enable investors to better understand and evaluate its ongoing operating results and allows for greater transparency in the review of its overall financial, operational and economic performance. The Company provides earnings with and without stock options expense because earnings excluding this expense is used by management along with GAAP results to analyze its business, make strategic decisions and for management compensation purposes. The Company provides cash flow with and without capital purchases and software development cost because operating cash flows excluding these expenditures takes into account the capital expenditures necessary to operate our business.

(\$ in millions except Earnings Per Share)		Operating Earnings		erating	
				Margin %	
GAAP Operating Earnings	\$	\$ 460		0.9%	
Share-based compensation expense	\$	29			
sted Operating Earnings \$ 489		489	22.2%		
			Di	iluted	
		Earnings			
	Ear	Earnings		Per Share	
GAAP Net Earnings	\$	307	\$	1.76	
Share-based compensation expense	\$	29		0.17	
Income tax benefit of share-based compensation	\$	(11)		(0.06	
Adjusted Net Earnings (non-GAAP)	\$	325	\$	1.87	
Reconciliation of GAAP Operating Cash Flow to Non-GAAP Free Cash Flow					
Cash flows from operating activities			\$	546	
Capital purchases			\$	(105	
Capitalized software development costs			\$	(83	
Free cash flow (FCF)			Ś	359	



### **Appendix: Historical Contribution and Operating Margin**

	2003	2004	2005	2006	2007	2008	2009	2010	<u>2011</u>
Contribution Margin									
Licensed Software	89%	88%	85%	84%	89%	88%	88%	87%	87%
Technology Resale	17%	20%	13%	11%	12%	12%	11%	11%	13%
Subscription / Transaction	10%	12%	37%	43%	49%	50%	52%	52%	56%
Professional Services	15%	23%	27%	27%	29%	29%	28%	30%	30%
Managed Services	18%	20%	25%	25%	25%	26%	28%	29%	31%
Support & Maintenance	53%	57%	62%	65%	69%	72%	74%	76%	76%
Total Contribution Margin	41%	45%	46%	46%	47%	48%	50%	50%	49%
Indirect Costs % of Revenue									
R&D	19%	19%	18%	18%	17%	16%	16%	14%	13%
SG&A	13%	14%	15%	15%	15%	15%	16%	15%	14%
Total	31%	33%	33%	32%	32%	31%	32%	29%	27%
Operating Margin	9.3%	12.4%	12.6%	13.4%	15.1%	16.6%	18.5%	20.8%	22.2%

