

**Northern California HIMSS
5th Annual CIO Forum
September 15, 2005**

The CEO Perspective of IT

Christopher G. Dawes

President & CEO

Lucile Packard Children's Hospital



The *Mission* of Lucile Packard Children's Hospital

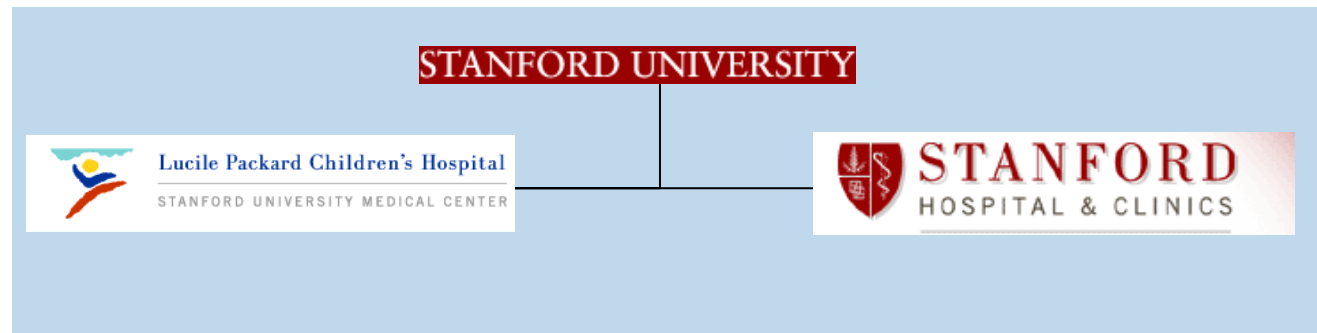
To serve our communities as an internationally-recognized pediatric and obstetric hospital that:

- Advances family centered care
- Fosters innovation
- Translates discoveries
- Educates health care providers and leaders, and
- Advocates on behalf of children and expectant mothers



Governance

- SU Board of Trustees is the sole member of LPCH
- LPCH Board is responsible for the governance of LPCH
- No governance relationship between LPCH and SHC
- LPCH, SHC and SU are all separate for credit purposes



Hospital Statistics for FY04

Medical Staff	704
Employees	2,074
Volunteers	750
Auxiliary Members	1,618
Licensed Beds	264
Obstetric	52
Pediatric	212
Inpatient Days	78,860
Clinic Visits	110,652
Discharges	12,850

Total Revenues: \$426 million

Margins:

EBIDA margin 13.7%

Operating margin 10.4%

Net income margin 11.0%

Ratings:

Fitch AA

Moody's Aa3

S&P AA-



Clinical Services

Clinical services at LPCH are organized into six Centers of Excellence and two Regional Programs of Excellence

Centers of Excellence

- Brain and Behavior (Psychiatry, Neurology, Neurosurgery)
- Johnson Center (Obstetrics and Neonatology)*
- Cancer Center*
- Cystic Fibrosis and Pulmonary Disease Center
- Heart Center*
- Transplant and Tissue Engineering*

Regional Programs of Excellence

- Surgical Sub-specialties
- Medical Sub-specialties

*Preeminence achieved



LPCH Regional Outreach Network

Primary Market

San Mateo

Cardiology

Redwood City

Satellite NICU
Perinatal/Neonatal Educational Outreach

Mountain View

Adolescent Medicine
Perinatology/Neonatology Service and Educational Outreach

Santa Clara

General Surgery
Pulmonology

San Jose

Endocrinology
Gastroenterology
General Surgery
Pulmonology
Urology

Secondary Market

Fremont

Satellite NICU and PDC
Cardiology
Perinatal/Neonatal Educational Outreach
Infant Development Clinic
Pediatric Hospitalist

Lodi

Cardiology

King City

Perinatal/Neonatal Educational Outreach

Oakland

Liver Transplantation
CV Surgery



Secondary Market – con't

San Francisco

Cardiology
Adolescent Medicine

Modesto

Cardiology
Perinatal/Neonatal Educational Outreach

Pleasanton

Pediatric Hospitalist
Perinatal/Neonatal Educational Outreach
Gastroenterology

Santa Cruz

Satellite NICU and PDC
Cardiology
Endocrinology
Genetics
Gastroenterology
Infant Development Clinic
Perinatal/Neonatal Educational Outreach
Pulmonology
Rheumatology
Urology

Watsonville

NICU Medical Director
Perinatal/Neonatal Educational Outreach

Salinas

Adolescent Medicine
NICU Medical Director
Perinatal/Neonatal Educational Outreach

Monterey

Cardiology
Gastroenterology

Stockton

Cardiology
Gastroenterology



LPCH Western Region Outreach Network

CALIFORNIA

- Chico**
 - Gastroenterology
 - Cardiology
- Eureka**
 - Genetics
 - Gastroenterology
- Fresno**
 - Liver Transplant Clinic
 - CT Surgery
 - Cardiology
- Marysville/Yuba City**
 - Cardiology
- Redding**
 - Gastroenterology
- Sacramento**
 - Liver Transplant Clinic
 - CT Surgery
 - Cardiology
 - Neurosurgery
- San Luis Obispo**
 - Cardiology
 - Perinatal/Neonatal
 - Educational Outreach
- Sonora**
 - Neurology
- South Lake Tahoe**
 - Cardiology
- Truckee**
 - Cardiology
- Ukiah**
 - Genetics
 - Gastroenterology



ALASKA

- Anchorage**
 - Liver Transplant Clinic

HAWAII

- Honolulu**
 - Liver Transplant Clinic
 - CT Surgery

MONTANA

- Billings**
 - Cardiology Remote Echo

NEVADA

- Reno**
 - Neurosurgery

NEW MEXICO

- Albuquerque**
 - CV Surgery

OREGON

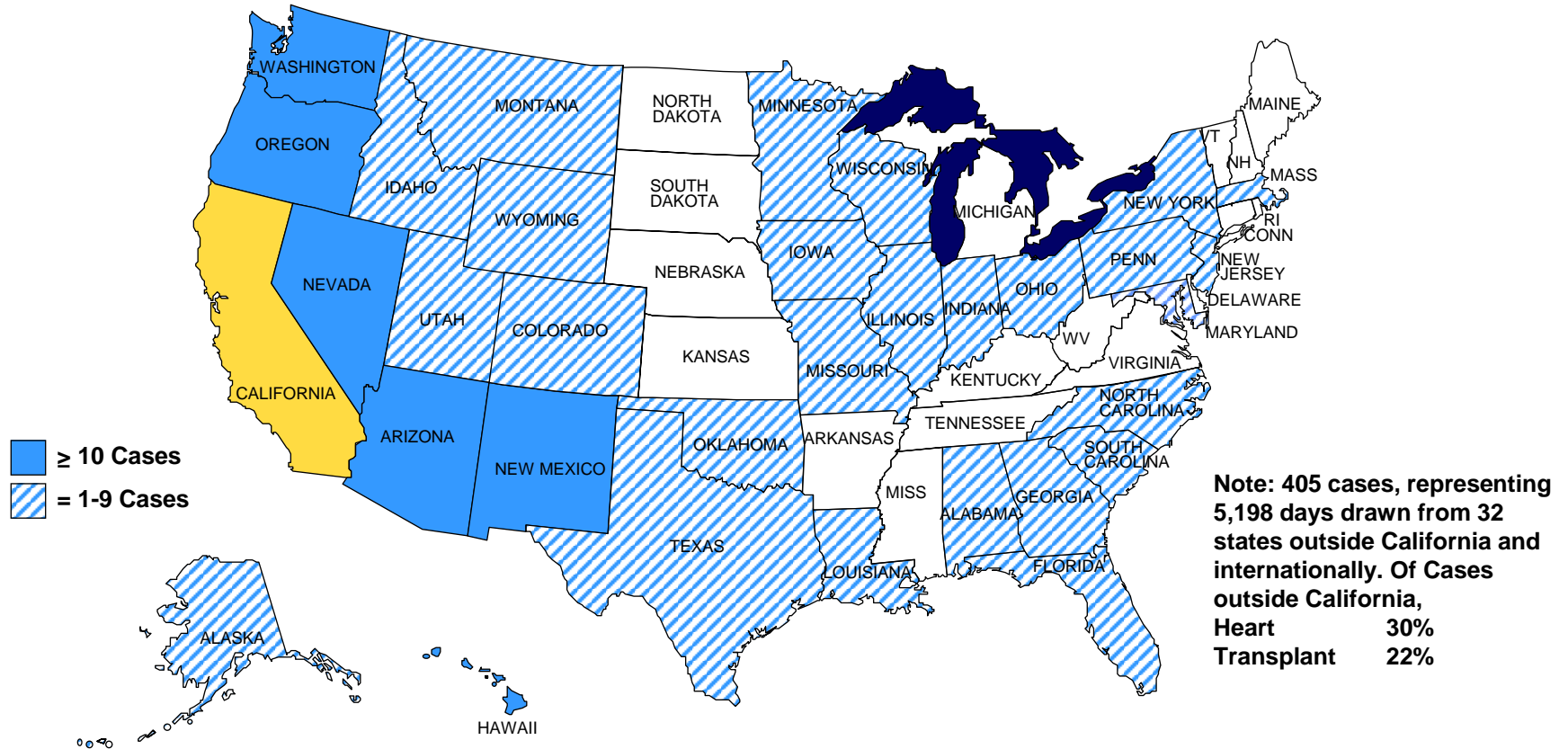
- Portland**
 - Liver Transplant Clinic

WASHINGTON

- Seattle/Tacoma**
 - Liver Transplant Clinic



LPCH Patient Draw 2004



Source: TSI Encounter Data, FY2004. Pediatric Data Only.



LPCH IT Environment

Infrastructure: Outsourced to

Perot

- Data Center
- Desktop
- Network
- Help Desk

Applications

- Historically MEDITECH
- Go-live with Cerner, 9/10/05
- Lawson for Financials
- Mysis for Laboratories, shared with SHC
- Application support for LPCH remains in-house



LPCH's 2010 Vision

PREEMINENCE

and

SUSTAINABILITY



Accomplishments

- Ranked #10 Children's Hospital by U.S. News and World Report
- National Leader in Patient Safety and Quality
 - 1 of 12 hospitals rated #1 out of 858 hospitals from LeapFrog for patient safety practice implementation
 - JCAHO best practice site: Boarding passes
 - \$1.3 million AHRQ grant for patient safety



Strategic Priorities

- Patient Safety and Quality
- Innovation
 - Clinical and Operational
- People
 - Retention, Recruitment and Skill Development
- Program Development
 - Strategic Partnerships
- Facility Expansion and Modernization



Strategic IT Initiatives

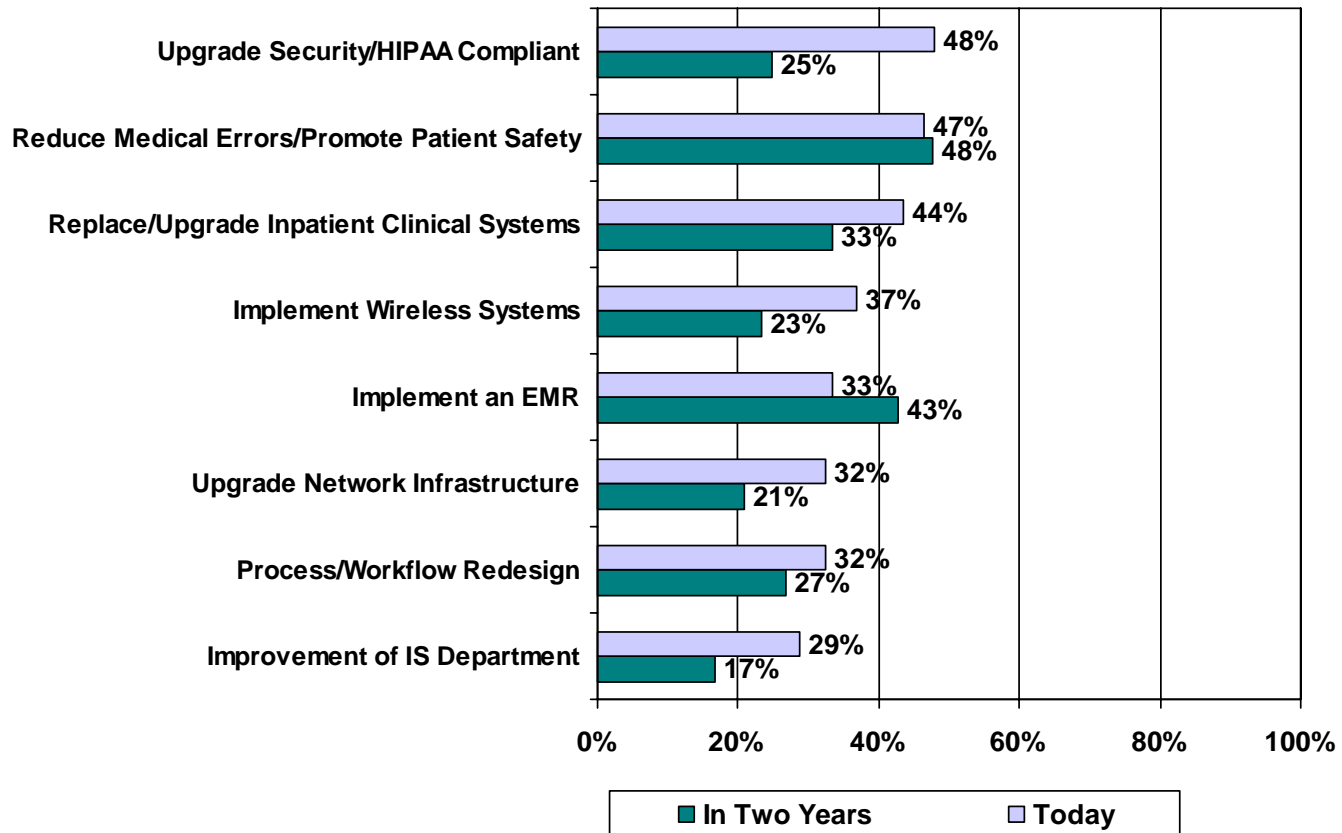
Phase I of \$55M IT system upgrade completed September 10th

- Project goal to improve patient safety, clinical care, and patient satisfaction
- Phase II will take an additional 18-24 months, and will include computerized physician order entry, clinical decision support tools and online documentation
- Performance Management Program
 - Transform IT processes to best practices based on ISO 9002 standards
 - Align IT processes (request, approval, resources, benefits) with strategic priorities



CEO Perspective on HIMSS CIO Survey

Projected IT Priorities (Today vs. Next Two Years)*



CEO Expectations of CIO

- Leadership
 - Institutional and strategic view of IT
 - Innovation
- Management
 - Relationships
 - Systems
 - Results oriented
- Innovation
 - Anticipate change
 - Position LPCH to take leadership role



“10 questions hospital executives should be asking”*

LPCH CEO Perspective: How does IT fit in?

1. How well are we positioned for pay-for-performance?
2. How do our clinical outcomes stack up against our competition?
3. What priority have we given to quality improvement and overall patient safety effort?
4. What initiatives do we have in place to improve our clinical outcomes?
5. How engaged is our medical staff in the quality improvement effort, and is our quality initiative led by a member of the medical staff?

* Preston Gee, for HealthLeaders News, August 31, 2005



“10 questions hospital executives should be asking”*

LPCH CEO Perspective: How does IT fit in?

6. What is the trend in our financial performance as it pertains to quality?
7. How does our economic position match that of our market competitors?
8. What strategies do we have in place to improve our financial performance and market position?
9. How aware is our executive team or the board of directors of the potential impact of pay-for-performance?
10. How aware are other key stakeholder groups like employers and community and media representatives of our quality improvement initiatives?

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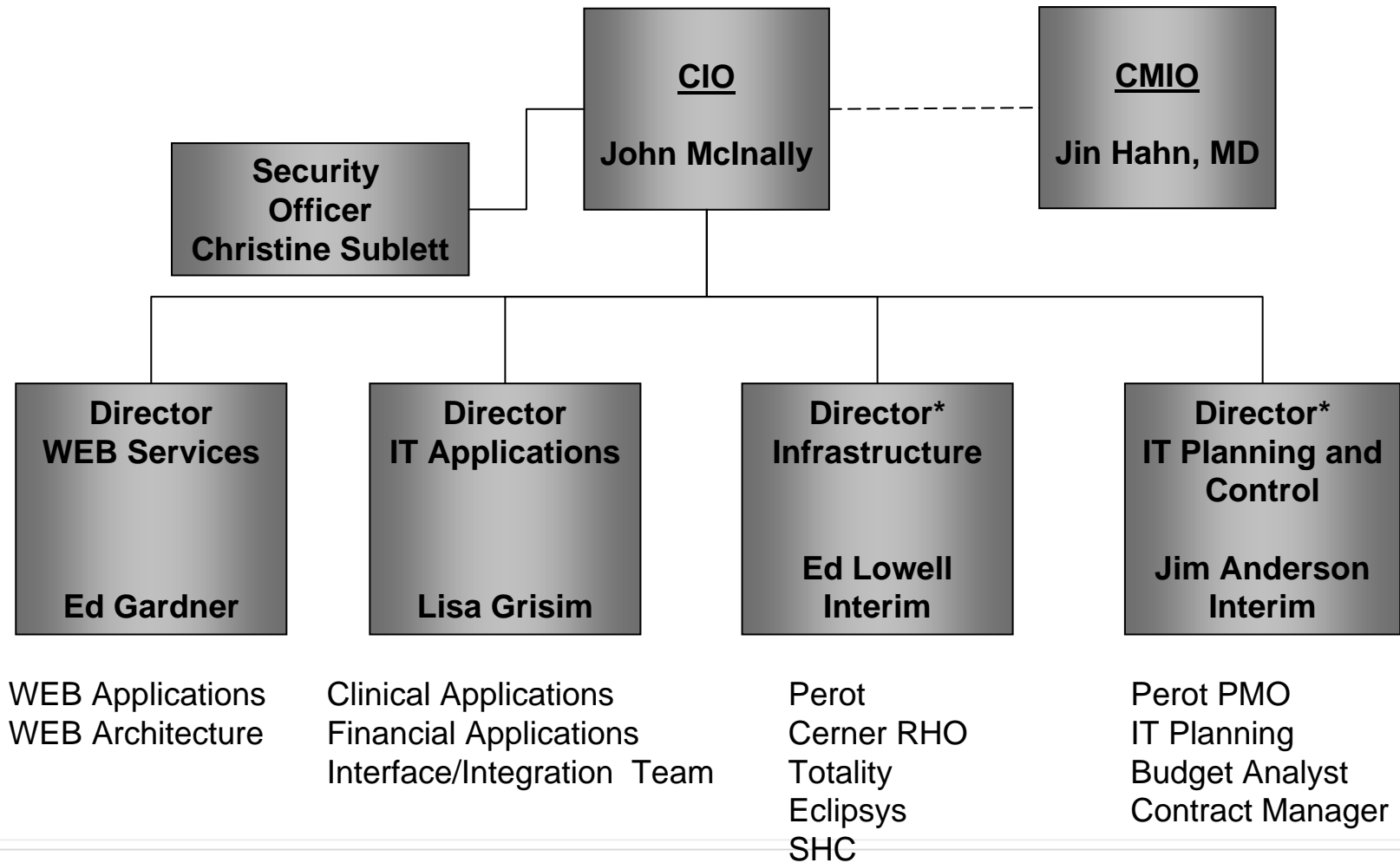


CEO Expectations: Partners and Vendors

- What adds value
 - Deliver on commitments
 - Solid, experienced and stable team
 - Integrate with LPCH management team
- What drives me nuts!
 - Inexperienced team
 - Not delivering on commitments
 - Setting unrealistic expectations
 - Selling new products/services before completing current contract



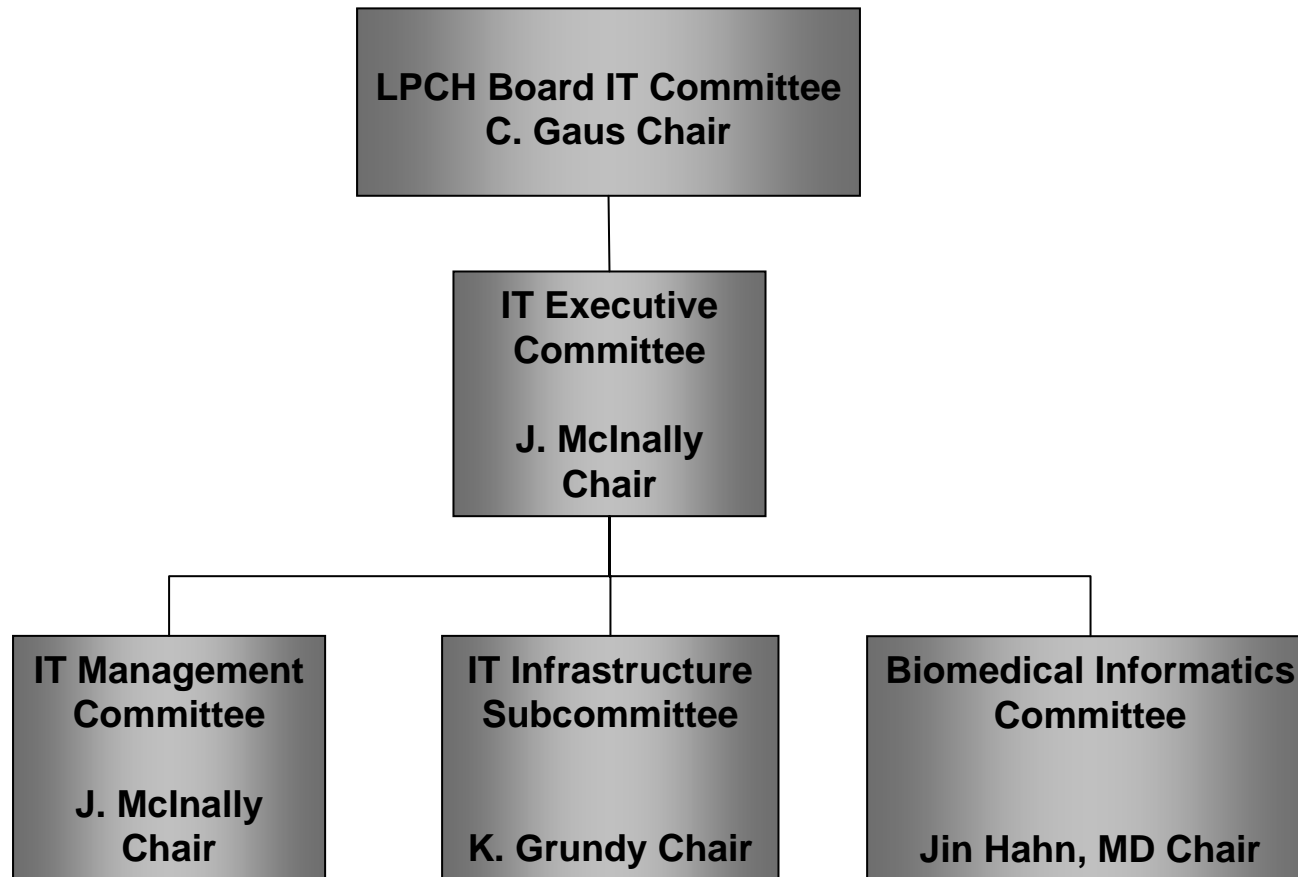
IT Organization Structure



* Recruitment



IT Committee Structure



Does Technology Save Money?

- We've come a long way
- We still have a long way to go
- Challenges with integrating technology and work processes
- "I still haven't seen the big payoff"



Contact Information

Christopher Dawes
President & CEO
Lucile Packard Children's Hospital
650-498-5050
CDawes@lpch.org

