

TRANSCRIPTION RE:

Xerox Healthcare Services Analyst Briefing

Prepared For:

XEROX HEALTHCARE SERVICES

Transcribed by:

ExecuScribe, Inc.

Jim Lesko: Okay, I think it's appropriate we get started. I'd like to welcome everyone to our Xerox Healthcare Services Analyst's Day. I'm Jim Lesko, head of Investor Relations. Before we get started, I do need to remind everyone that we're not reaffirming or updating any prior guidance and I direct you to our forward-looking statements on page two of our presentation.

With the acquisition of ACS in 2010, it really is no surprise, I think, to anyone that we are transforming our company to a services led business. In fact, our services segment in 2010 contributed over fifty-one percent of our total revenues and grew at seven percent constant currency. And that's a trend we expect will continue in the future. In fact, we said at our last investor conference, we expect by 2017 actually two-thirds of our revenues will be coming from our services segment. So the question is why are we here today? And that's to share with you our broad exposure to the healthcare services industry and how it's going to continue to be an engine of growth for both our revenue growth and margin expansion. Hardly a day goes by that you don't hear, in the news today, information about healthcare challenges and opportunities. What you don't hear about today, though, is that Xerox today has over two billion dollars presence in the healthcare service industry and we are a leader in transforming healthcare services for that overall industry.

We continue to show our services segment through this slide, which depicts all of our offerings across a very diversified portfolio. And we show here our revenue contribution for the services segment with document outsourcing

and this too, with Managed Print Services and communication marketing services contributing to the thirty percent. And the percent contribution of our services segment for each of the other areas. We also wanted to highlight, in green, those areas that are either dedicated solely to the healthcare industry or those areas that have partial exposure to the healthcare segment contributing to that little over two billion dollars of revenue from the segment. We also are highlighting and we'll talk more about the revenue and profit contributions, which are significant. All of the offerings in our healthcare space are growing at above average revenues and generate above average margins to the corporation. And as such, we're continuing to invest, both internally and externally, to ensure that we're going to participate in what is going to be a rapidly growing market.

So in today's session we really hope to demonstrate how we participate across a broad swath of players, both employers, governments, payers, life science, farmers and providers. And how we're really looking to participate across this value chain in creating not only great services that are world class but really can change healthcare outcomes and effectively impact the overall cost management of healthcare services.

Let me spend a minute now and go through our agenda. As we go through this morning session, although it is webcast, we do want to make it as interactive as we can and much of the presentations we'll be going through will be more somewhat educating why we think this opportunity is so great given the dynamics in the market as well as how we're differentiated in the marketplace and our position to really be a real leader in this space. So let me start.

We've asked Connie Harvey who is Corporate Vice President and Chief Operating Officer of Commercial BPO Services to represent the unit and give an overview of our healthcare opportunity. Following Connie, we have business leaders from the multiple areas that are going to go into the specific areas, offerings and opportunities that we see in the business area. The first one will be Mary Scanlon, Senior Vice President of Government Healthcare Services. She'll be followed by Mike Morrison, Senior Vice President in our payer business, and followed by Charles Fred who is the CEO of The Breakaway Group, a Xerox Company. And Charles is extremely knowledgeable in the provider area and will give deep insights to not only Xerox offerings but the trends in this industry as well. At that point we will conclude the webcast. We will have a short break. As I know over the lunch period we've asked Steve Hoover, who is our CEO of PARC, Xerox PARC to give you a brief update on kind of where PARC is in its relation to Xerox and Healthcare Services. And RG Conlee who is with us today, and RG is head of Innovation, Research and Services for the Xerox Services Group.

We'll then break and move into, in very close proximity, a series of innovation demos, which can really share with you how this work is being put to practical practice in areas in the marketplace today. One additional guest we have today is Dr. Eliot Asyre. Elliott is with the Buck Consulting on Xerox which really supports the employer side in terms of consulting services. And in fact, earlier this week, had a very interesting announcement around employee

exchanges from the employer side, which we think will be very exciting. So with that, I'll turn it over to Connie.

Connie Harvey: So good morning. I'll start with just kind of an overview of what we're going to talk about today. And I think you're going to see this as a consistent message through my presentation and the presentations to follow. Xerox is one of the largest healthcare providers of healthcare services with just over two billion in revenue in that market. It is strong, growing and above average in terms of margins in the mid-teens. And we have a very diverse service offering across all the key segments of government, payer and provider and we're developing and rolling out new capabilities, some of which we'll show you later today.

So as you look at kind of the factoids around our healthcare business, besides size, we'd like to just highlight for you the breadth of those services that we have. We are the largest provider of Medicaid services. We have twenty of the top twenty U.S. healthcare and a hundred percent of the Blue Cross Organizations as customers. We have over seventeen hundred hospitals that we're supporting through Midas and our workflow performance and clinical decision making tool. I think this slide highlights how uniquely positioned we are in the market across, as healthcare reform comes in and the market changes, how uniquely positioned we are to make that transition from commercial to government and provider. We see this as continuing to be a very strong growth area. By any analysis that you see, healthcare is a huge market and it is growing. It is expanding disproportional to the rest of the economy and we

expect that the cost associated with healthcare will double in the next decade. It is expanding in all areas. This isn't a shift from commercial to government or government to commercial or payers to providers, it is expanding in every single one of the different markets.

So at a very high level, healthcare reform is something that gets a lot of press. It is a very complicated discussion. But if we put it very simply, healthcare reform is about increasing access, containing costs and improving the quality of healthcare. By increasing access it will increase the government program. It will change the dynamics of how consumers choose their healthcare and funds will flow to the providers in a new and unique model. From a containing costs standpoint, there's a lot of focus around improving the efficiency of the system, lowering the administrative costs and focusing on the fraud, waste and abuse that's in the system today. From a quality standpoint, it's going to be focused on results and using technology and personalized care to improve the performance of the healthcare that is delivered.

No surprise. We expect these changes in the market to drive growth across all of the sectors that we perform in, whether it's the government, the provider or the payer market. We expect all of those markets to continue to grow in the double digit growth percentages.

I'm not going to go into all the details of this slide. As we go through the presentations from each of the individual sectors we'll get into more detail. But, suffice it to say, Xerox, because of our history, are very uniquely positioned in,

both, government programs, technology and analytics and better communication between the patient and, both the providers and the payers.

As we talk about what our healthcare business is, it's about \$2.2 billion total. Nine hundred million of that is the government space. Approximately eight hundred million or thirty-six percent is with the commercial payers and about five hundred million is related to the ITO and the consulting services specific to the providers. I think the key point here is historically Xerox, ACS and then Xerox Services have been positioned in all three of these markets. They used to be very dark lined between these different segments and those dark lines are getting grayer and grayer as the whole healthcare reform comes in and the programs and the way that it's going to be delivered are changing. If you look across, and later as you go into the presentations, we'll talk about competitors. There are very few, if any, competitors that we really compete with in all three of these markets. We have a strong presence on both the government side, the provider side, and the ITO, and payer side. Very few competitors have that same breadth. If we look at what those services are in the bottom part of that slide, the biggest slice of that comes from our BPO platform, about thirty-six percent. This is an area that we have a very strong track record in and have good scale to leverage. Our ITO and our managed Medicaid platform, it's about twenty-three percent of the revenue. Communication services, including customer care, communications and marketing services, about twenty-three percent. Analytics is about ten percent and growing rapidly. And the consulting of about eight percent, and again, as Jim mentioned earlier, that's predominantly with some of

the large employers groups. Overall, across all of these segments we are growing in double digits and we have operating margins in the mid-teens.

We are going to talk about the provider, the payer, the government business in detail shortly but, again, I would highlight that as you look across the Xerox Services business, there are very few companies out there that really cross all of these different vertical delivery markets for healthcare.

We talk about where we deliver our healthcare services from. You'll see most states there, and also very strong international presence. And ultimately, this becomes a decision by the customer and the contract on where those services are delivered. For federal and state programs, they predominantly need to be delivered within the state that they're servicing but because of the international presence we have, whenever possible, we can remain cost competitive by delivering some of those services outside of the U.S.

We're going to spend some time today. We're in PARC for a reason, to talk about the innovation we got around healthcare. I'll highlight a little bit, the first bullet point there, around healthcare exchanges and there's been a lot of talk about healthcare exchanges and what that means to the market. Within our world, and Mary will cover more on the government side, our government group is providing platforms and services at a state level for individuals and small groups who choose to provide healthcare through those state exchanges. Buck Consulting just announced Right Opt, which is a private exchange that can be used for the large employers, and you can actually get leverage buying across multiple employers. And our payer services is providing connectivity to both of

those exchanges and services surrounded by all the administrative functions needed for new enrollees. So as you look at healthcare exchanges, no matter which direction it goes, we have a piece of that pie as well. You'll see some of the other innovation today that's focused on improving the productivity and access of information for doctors and nurses. And some of the data analytics that we are using to apply to fraud, waste and abuse, which is a big component of the healthcare industry today.

As we talk about the key takeaways for today I think, first of all, our healthcare presence is big and we're very well positioned to take advantage of the growth of the market that's going to take place. We have a very wide breadth of services, both from a government standpoint, a provider and a payer standpoint, as well as well positioned with the employer groups in providing their healthcare. And we are investing and will continue to invest in innovation to support that growth.

Male Voice: Some of these programs, is there any new
((inaudible))

Connie Harvey: I'm sorry, could you repeat that?

Male Voice: Any type of sequestration? You know how do you think that's going to impact these businesses under the healthcare umbrella, because some of it will filter down.

Connie Harvey: I'll let Mary take that one. Hold on.

Male Voice: We can save it too, if you guys don't want to this
((inaudible))

Connie Harvey: ((inaudible)) Any other questions? And it's Mary then.

Jim Lesko: We should encourage everyone to feel free to ask questions along with the webcast. We do have mics situated so it should pick up everyone, so make it interactive and ask as we go along.

Mary Scanlon: Thanks. Good morning, I'm Mary Scanlon and I'm going to give you an overview of the government health business and thanks for joining us today. In terms of the sequestration, to answer your question, I would say the only thing that we're seeing in terms of impact is some delays in procurement decisions as the states, you know, try to figure out what the other impact is to them. But in terms of Medicaid, Medicaid is pretty much protected from sequestration, but we're still seeing, in terms of market behavior, some delays on decision. So that's about it for now. Okay. Right. Right.

Male Voice: I guess that's in the whole pipeline itself it seems like there have been delays even, you know, prior to this administration, so I guess the question for us is just how much incremental is it because it has already been done. I felt like there have been some slowdowns in the past quarter of momentum and.

Mary Scanlon: Well, I think in the government health space, I think there's some benefits of incumbency. I mean the other benefit in terms of keeping what we have because of some of those delays. But I would say, you know, in the past eighteen months and I'm, you know, the person that actually reads every proposal. And I don't think that there's been a lot of cancellations,

it's been mostly six to twelve months delay in terms of the RFP's being issued. The delay is primarily at the larger end. We're still seeing a lot of smaller deals in terms of the other lines of business outside of the big technology plays, this is about HIE, the benefit exchange market is very active. Care and qualities market is very active. Long term care is very active right now. So I think you have to sort of look at the whole portfolio.

Male Voice: Mary, when you say delayed, is that, you know, you get a sense of people, if there's been some recent relays. Do you get a sense that those are being scoped down or terminated or just they don't know what to do?

Mary Scanlon: Well I think, what I have found interesting is that they haven't been scoped down and they continue to be a pretty traditional ask in terms of our space. Not seeing as much innovation as I would have thought. But, you know, other than just the timing delay, I haven't really seen anything where they've de-scoped at all.

Male Voice: Is there, are you keeping an eye out to see if there's an opportunity for some of the, I guess, more margin rich add-ons business? The impact is something that we can package ((inaudible)).

Mary Scanlon: Yeah, I'm going to talk about that but I would say, just the short answer is, yeah, I mean we have a big presence in a large number of states and that platform gives us the opportunity to extend. I think there's a big opportunity around what we're calling Medicaid BPO, which is basically leveraging, to Connie's point, a lot of the assets in our BPO core and giving those

capabilities, selling those capabilities to the state as they sort of grapple with the administrative complexities, you know, call center, enrollment applications, scanning, processing, those types of things. I think that there is an enormous amount of work out there if you actually take a look publicly at what's being, in the RFP market right now.

Male Voice: Would it possible to quantify the amount of contracts that have delayed because of sequestration?

Mary Scanlon: I think it's very difficult to do. I've actually tried to do it a couple of times. I did it around the fiscal cliff and I just did it, again, around sequestration and I just, I haven't. I just haven't seen it yet, other than the behavioral delays, I haven't seen anything as far as de-scoping.

Male Voice: And just one more, and maybe get us all in this. How much sequestration is that, that you think, is the annual guidance, guide.

Male Voice2: Well we don't know. Our exposure to the federal government is very limited, you know, less than five percent. And so we don't, and many of our services are key services. We provide surgical services to constituents in business operation but we don't view, and it's not certainly a tail wind but we don't view it as a debilitating headwind, so I don't think we'll see any changes to our expectations, although we're not updating or giving any content.

Male Voice3: In any case, one last one before you jump into it. Funding? How does funding affect the healthcare segment for you guys? Knowing that, you know there was a continued resolution and I guess it got through the House yesterday and we're still waiting for the Senate side. What

happens if we hear nothing from the President, March madness where you have sequestration plus no continuing resolution coming out of it? What happens at that point?

Mary Scanlon: Well I think our funding model, most of our funding comes from CMS and a lot of that core funding.

Male Voice: What's CMS?

Mary Scanlon: The Center for Medicare and Medicaid Services, sorry, which is the arm of HHS that supports Medicaid. The funding models are typically 90/10, ninety cents federal, ten cents state. So we don't see a big, we haven't seen any dampening of the market due to those things. Either, you know, around the time of the fiscal cliff or even now.

Female Voice: Were there any issues when they ((inaudible))?

Mary Scanlon: No. No. Okay. In terms of the government health business, we, as Connie mentioned, we're about nine hundred million in revenue. Our customer base is pretty simple. It's the fifty states, primarily the Medicaid agencies in those states. And we have about forty-seven hundred employees to support our business. I think it's important to note that 2013 is going to be a very historic year in government health in that the ACA is less than one year away and there's a lot of market activity and a lot of implementations going on. And today there are about sixty-two million people in Medicaid and with the increase eligibility and expansion we anticipate there's going to be about another fifteen million in the market. You know, obviously, that's going to affect spending. Additionally, outside of expansion, our population as a whole in this country is

aging and states are going to be challenged to figure out ways to best manage that complex population.

A couple of key facts about government health, Connie mentioned the platform earlier, but we are the largest Medicaid administrator by claim filing. We've been in this business for forty years. We provide healthcare services, and I'll go through the portfolio in a minute, to thirty-seven states and we touch the lives of about thirty-six million people. Our scale is important. We process almost six hundred million healthcare program claims a year, medical, pharmacy, etcetera. And we also distribute a significant amount of provider payments annually.

Our market footprint is one of our strengths. We, today, have the ability, to see your question ((Anandre)), about expanding our platform. We have an MMIS platform, which is the Medicaid claims transaction platform. We have that platform and the supporting customer service operations in twelve states. That's the District of Columbia. We service a state pharmacy benefit manager in twenty states and we deliver a health information exchange product in five states and we provide eligibility services in another five states. In terms of our --

Female Voice: How many of the, in this color you have four, so how many of the other states, either one or two are there contracts up or, you know, is there an opportunity to bid for those various? What sort of opportunity?

Mary Scanlon: I think the opportunity that we see is in a couple of places. Number one, the Medicaid program as a whole is going from transaction services to more of delivery of care. We have a care and quality solution

subsidiary that provides a lot of the typical services you'd see if you're in a managed care plan now. So we see significant growth there. We think in the area of analytics, as Medicaid moves more to managed care, the states are going to be looking for analytics to better understand how to manage those health plans and what data they need to look at in terms of making sure that the population, their meeting the goals of the health in their particular state. The third area, I think, is around Medicaid BPO, is what I'm calling it. I think we associate that with the health insurance exchange market primarily, but we're also seeing a lot of the states where we have scale around the claims platform. They're looking for ancillary BPO type services and we're in a good position to offer those. So in terms of --

Male Voice: I'm surprised I don't see the CGI Group of dedicated, just this integration company. I think this morning they were awarded Vermont and they've been awarded five or seven in the last couple of ((inaudible))

Mary Scanlon: Yeah, ((inaudible))

Male Voice: I get the release without the paper. Where are they in terms of competition? Are they competing differently than you guys are? What they refer to as their HIE business?

Mary Scanlon: Well I mean I could have put them up there, you know, I didn't. We don't see them as much as we see those other three, so I just stuck with the three.

Male Voice: But functionally, are they providing the same type of services on their exchanges or not?

Mary Scanlon: They are not in the insurance exchange market at all. I think for whatever the reason, you know, they chose not to go there. I think they have continued to be more of a Medicaid transaction processor and haven't extended across the portfolio like we have. And I think the point on this slide is, and Connie mentioned it as well, you know, I don't think that there's anyone that brings this whole capability to the market. And I think if you look at the competitors across each of these capabilities, they're not the same type of competitors, so I think this gives us a strong position in terms of add on. And the second thing I think is important is it gives us a strong position in terms of emerging markets and being on the ground and understanding the dynamics of healthcare in those particular states and developing solutions that meet those state specific needs.

In terms of where we see the market today, I think I just mentioned that the market today in terms of platform, it's primarily a transaction platform. There's multiple eligibility systems. The population at Medicaid Services today is primarily mothers and children and individuals that have complex care needs. And in terms of processes and programs, it continues to be very fragmented. The fraud, waste and abuse programs are typically retrospective versus predictive and it's very much a state driven program.

One of our competitive advantages that I wanted to spend a couple of minutes on is our health enterprise platform. This is a claims transaction engine that's designed specifically for Medicaid. We've invested in this. We've invested in the technology. It's a ground up, it's a service oriented architected platform,

and the reason why that's important is because it allows us to provide the states with a platform. If they want a plug and play with different capabilities that they have, they're allowed to do that. It also gives us a lot of flexibility and the states a lot of flexibility in meeting the changes and demands that a lot of these mandates and requirements of the Affordable Care Act are going to come their way. From an operations perspective, which is not as significant, but certainly important, is it gives the state data and intelligence for them to build their programs and policies at the state level.

In terms of our overall strategy and vision, I just wanted to point out a couple of things here. Number one, regardless of healthcare reform, cost is going to continue to be important and we need to provide those solutions that address cost pressures that the states are building. We think that there are two big areas around that. One is managed care. The other is long term care. The second, I mentioned already, is around analytics. You know moving from static reporting and retrospective analytics to analytics that actually are more predictive and can identify trends and information for the states. And the third, and I think the reason why we're here today, is around innovation. What we're seeing in the government health space is innovation really driven by three areas. One is the government, CMS has a center for innovation and they have put a significant amount of grant money in the marketplace to, for the states to develop the proof of concept products. The second thing is individual states are actually developing their own innovation plans and there's a lot of opportunity for us, as a vendor, to be able to partner with them and deliver innovation at the state level.

So looking to the future, as I think I mentioned before, we're really moving from a purely a transaction and payment system in Medicaid to a system of care. Medicaid expansion is going to mean populations that will be, for the first time, uninsured adults under sixty-five are going to be in Medicaid. They're, you know, how they're going to utilize healthcare services and from, you know, actuarial perspective what that means, I think, is still pretty unknown to everyone. And the third thing is around processes and programs is, I think, we're just going to see, you know, starting with the exchanges, much more of a consumer driven retail marketplace.

I wanted to spend a couple of minutes on the government health exchange platform. Simply said, this is an online insurance marketplace that is presented to the market in a couple of ways. Some states are choosing to offer a small business or shop exchange which is typically available to employees under a hundred live. Other states are offering individual exchange. We have been successful in four states in selling the platform and Medicaid BPO type services. In terms of kind of a percentage, I was looking at the numbers last night. Right now there are seventeen states that are moving forward with an exchange, so we're, you know, four of those seventeen states are our customers. There are still twenty-six states that have remained no, in the no column, and seven states that are still open. I think the clock's ticking. There isn't, you know, a significant amount of time since they have to be in production by January 1, 2014, but we do see some opportunity for BPO services there.

This is a slide that has a lot of dates on it. And I think the message that I'm trying to convey to you here is that reform doesn't stop in 2014. There are a number of big initiatives that are going to be delivered over the next five years and we're in the market now and for every single one of these mandates we have either products, services or consulting arms that are working with the state to sell more services. So we think this is an active market for us, be it around medical standards, which is what ((inaudible)). There's going to be significant provider payment reform and we have a group that just works with the states on developing reform methodologies and different types of payments.

Another area that I mentioned earlier was long term care and the dual eligible. Simply said, duals are people that are in Medicare and Medicaid. There are about 9.1 million of them. And they are the individuals that actually drive the most cost in the system. They're actually about forty-three percent of the total Medicaid spend. We are in this market today. We are doing consulting services around payment methodologies and value based purchasing. We have a number of fraud, waste and abuse products that we have in the market with the states. And we have a dedicated line of business called long term care. I identified it as an emerging market on the earlier slide but we are working directly with a couple of states right now on service planning assessment and reporting.

Female Voice: ((inaudible))

Mary Scanlon: Where does the Medicaid?

Female Voice: No, I mean, you said people who are in Medicare.

Mary Scanlon: Right.

Female Voice: As a person, what's your demographic? Are you kind of --

Mary Scanlon: You know a lot of people. Well here's the thing. A lot of people think of Medicare as sixty-five plus only. But there's a significant amount of Medicare that are aged, blind or disabled. They're Medicaid eligible because of the medical conditions that they have. So those are the people primarily that are in the dual eligible population.

Female Voice: And that's in the forty-three percent?

Mary Scanlon: Right. In this slide, this just shows you kind of the percentages in terms of overall long term care. I had a couple of people ask me why I have this slide up here that has 2010 data to the right but that's CMS data. They report at least eighteen months out, so this is not a mistake. But I think what's important to note is, if you look at home and community based care, that number is going to continue to grow and there's going to be a shift in spend as states and healthcare reform try to move people into home based care. So I think, you know, there's a lot of statistics here but the important thing is that the states, if you look at these twenty-six demonstration projects, right now the dual eligible spend is about three hundred and twenty-one billion dollars. And because of reform, that Federal money, that Medicare money is going to be coming into the states and states are going to have to start to manage it. So the infrastructure that they're going to need to do that is going to be, a lot of it's going to be around services and we have a good, we're in the market today. We're committed to participate in it and we see a lot of opportunity there. Medicaid is

only one human services program. The states typically manage a number of human services programs, including food stamps, transportation, those types of benefits. And I think that, this is a customer of ours, which is the Indiana Family and Social Services Administration. And the point I just want to leave you with here is that this is a situation where we feel it was an effective partnership. We brought our BPO capabilities to a state that had, frankly, very poor program performance and federal fines. And we were able to, over the course of four years; really shift that worst case scenario into a program that really achieves results. The point I'm trying to make on this, also, is that I think the states are going to leverage a lot of the best practices of reform and apply those best practices to the other parts of human services, and this is a good example of that.

So I think Connie mentioned, we're in a unique position to capture opportunities. We provide a significant amount of services that meet the needs of the states today as well as future needs. We feel very strongly about a differentiator on our health enterprise platform. And secondly, the work that was done on the insurance exchanges, we chose the software as a service, speed to market is important. And we've been able to leverage those capabilities to secure business and generate a significant pipeline as a result of that. Innovation is going to continue to be important to our state customers and we're in a good position there.

So in terms of our key takeaways, we continue to see strong growth. Our expertise, our scale and our platform positions us very well for healthcare

opportunities. And I think we have a very good view of emerging markets. I'm going to hand it over to Mike.

Male Voice: ((inaudible)) domestic opportunities here that are all going to spring from healthcare.

Mary Scanlon: Right. We are. Our market is ((inaudible)).

Male Voice: So really quickly on the CMS and I think you mentioned fraud and abuse and a couple of things. The CMS has already awarded this rack, this contract structure to a couple of vendors, I don't think as yet. Do you guys do any primary or subcontractor work as a direct vendor?

Mary Scanlon: You know we.

Male Voice: Or direct.

Mary Scanlon: We looked at rack and made a decision about a year and a half ago and not to participate in rack. Some of the reasons were around our footprint. And if you can't be a rack in the state unless you're paying claims, for example. So if you're in fourteen states, that excludes you from that market from the start, so a perfectly addressable market for us as a whole, so we made a decision not to move forward.

Male Voice: And it doesn't put you at any advantages or disadvantages in terms of being able to do any type of abuse or recovery type dirty work for your hospitals or anything?

Mary Scanlon: No, no, no. We talked to CMS about that and we don't see that there's any real complicated.

Mike Morrison: Okay. Good morning. I'm Mike Morrison. I'm going to talk about our commercial payer line of business. Just high level, it's about an eight hundred million dollar book of business in terms of revenue, about fifteen thousand employees, both in the U.S. and in various offshore locations. I think the key thing with our commercial payer line of business is it's a very consistent business. Consistent growth, both top line, expanding margin, consistent with our renewal rate, ninety-five percent plus with, on a year to year basis and we can consistently deliver bookings. So it's been a fantastic book of business for us in terms of growth and it's been very consistent over the last two to five years.

Next slide, just to give you an idea of some of our size and scale, we do focus on the larger payers in the market. We see some of the fast track and some of the numbers down below. These numbers continue to grow on a year to year basis, not only in terms of volume, but also in terms of diversity. I'll talk today about how we've diversified our service set and where we continue to grow. But we're very proud of these numbers and on an annual basis they continue to get larger.

So what's going on in the commercial healthcare market? Well first and foremost, with reform, payers are having to shift from a B to B market more to a B to C market, which creates a lot of changes not only systemically but also in terms of the service model for these individuals. And we've got a lot of different products and assets that we can bring to that, that I'll talk about today. Secondly, there's going to be a lot more volume in the system through the exchanges. And

through volume, it's going to drive additional costs and we're in a great position to help provide efficiency in that regard.

You're going to see more and more entities, whether it's smaller health plans, coops, a lot of federal money just creating additional competition in the market. You're going to continue to see cost pressure through the medical loss ratio mandate and just continued cost pressure. And there's going to be additional models of care, whether it's through ACO's, pay for performance, the patient center home, all those different types of models are going to really change the market. And so all of these things combined, we're in a great position to address each and every one of these and I'll take you through those today.

So from a Xerox perspective in how we view the addressable market within commercial payer, it's about a nine hundred and twenty-five billion dollar market. Broken down, eighty-five percent of that goes to cost of care, which leaves about fifteen percent for margins and administrative services. On average, most health plans are in the six percent range in terms of margin or profit, leaving eighty-four billion dollars as some sort of administrative service. Right now, we see about thirty percent of that, that is available for the outsourcing market, although I will say this on a, every single year it continues more and more of this shift to the right as they get comfortable with services and going out to outsource providers. But I'd say, you're going to see this pick up a couple of points every year. So it leaves us, after you take out ITO, HRO, FNA

and some of those services, about a fifteen billion dollar addressable market for the service set that we offer. Any questions so far?

Male Voice: What's the competition in that scan?

Mike Morrison: I'll get to our full competition in a couple of slides for each one of the service categories. So what value do we try to bring to the commercial healthcare market? Kind of the ante is you need to be able to provide cost takeout and efficiency. Very seldom are we involved in a pursuit that we're actually adding cost. We have a lot of assets across our government business, our provider business and our commercial payer business. And we've got a lot of subject matter that stays out in front of the market and reforms, so we are always bringing ideas, thoughts, products to our customers, out in front of the market, i.e., the exchanges and how they can increase their footprint in that regard.

From an innovation perspective, I think that's one the biggest things we've seen through the Xerox acquisition, not only in terms of dollars but in terms of the methodology and the discipline. This is something that, from a former ACS perspective, we tried and we tried but really struggled to bring a lot of different innovation products to the market. Through the Xerox acquisition, we've seen some big pickup in that regard. And you'll see, later I'll talk about some of the specific innovation products we have going and, later today, you'll see some demonstrations of those products.

From a scale perspective, as our customers continue to grow and, I think, in the exchange it will be another great example of that. Medicare has been a

fantastic recent example of that, but as they continue to grow and need to service their membership we are in a great position from a procurement of people, assets, real estate, all those types of things to, they look at us to continue to scale. So we've seen a lot of recent growth and expect to see continued growth as they grow with their membership.

And finally, at the end of the day, what we ultimately try to provide through the health plan is a positive experience and a great experience for those members that are out there, and so we're seeing a good result in that regard.

So looking at the payer services market and how we view some of the services, as you start there at the bottom left, more transactional in nature, and as you move up the curve more strategic in nature. Some of the ones that are folded here where we have a meaningful footprint today and some of the services that we provide. Typically we'll find ourselves entering the market down at the far left with a transactional or more of a tier one opportunity. And then as we continue to build relationships and execute on those contracts, we get the opportunity to move up the value chain and continue to grow with our clients. Of our bookings, we typically see about eighty to eight-five percent of our annual bookings come from our base business. And about fifteen to twenty percent will come from new logos, so just from an organizational perspective, dedication, our sales and operational model is focused on our current customer base and continuing to grow within that customer base.

I will say from an acquisition perspective or us looking to grow strategically, we're today, more focused on a cost side of the business, so more

the administration. Where we're looking to move in the future is more on the revenue side of the equation, the sales, the marketing, billing administration, all of those services that we will work to provide a plan to get on the revenue side of the equation and not just the cost side.

Male Voice: ((inaudible)) analytic strategically to that role?

Mike Morrison: My analytics perspective, Connie, help me here. I would say our analytics is a hundred million of the eight hundred.

Male Voice: I was hoping to get specific numbers ((inaudible)).

Mike Morrison: Okay.

Male Voice: ((inaudible))

Mike Morrison: Ten to fifteen percent on the analytics side.

Female Voice: Do you think predominantly ((inaudible)) we may support them but ((inaudible)). And how do you know if it's probably ((inaudible)).

Mike Morrison: I would just say that some of the analytical and the technology is really an enabler of the transactional piece. So the transactional piece isn't just limited to labor or processing, a lot of the technology that we have kind of sits underneath that transactional and that's how we're able to win those.

Male Voice: You know, I think you're right that they try to keep it in-house. We're doing more joint product development than we've ever done before, so that marketplace here and how it responds.

Mike Morrison: Within our commercial payer book of business, going a little bit deeper into the service category, these are four main towers of

service delivery. The first, on the left, transaction processing, you can see some of the services listed there on the left. But a lot of front end scanning, mailroom, data capture, claims processing, enrollment processing, all those different types of services, that we have proprietary technology that sits underneath these fairly large labor force outside of the United States, doing a lot of these transactions. Book of business, we continue to try to grow this at the high single digits, ten percent range, if we can. But as transactions continue to automate, this is a book of business that we're continually having to backfill every year. So strong book of business for us has been the genesis of a lot of our contracts, continues to be a good margin profile for us but, in terms of growth, we got a couple other towers here that are growing at a much faster pace. One of those towers is customer care. Probably our fastest growing in terms in terms of top line and continues to deliver solid booking. All the types of services, when you think of customer care, inbound, outbound, voice, for all the different services that you see listed there. I think the difference, as all of us and our competition, you know if you're playing in similar labor pools, real estate is similar, where you really can make a difference is on the technology side and managing the attrition. And we've had tremendous success doing that and it's been our, probably our fastest growing tower of business.

So does our communication and marketing services. This is both the physical and electronic delivery of communications on behalf of our health plan. We got into this business about four years ago through an asset acquisition of a large health plan in the market, with a very unique deal structure. Which was, as

we looked at the business model, about twenty percent of this was transactional in nature, eighty percent of it was focused on postage. We went at it from a little different perspective to where we almost broke even, smaller margins on the transactional piece, and our ability to make margins in the space is based on the outcome of being able to take postage through data analytics, consolidation and leveraging volume through other channels of the market so we can eliminate cost. And that's been a tremendous success story for us. We've since added two additional clients in this book of business and are optimistic about our future to continue this growth in that segment as well.

Finally, on the right hand side, is our recovery services book of business, primarily a data driven, from a pre and post cost containment and avoidance. This business is primarily focused on, you know, who's got the best mouse trap that we're continuing to try to evolve each and every year to identify new ways to recover and additional ways that we can apply data and analytics to grow this book of business. I think what you'll see on the right is you'll struggle to find any service provider in the market that is touching all of these different service categories, so from a standard or common data set we're able to maximize the efficiency through all those different channels.

Male Voice: So is this how they set up left to right in a hierarchy order. It seems like by your shift that it may have been to the legacy, one year opportunities. And is it sort of measurably, sort of moving up the stack? And then what are the margin differences as you move left to right between these stacks?

Connie Harvey: So if you looked maybe ten years ago, it would have been ninety five percent on the ((inaudible)). If you can identify the trend in market and that was not a ((inaudible)) growth rate. We have moved up that value chain that Mike described earlier, and the margins are proportionate to the value, because the further up the chain you go.

Male Voice: Does that translate as the ((inaudible))?

Connie Harvey: If you go back one slide. And kind of layout what was on that other slide, the far left starts at the bottom and continues up into customer care and then on, I think, with the Managed Print Services ((inaudible)).

Male Voice: Got it. And that's helpful. Thanks, Connie. And I guess just going back to slide fifteen, it has sort of the payer ((inaudible)) here of fifteen billion, nine percent, you know, sort of long term growth rate. Sounds like you guys are, if you're transaction processing is growing, I think double digits. I think that is what it sounded like? Then it would sort of seem to suggest that you're growing, the newer opportunities are growing faster and you're growing above market. And if you could just talk about if that's the expectation going forward, going above market, what the competitive dynamics are? And I guess sort of how you bring all those things to bear that you talked about. Or to what degree you bring them to bear together to drive competitive advantage in the marketplace.

Connie Harvey: Go back to the full slide. From a growth perspective, it pretty much goes left to right as well. And you know, I think the fact that ((inaudible)) electronic over the last year. The fact of that will, does

continue to grow so probably at slower rate ((inaudible)) to grow is a function of a market. And if you look at the large payers, a trend that we've seen over the last several years has been they want to see more work for less price. So our ability and ((inaudible)) the competitors in each one of those markets, we are the only provider that goes across all, by just capturing more of that share we've been able to continue to grow that.

Male Voice: One quick question, back on the page forty-two, the value added increases curve chart. What percentage of that work, if you think about ability to send it offshore, has already been offshored, will be offshored because looking at the lower end pieces, you know, are those things even still just abroad or can you give a sense of the offshore growth?

Connie Harvey: Again, it depends on the customer. There's probably very few of those that cannot be done ((inaudible)) but because of the programs that we're supporting and the gray line is blurry, we have commercial clients that are providing government programs that maybe ((inaudible)). All of those would be, if the program allows for it to go offshore, offshore will ((inaudible)).

Male Voice: What Steve identified in his broader services commentary that more work will be moving offshores, in health services. So in your category is that also true that over the next three years that you'll have more work of the two billion dollars that you have that moves offshore because of your headcount: And is it the same kind of general magnitude that Lynn talked about

in his slide, eight percent of workforce over the next couple of years or is that ((inaudible))?

Connie Harvey: And I think that was a good enough number that, but a lot of it ((inaudible)).

Mike Morrison: I do think that as our customers continue to face cost pressure, that's obviously a lever they can pull with us, moving work from the U.S. to offshore. So we're a little bit hamstrung with the directions they want to go and how aggressive that they want to be, but I would see, with cost pressure we'll see that shift.

Male Voice: Is that the margin, is that a margin opportunity as well?

Male Voice2: Just one last thing for me. You had mentioned a few moments ago that you were becoming more revenue focused, I think it was the start to M&A as opposed to cost focus. And what's the impudence for that? Is it market driven? Is it, I guess just what is the ((inaudible)).

Mike Morrison: It's kind of the next thing for us, I mean, we continually have been focused on the back office and how we can take cost out. We've had success in the Medicare Part D space with some of the selling and conversions on behalf of our customers and think we can have additional success as healthcare moves to individual purchasing. So it's more of where (a) where we think the market's going and (b) it's kind of our next thing to round out our entire offering. And you start bridging all those things together and from a synergy perspective we think we can capture some of that value.

Male Voice: Was I right in thinking that, with regards to M&A comment, so ((inaudible)) of the market will that be done through acquisition or it will probably be ((inaudible))

Female Voice: Both, probably. But how much of the service bartering that's going on is ACS right now, is on the healthcare side and how has that actually impacted the actual specifics that we're structuring the US ((inaudible)).

Male Voice: Well I'll let Connie, if she's willing to speak to that. I'll talk to the broad, the fourth quarter market stands as it falls. I think across all the organization, the payer's perspective, ((inaudible)) and so on. And then it kind of gets tactical after that. It depends on how work is delivered to a central location, in home locations, other solutions. And then thirdly is they start to look at offshore opportunities more aggressive with both our clients and in our own internal operation to get to the offshore. That's how I kind of ((inaudible)).

Female Voice: ((inaudible)).

Female Voice2: And just one more question, so either, it's obvious with Yahoo and ((inaudible)) comments that have come out about working from home. I'm just curious if, because I know you went through a lot of, you know, call centers or like a lot of outsource at home type of business. Has there been any thought, any change, anything you guys think you do better than others? I mean I'm just kind of curious because it seems like a natural way to save money. I understand that you have to collaborate and all that, but --

Female Voice3: I think it's ((inaudible)) work component very well. ((inaudible)) transactions are more individually focused. And there were two things, right, it improves efficiency but it also expands the market ((inaudible)). And I think we'll be looking for whatever ((inaudible)) work from home.

Mike Morrison: But I think we were doing coming from an innovation standpoint and I'll let RG comment on this as well, is trying to develop more innovative solutions to in home, to adhere to some of the privacy issues around handling medical and so forth. There's a solution we created called a Vpod that is, maybe RG you can talk about it briefly.

RG: ((inaudible))

Mike Morrison: Pod. Okay.

RG: So what happened is we needed a way to deal with some of the service concerns the clients would have taking this work at home, so when you take work at home you do all the same work you've been doing at the office, create a, we've partnered with a research firm outside the United States as well as with a partner to come up with an enclosure that you'd be able to play, it's cost efficient and also provide video surveillance data with access. We'd have an at home network that we put together in the last year to be able to put context with video as well as audio to any call center or orientation house itself. Those things alone are kind of the stepping stone to be able to go further at home. We have a pretty good basis but the types of work is always challenged, so to be able to address that, that's some of the things.

Male Voice: I think it's really the ability to cross, you know, to cross the analytics and the business intelligence components to this. How much, how restricted are you in terms of HIPPA requirements and just privacy laws to be able to actually go in there and try to leverage this information you might not have access to?

Male Voice2: I don't think, I mean within a cross customer there's restrictions but within a customer where you can find synergy through the dataset, we don't have that, I'm not aware of any restrictions that we have.

Male Voice: ((inaudible)) in terms of what you're doing.

Male Voice3: Do you guys have a sense yet how much of a competitive advantage you may have in the ability to do that? I know when, to when the, you know, sort of -- when ACS and Xerox came together. I think one of the bigger revenues suggested was just getting the data off the paper, getting it in the databases, things like that, using some of the Xerox technology. And then there has been a conversation of sort of flipping it around and using it as an analytical tool. ((inaudible)) to sort of drive revenue and things of that sort. How robust, I guess, is that possibility? Is that some of what you're talking about when you talked about the things like you've discussed today? And is that a real competitive advantage or do you have a sense of ((inaudible))?

Male Voice: I would say most of our across tower analytics and data set we will use as an enabler for continued services and driving value. We haven't spent a whole lot of time, investments in cross data and selling that back or kind of create value that way yet. Most of our experiences so far, take the

middle two towers, for example, with customer care and some of the outbound communications is, okay I've now purchased insurance on the member and what type of behavior do I have as a member? And I drive a phone call, what can we do through some of our other channels to proactively communicate or do some deflection for why calls are coming in. So a lot of the data that we're viewing and looking at is to create a better service model that we can then go sell. It's not to then go out in a consulting way or sell that back to them. Does that make sense?

Male Voice2: Got it. ((inaudible)) I was necessarily thinking with regards to you telling me that, but using it as robustly as ((inaudible)).

Male Voice: But one of the things that we've been doing for the last two years, probably ((inaudible)) between the HR consulting that we're doing and while we haven't yet done it, we see that as the marketplace is focusing on outcomes, trying to understand the controllable ((inaudible)) patterns in the US, we know that the data is there. That's something that's on our agenda as we work through 2013 and '14, respecting all rules that we have in terms of contracts with HIPPA and everything but we think there's some terrific research possibilities from everything.

Mike Morrison: So those were our four key towers. And while we we're optimistic about the growth within each one of those, I think we've gotten some tail winds from reform in really these two are, one is from the health insurance exchanges. Mary talked about the platform, obviously, in our Buck Group we've got the private exchanges but at the end of the day, for health plans, you need to be able to sell your product and you need to be able to

administer then you need to be able to retain your membership. And our focus, from a health plan perspective is (a) assisting with that connectivity to whatever the exchange might be, and then also the service model that surrounds that from a billing administration, customer care, all of those types of services. We've had some success on this regard. This is really a late 2013 implementation and you'll start seeing the majority of this benefit into '14.

On the right side, and this really goes to the new entities within the market, but whether you're a small plan and need to scale or if you're a coop, for example, you have some federal money and you're going to write up a new plan this year and you're going to focus on your product, ultimately gaining membership. We've had some wins in this regard and are optimistic about the future here as well of about being a full BPO administrator and more of a TPA regard as they go out and sell the product, we'll do all the administration background.

So going back to the four different towers, I talked about what some of the service offerings that we perform in each one of those. So I'll focus now on why we win and the differentiators in each one of these towers. And really, regardless of what service tower we're in, these five differentiators will cut across all of them. First and foremost, is our strategic business unit structure, which is a dedicated model, we don't have shared services with our customers. Dedicated leadership, dedicated equipment, dedicated space, dedicated mission each and every day from a contract perspective on that execute.

Second is our achievement based compensation, which drives down to the individual processors on the group all the way up through the management structure that creates alignment between ultimately the outcomes that our customers are looking for and how we compensate our people. Third is our outcome based deal structure. Moving more and more to this each and every day, less about the unit cost and X times Y. A lot more about, ultimately this is what I'm trying to get to per call, per resolve call pricing. If you're looking to move more to automated channels or signing up for deals to go at risk for that. And with that risk comes a lot more reward in terms of margin as we execute.

Our asset acquisition model, as plans continue to face price pressure, rather than going through a very long transition and implementation where they shut it down and we light it up, we're seeing a lot of deals where we're taking deals on as is where is, implementing our technology over time and then seeing the margin impact on a much quicker basis.

And then finally, just from a discipline perspective, six sigma and continuous improvement across each and every one of these towers, we've got goals and metrics each and every year, not only from a performance perspective but internal margin perspective of how we can become more efficient. So cutting across transactional and customer care from a crowd sourcing, it's kind of a new bug in the industry, but we've got a lot of people performing transactions whether it's on the care side or the transactional side. But one of the big differentiators that we see in the market is driving up the utilization as that person is already being paid for and how can we provide multiple tasks to that person during

downtime to maximize the efficiency. And secondly, we've got, you know, service centers all over the world for transactional and care that we can perform services from.

Gamification is kind of a new cool thing we're doing in customer care, at a desktop level, you know, engaging our reps, creating a fun environment as we continue to be more and more efficient and there's a lot of prizes and things that go with that. Specific to transactional, as I talked about earlier, a lot of high volume documents that are coming through here or transactions and processes that we're performing here. Again, the key here and the differentiator, not only from a market perspective but from a margin perspective, is the technology that you have that kind of sits underneath this to enable our transactions processes. And that's why we continue to grow where the market's probably growing and at a slower pace we continue to win business in this regard through our technology.

Talking about customer care, our call simplicity demo that you'll see today, the speech analytics that's continuing to drive better outcomes for our agents. RG talked about some of the at home things we're doing. And then another fairly large differentiator for us is hiring the right people upfront to perform the service. As you can imagine, in customer care, you can face some fairly high attrition rates, so getting it right up front is a key metric in terms of managing costs. And so that's something that we're seeing some reductions in our attrition and helping our margin expansion.

I talked about a lot of this stuff in the communication services space, but at the end of the day what we're trying to do is communicate through the right

channel to the right person at the right time. And the deal structures here where we can engage a lot of different technology to provide a better member experience is helping us to be aggressive and win deals in this space.

And then lastly, I talked about this before but more of our data driven set, data analytics, data mining. From a cost recovery and avoidance perspective, a lot of this is post, so looking at data, identifying opportunities and most of this is on a continuous basis. What we find, we keep a percentage of. Questions here?

Male Voice: ((inaudible)) a couple of years ago when the deals were sort of consummated did they receive this sort of reply here with this overarching blanket? And if not, sort of where does it reside and how does it reside in the payer business and is there more opportunity this side of the payer and even provider sort of apply anything?

Mike Morrison: It is an overarching blanket. I would say there's probably just due to the volume of the transactions and from a staffing perspective, the two on the left we probably see the most benefit from. But I continue to believe it is a differentiator for us in the market as we can align the contract structure and the deal structure all the way down to the rep level. And as we continue to perform and outperform the contract, it gives us the opportunity to expand margins.

So from a competitive landscape, they're all listed up there by tower. I think the unique thing here, Connie mentioned this earlier, we rarely run into the same competitor across different service towers, which says a couple things for us. One, it gives us a unique position in the market where we can serve multiple

towers, lowering the interaction cost of the health plans today. And secondarily, it gives us a large advantage to be able to work across these towers from a synergy perspective and drive continued value, I talked about de-legalization, leveraging the data set and be able to come up with more creative solutions versus being so side loaded in one tower.

Male Voice: ((inaudible)) presentation of sort of represented by this percent.

Female Voice: ((inaudible))

Male Voice: Prepare, yeah, what percent comes from those transactions and what percent comes from ((inaudible))

Male Voice2: I don't think we're giving it that level of detail. I think, you know, there are a hundred businesses when you total it all up or more across all our lines of business, but I think you're probably more concentrated in the top half than the lower half, probably, because of revenue, which is what kind of Mike talked about earlier.

Female Voice: In terms of revenue, yes. Again, the margins are higher in the bottom level.

Mike Morrison: Okay? So from an innovation perspective, we really have a two prong approach. We've got an external view and then an internal view. From an external perspective, the multichannel communication, which spans across our customer care and our communication service lines of business of getting the right message for the right reason at the right time through the right channel, and that infrastructure and that platform we're having

very good success with. Again, as the market moves more to the individual side, being able to personalize content and personalize statement and communicate down at the individual level, having the platform and the ability to do that and ultimately having the analytics to support that is a big advantage for us.

I talked about the predictive member behavior, that's another area that we're focused on. We've done recent acquisition in another one of our line of business but we're really pulling that into the healthcare space of how we can ultimately get in the head of the healthcare patient or the healthcare member and how can we provide a better member experience and ultimately lower the cost through this predictive member experience and communication.

From an internal perspective, we're constantly investing in innovation to make ourselves more efficient, obviously from a competitive standpoint but also from an internal margin expansion. You'll see the call simplicity demo today, which we're super excited about what that can bring in terms of (a) growing and (b) our margin expansion. And secondly, I talked about crowd sourcing earlier but really leveraging the workforce that we have today to be more efficient and do multiple tasks with the same speed.

So finally, I think we've talked about a lot here today, through our services, our differentiators, our innovation, competitive landscape, all those things. We expect this business to continue to grow at double digits, both top and bottom line. We're super, super focused on the execution of our current business. If there's one thing that allows us to continue to grow, it's the execution and renewals of our current contracts so that we can focus with our customers on

things that are new versus focusing on our existing business. With our current business model we have, we're well positioned to take advantage of a lot of the tail winds that are going to come from reform at the end of this year and into next. Our client base of having twenty of the top twenty as we do acquisitions, as we invest and have new products and service offerings in the market just expedites that process of getting to our customer, getting them excited about it and continuing our growth. And plan to reform the last piece there. As we move more to an individual consumer market, we've got a lot of assets, technology and services that can help service in that regard, so we're excited about what we can do to commercial payers in the future.

Charles Fred: Good morning. My name's Charles Fred. I'd like to introduce you to our provider business. It's a pretty exciting story that I think I have to tell you today. But before I get into the presentation, I want to ensure that you understand what our provider business is, so kind of if I could draw a circle around the technology and services that we provide to be the provider business. So I consider a hospital as an acute center of care at care point, all the technologies that go with that, all the ambulatory sites that we serve, which could include clinics, post-acute care, therapeutic sites and so forth. And all of the technology vendors that provide technology to those sources of care, so that includes names that you may recognize like McKesson, Epic, Allscripts and others, so if you were to draw a circle around that world, that is where my customer live. And so within that realm, let me take you through a couple of things that help us define even more kind of where we are today. We're serving

a market that is arguably a twenty-two billion dollar market, again, between twelve and thirteen percent annual growth rate. So we're growing and I'll tell you this story today, but we're growing at a rate that's consistent with that market today.

A couple of things, I'd thought I'd use some adjectives just to describe how our customers might actually speak of us. We're pretty committed. We've been at this stuff for a long time and we're getting benefits from the investment we've made and the tenure we have in the provider space. Seventeen hundred hospitals is greater than just a number of seventeen hundred because when you've penetrated the hospital market you also get the ambulatory side of it and the physician practice groups that go with that. So we're pretty committed and we're actually seen as that in the marketplace today.

From an innovation perspective, we've had some acquisitions and also some pretty large investments over the years. And we actually bring quite an improvement to the adoption of new technology and the analytical side, which I'll speak to a little bit later today. From a trusted perspective, we're highly referenceable. And in the provider side of healthcare this is a really important point for you to know, you cannot grow if you're not referenceable in the provider side. It's an evidence based world, it's driven many times by physicians that are making decisions around acquiring our services and technology, so that's a pretty important point for us. The focus part of us is that we're the highest rated management and quality outcome software solution and have been for many years. So this isn't just something new for us. And last, but not least, we're

recognized. Gartner class, which by the way is a measurement inside specifically of healthcare IT is constantly looking at us as leaders in this space.

I thought I'd take just a second to talk about some trends because we, in the provider side of healthcare, live in, I wouldn't say a unique position relative to a lot of the governmental actions that are going on, but we are basically affected by the decisions. The trends that I see, I mean I'll take you through each of one these. If I can just give you an overtone, the trend across financial, clinical and patient is stressed. So right now, when we look at financial, the trends for example, on the financial is that a lot of this shift is going back to the providers. And they're going to have to basically stand up in order to be reimbursed against some pretty tough quality measures as we press forward. And we don't see this actually abating in the future. So what we do see, however, is them playing much more of a team game. Being part of an accountable care organization, which I'll speak to a little bit later, and really us helping them get across that bridge and I think we have some pretty unique services to do that.

On the clinical side, we've probably seen more change in the last two years than we've seen in the previous thirty of really what's happening with physician driven protocols, the values that they're going to have to perform against and the fact that they just can't be isolationists. They're going to have to play again across this. And then what the future what we see if we can steal from other markets. For the first time I believe that primary providers of care are going to have to think in a global form around how they serve and yet be very local in what they actually do. So we're seeing some trends in healthcare and

the future in healthcare that are following a lot of other markets that we've had. This is the age of the consumer/patient. And if you want to think, not only what we're seeing today, but what we're going to see in mapped in the future is the consumer is going to take care of his or her care. They're going to start having information at their fingertips that they've never had before. They're going to ask a lot more questions. And as the burden of the care and wellness goes back on the patient, it will actually then be transformed over to the providers. We believe this trend in the future, we're uniquely positioned to help this forward. And the more change that happens in this area the better our business is, so we are thriving on the changes right now that are going on, on the provider side of healthcare.

This is a chart I'm going to use a couple of times this morning. Let me take you through the top because it's an important piece for, hopefully, you're question sets and your understanding of our provider business. We do four integrated things and we do so in four different business units. One of the things that we've been able to build off of the long history at ACS and now Xerox is IT outsourcing and getting into the healthcare space of being able to select, implement and manage the infrastructure inside of a hospital or a healthcare system. And that is really where we can actually put our platform and our framework for where we start reducing costs. And I'll talk about cost reduction pressures in a minute. Once we have that, we can teach them how to use it. And this is a unique position. We acquired the Breakaway Group about a year-and-a-half ago. Our simulation technology is a big barrier for other people

coming in and helping physicians get up to speed quickly on the technology that we are servicing. And then we help integrate and navigate and this is a really important part. We've talked about insurance exchanges but one of the greatest benefits of an electronic health record is sharing of information across a region or across a population. We would now have them using a system of which we now can actually teach them to get referrals, grow their businesses and to reduce costs.

And last, but clearly not least, is our information business, our analytics business. So if we have the installed infrastructure and we're managing costs, so we're teaching them how to use it, they're using it correctly, we're integrating them into the network. We now can take all of the information from those three things and provide information and insight to our caregivers. So let me go through, I'll come back to this slide and talk about competition in a few minutes but I want time to take you through a little bit of a deeper dive with each one of these.

The platform for reduce cost is a real landmark for us. This is, you may not, you may or may not ask me this question. This is about fifty percent of our business today. It's an important part of our business in part because this is a real sticky factor. It's hard, when we're in there managing this and doing a really good job and reducing cost over time, this becomes basically the foundation on which we can build the rest of the business off of. We then can basically consolidate the platforms for both interoperability and cost effectiveness. I want to stress this morning the greatest value proposition that we have in the provider

side today, over time, will be the massive reduction of cost because we can integrate what we do. And this is going to be important, when I show you our competition; this is where we will play best. And last, on this part, in really the operational excellence is that this is what we do. We have a large reference account where we're actually best in class in IT outsourcing. And this is a place, again, where we'll continue to grow. So that's job one.

Job two is then helping them use the implementations that we've put in there. I know you're very familiar with electronic health records but the electronics health record now is the nucleus, the locus, per say, of the work that we're doing within a hospital setting or a network setting. And this is what we're building extensions off of that health record. The Breakaway Group, which we're not only talk a little bit more about later today but we're going to have a demonstration for you, is a simulation based process that dramatically reduce the cost of training, education, turnover and so forth. And then we get it, once we're using it, we want to actually help optimization. Through our digital nurse assistant process and some others we're now looking at dramatic changes in how you're using the application and interfacing, for example, between a work list on the electronic health record and the lab and prescriptions and so forth.

Again, the clinical data, the lead transformation, the important part here on optimization is we'll have that at our fingertips. And the last part in this, is that because of the technology we have with the Breakaway Group, we actually have metrics of adoption. We know where they, our customers are in an adoption life cycle. This is critical in a healthcare setting on the provider side because of the

turnover. There's quite a bit of turnover, especially in the revenue cycle side of a provider's site and there's turnover in a lot of our academic medical centers. So again, I'm just taking you through a process. We have now taken advantage of the implementation work. Now we're teaching them how to use it and optimize it. And then we're going to help integrate. This is actually a picture of a dashboard that we use for adoption. And the interesting part is dynamic. At any one point in time we know where an organization is relative to their use and effectiveness of their use within the electronic health record.

So navigate and integrate is an important part. This maybe, if there was a pivot point in our business that is another very difficult place to compete with us, we literally will help drive the provider business. So we're not just reducing costs. Because we can share information now we can actually help lead referrals to physician practice groups. We can integrate between disparate organizations. One might be using one health record and another one might be using a different one. We can actually help them integrate that. And the last part on this one, which is really important, is this is also where we integrate with the payer side on ICD10. Our specific work, on the provider side, is through the physician documentation work that drives ICD10, the new coding system that will be so important and relevant to getting paid. So that's why we're going through the navigate and integrate, and then if we.

Female Voice: I don't know how to figure out what the focus on, like within doctor's or whatever, on our electronic medical records.

Charles Fred: Great question. So let's address that two ways. So there's hospitals that are on an EHR and then there's physician groups that are on EHR's, so according to the latest study for the ONC, which is the national coordinator for health under the CMS organization, fifty-five percent of hospitals are now effectively using a health record. About forty percent of physicians groups are using that. What's interesting is that only fourteen to fifteen percent are actually producing order sets with it. So it's a really important question that you asked because this is why we're going to grow so much in this market. We're helping them adopt and take advantage of that massive investment they're making with the health record. So we want to get the fourteen percent to thirty percent to fifty percent and it's going to take two to three years. There is one catalytic mechanism in there that's important. And that is there's still leftover funding from the stimulus high tech carve out. Roughly two-thirds of that still have to be paid out to the providers. That was a thirty billion dollar set aside for meaningful use. We're coming up on a stage two version of meaningful use, which the provider side that I'm speaking to today, our primary business is driving providers to do that. And this is millions of dollars of reimbursement through Medicare processed for the providers. A big part of our business, it's one of the reasons we're growing so well, but I'll show you how uniquely positioned we are within that for people not to be able to take that from us. So.

Female Voice: ((inaudible)) customers, you know, in practice groups?

Charles Fred: Great question. We don't provide services directly to the small one and two doc practices. However, we use Allscripts, as an example, or those types of vendors within our contracting process and we reach through them through our scalable solutions to reach those physicians. Today, right now, we have about a hundred and twenty-four thousand practicing physicians that are using the breakaway method, as an example. And many of those are one and two doctor practices. So it's quite scalable. Any other questions?

Male Voice: ((inaudible)) the fifty percent, sorry the thirty percent ((inaudible)).

Charles Fred: Yes, so electronic health records, let's see. Fifty-five percent of hospitals have implemented the health record, and that's actually fairly current data. HIMSS was just last week, which was the big healthcare information systems, conference down in New Orleans. Roughly forty percent of practice groups are using or have an implemented one. But the ultimate question, the important question from our business and also from healthcare in general is, are they actually producing an order set?

Male Voice: What?

Charles Fred. An order set. So it's.

Male Voice: What that is?

Charles Fred: A good question. So when you go, this is actually a great discussion because when you walk into a provider today, just on a health record, they have your information. They might even have the episode that

you're actually treating you for. But the important next step, if we're going to have an integrated health record nationally today is you have to produce an electronic order that tells the nurse or the other care providers what they actually need to do in your care. And that triggers then the second important part, and that is the e-prescriptions. So we can actually connect the prescribing, the dosing, and the care all electronically. What this enables us to do then is the next time you come in we actually see what's happened over the life cycle of that care or that treatment. This is vital especially for people with long term illnesses. So it's a really important question because it's one thing to install one, it's another one to use it in a way that the government now determines meaningful use, and that is literally a threshold to get reimbursement on a high tech app.

Yes?

Female Voice: You're amassing information on treatments, success rates, and things like that? Such that, I know that's sort of a feedback to the government eventually, a mystery how this all sort of plays in.

Charles Fred: Great question. In fact, it's this stuff that I'm going to talk through right now. The best part of the business, so the way we built the provider business is that at the end of the day the richest part that we have for our customers and also for ourselves is the data. Now we are not an electronic healthcare business. We're not an application vendor. But we're gathering, basically, the process information around the use of that record. And the most important part with Midas, we actually get to track nursing information because most of the records is around the provider but now we get to see clinical

information. And we can inform our clients now that they're spending too much time on certain parts of care. We can do bedside information. We have all kinds of care management information that we can provide back. And that's why Midas is such a great business for us and such a high margin business is it doesn't cost our customers very much money to get that information. It doesn't cost us a lot to serve it to them but our margins are high. So it's a great business and all three of the previous ones leave us in this position to be in the information business, the analytics business.

Female Voice: So you have the tools that are required to eventually say this is the best way to treat or this is, you know, provide that level or is that further down?

Charles Fred: We're not advising on the clinical side.

Female Voice: ((inaudible))

Charles Fred: Yes, yes, exactly. I've got a couple of slides. Why don't I get to that.

Male Voice: Which is really the analytics platform that's going to drive the data.

Charles Fred: Yeah, so, and even, when we speak to this slide here, really what we're trying to do is these kinds of things. The analytics deliver information basically around decision making, risk and outcomes by giving them an aggregation of that information. So I'm not driving it, I'm actually collecting it. And that's an important part for us. Second is that we're looking at everything from uninsured patient costs, payer mix, length of stay. We have all that

information in a database that we hold today. And this is critical information to our providers, but it's also the greatest barrier for anybody coming in, to come into our payer or provider business. And last, but not least, is the notion of real time clinical surveillance. It's a real time system. I mean we've taken advantage of the technology, I think the combination with ACS, the acquisitions we've made and Xerox has really put us in a nice position from that perspective. And we'll show you some demonstrations of that later today.

This just gives you a little bit of what we're doing with that information, with Midas. Now Midas has been a brand a product that we've had, again, for, it's been. It's a twenty-five year old business, deep penetration into the hospital side, soon to be hopefully, ambulatory side. So population management, you're going to hear about that. This is going to be a big growth area for us. It's the ability to take that information across a region or a population and then look at trends, and that trend information will help drive costs out of a providing organization. It will also even help them with strategy, even the type of providers that they want to put into their care organization.

On the provider management side, again, this is really the physician peer review. We can look at credentialing, provider benchmarking and so forth because of the information that we have. Again, it's quality level information, outcome based information.

And then organizational performance. The one thing that we know right now, within the care settings that are moving towards an accountable care organization is, does anybody need a definition of what the ACO, Accountable

Care Organization is, real quickly? With the Affordable Care Act, we are now, as a provider business, and I'm talking about physicians, hospitals, ambulatory, can it truly be accountable to a population? And they're going to now watch the merging of physician groups, hospital systems, ambulatory sites and even some technology companies coming in to one region, one area. And the important part is that we think we're going to have the data to show them how to do it. This is an area where, today, there is a lot of ambiguity around it. People really don't know what to do. They know they need to do it. There's a lot of anxiety. And we think, through some of our information, especially our quality information, we can give them the path to how to do that. So another big growth area of our business that we think we can build out of Midas.

So let me return to this real quickly. The four pieces that were on the top, those are the four business units per say of our provider business. If I go to the bottom, where competition is, this is a pretty telling chart for us and we are somewhat liberal with even throwing some names in here. But we're the only, we believe we're the only enterprise out there that has the four pieces. You can't get in the analytics business just because you want to be in the analytics business. You have to have a business that drives the data. We have the business that drives the data. We've selected, implemented and managed the system. We teach them how to use it. We know what they know. Because of that we help integrate through other systems and in that process we're capturing the data that we can actually have on the analytics side. So very unique position. We think we're going to grow a lot in this business. And at the very least, we're going to

grow at the same slope as the market right now, which is between thirteen and fifteen percent. Some analysts have had it at twenty, so we think we're going to grow like that. And the margins look pretty good in this as well. Let me give you, yes?

Male Voice: ((inaudible)) so what I mean by that is, you know, Midas has been with you for twenty or twenty-five years. There's been tremendous change in the analytics market from a technology perspective in the last five years. And so it leads me to believe that maybe Midas isn't a cutting edge technology, so go back to the question. Are you guys bringing value to your customers because you have processes that help them distill what they need from the analytics or you have technology that helps them on the analytics side for this particular area?

Charles Fred: Very astute question. We have both, so I think it's one of the reasons we probably have, we have a little bit more runway with Midas to remake that when we need to. And we're in the process of reinvesting in that as we speak today. Because it's the process, it's actually the installed base that we have across seventeen hundred hospitals. Just the user group that we have there and the loyalty in that user group allow us to actually put new processes in place to gather new pieces of information.

Our investment, for example, in one of our products that we're working on now, called Digital Nurse Assistant, is literally an overlay on our Midas process to go gather more information now on how a nurse, in this case, actually works and integrates between applications. So I think we have both. It means that we can't

remain flat footed. There are a lot of people that want to get into this business. They speak about big data and analytics. But you have to have to the wherewithal to capture it. And that's what I think we have, first and foremost, which gives us a little bit more runway to go build some more technologies. We're moving to a mobile platform as fast as we possibly can.

Male Voice: ((inaudible))

Charles Fred: Yeah, we have a full team in Nashville that's working on this as we speak. So it's a big investment for us. Good question. So differentiators, again, I think it's the way we've attacked this and the way we're actually getting to the information that we have. We have a lot of expertise on the consulting side that drives this. But the consulting side, the nice part is, again, they have a framework to work with. The platforms and technology, the upper right hand corner, I believe, long term, and I believe I speak for our whole team here on the provider side. When we can actually put a technology with a process and the brand that we have, I think that's the thing that's going to win the day for us. And it's why we're acquiring a lot of customers. Our bookings look strong in this area.

In the provider innovation group, the thing that we've done within the last eighteen months is we have a dedicated team of people that are doing two things for us. We are either using our relationship with PARC and our other research efforts and doing some organic development there, but we're also looking at some acquisitions, which I'll speak to in a minute. And you'll see a couple of those today when we do some demonstrations.

So to wrap up, a couple of things that I want you to takeaway, one is that we're in a market that's growing and it's a sizable market. The HIT market is sizable. It is morphing a little bit and it's still catalyzed by the high tech carve outs. There's still two-thirds of those dollars that are still out there to get. And the Affordable Care Act, with the ACO movement is also going to play well for us.

The electronic health record knowledge that we're gathering is going to be the thing that we monetize in our future. So you're going to see it lift our margins and you're going to see our ability to actually retain our customers because we have so much important data that they need.

On the ITO outsourcing, the nice part is we play to our strengths. This is one area that we just have a deep referenceable area for this. And again, on the analytical part, don't just think about analytics from a linear perspective. What we really have is the wherewithal to gather the information, that's the important part for us. And we are going to be acquisitive when we see the right people that can come in and add technology or process to it. So thank you for your attention around the provider side, we're pretty excited about it.

Male Voice: Any other questions for Charles. I think what we'll do now is we'll, yeah.

Male Voice2: ((inaudible)) just on the payment side of that. So electronic health records and you're actually working through that differently, is all that actually being done on the payment side? Is that actually all being handled electronically? Because I thought I had heard a number, and this is going back to the statistics you provided earlier. That less than two percent of

the payment was actually being processed electronically, so a lot of paper receipts in the systems, so when CMS gets all the data and it's basically truckloads of payments, I'm sorry of boxes of paper that they have to actually go through in order to figure out what was a proper payment, was it an improper payment, so that has to be imaged, archived, and so they have to, prior to you guys running the rack have to deal with that. Is that actually the case?

Charles Fred: Actually, again, it's a really good question. It still exists. It's much higher than two percent. I think it lags, if you have an implementation of a health record that might be learner, another publicly traded company, more than likely you're using somebody else for revenue cycle. And there's, that integration, by the way, is another thing that we do well with, in our practice. So our ITO outsourcing business, we think we can bring a solution to that pain point. I think we can help on the ICD10 rollout, which is the coding part of that. So all of those pain points that you're speaking to really play right into our business model today, and I think that's one of the reasons that we're growing as fast as we are today.

Male Voice: ((inaudible)) talking about. If you think back here, Charles was supporting you in terms of where costs will come out as you get better data and no one else has driven but procedures can drive, remember that sense is being paid by American employers and by American workers. So that's part of where we're taking information and helping them basically redesign the benefit plans and drive more efficiency in those plans and they're going to hopefully also productivity to drive better outcome.

Jim Lesko: Great. Well certainly everyone is available for more questions. What we'll do is shift now, before we take a break, to one other topic. I'm going to have RG Conlee, the Chief Innovation Officer at Xerox Services, really talk about how innovation has been evolving as, within the Xerox Services Group and also be the kind of the lead into some of the innovation activities that we'll be demonstrating with you later today. After that time, the webcast will conclude. We'll have a break and then we'll start the proceedings following the break.

RG Conlee: Great, thanks, Jim. I was a little bit taken back because we were going to be an hour-and-a-half early and I was left here with Steve Hoover coming in later with slides instead of what I was going to present. But welcome to PARC. PARC is obviously a very historical location for innovation throughout, you know not only for Xerox but around the country. And as you walk around or as you're in and out, you'll see some of the legacy that our innovations has to offer. I kidded Mike, as we were out in the hall, there's what's called a PARC pad just sitting down there from 1992, which is the predecessor to the technology you see today. It wasn't quite as easy, but it's, and definitely it's still there. The important aspect of it because three years ago when we added, when ACS was acquired by Xerox, one of the major things that we had to do was say how do we connect the R&D functions and get the leverage out of that for ACS? And that's been an ongoing activity that we've had since that point. We've made a lot of strides in being able to do that. We've connected all of our business groups now to research and development. We have Chief Innovation

Officers around the entire organization who are in charge of being able to focus on their business units, making sure the verticals can get full access to that.

You're going to see some of the demos today that are byproducts of those activities. We have a number of; in fact, I think it's over forty research and development projects that are specific to services from around the Xerox Innovation Group. And just as a point of note, PARC is only one of the various facilities. There's six of them around the world. And so we participate with all of them, but you got to come here today. My wife, in fact, texted me all the snow from the East Coast, so you've got the better side of the deal.

In connecting with that, we have a, you know, really a change in our perspective so that we're able to look not only at the short term, so being very fast, flexible and the ability to have cost reductions and things for the moment but also the long term, so you look at top and bottom line. Some of the things you'll see on the demos today are more top line types of new products and advantages that we put out in the market. Some of them are a little bit more focused on the bottom line and increasing margin. We talked about, several of them have talked about call simplicity, which is one of the demos that we'll do today. This focus is really on taking a number of different aspects of innovations we have, putting it together and saying, can we do our business a little bit better? Can we make it simpler? Can we make it more automated? Can we put analytics into that? So you're going to see some of those things.

The process that we have to get there, which is what I wanted to notate here for a moment, really requires taking a lot of people and being able to

connect a lot of the dots. And so by putting people strategically in all of our business units, making sure that there's a good cadence month after month of looking at innovation, seeing where we are, bench marking it, dash boarding it, coming up with that cadence that we make sure that we're making continual improvements is really the crux of what we've been able to do in the last three years. So we've gone from really not having a research and development operation with the ACS component to now having everybody connected at one time. We've made some significant gains and increased our funding and done all sorts of things to be able to get to that point. And I think you'll see it by the demos, that there are some very credible outcomes that have come from that.

We also speak to our customers a lot about innovation. We've had over a thousand presentations in the last year for, on innovation for our customer base. We also do what's called dreaming sessions, which are more targeted and focused at a customer level, bringing them in, just like you're doing today almost, and looking at their pain points, their visions and things, tying the research community into that, to the customer directly. And I think we have over a hundred of those in the last year, as well as establishing key partnerships with our customers, renovation councils and some of our partners. So tie that together has made a pretty robust process, it gets people actively engaged with the research community, with the innovation community and tying also what we would call organic innovation, probably not an appropriate term but hopefully it's descriptive enough to say that some of our innovation comes from things outside of research because we have plenty of engineers, plenty of developers, plenty of

business experts, but it comes outside of that, as well as from research, tying that together so that we have a good cadence between the thirty, sixty, ninety day type of approach and the one year, two year, three year type of approach. So a lot of processes on top of that.

A couple of comments on things that we had that's come up, and if you noticed on all the key takeaways, there's usually something on the innovation that was one every one of them. Automation and analytics are two key points of focus that we have right now. Data is huge. Everybody has noticed, with the healthcare, there's lots of data that comes through. Now it's not always as accessible as we like and there's treatment and all that goes with that, but being able to apply the analytics and analytic capabilities we have is very important. Charles was talking about the Midas platform. I think it was questioned in terms of the age of the platform. The underlying technology, however, has not aged. It's been upgraded. We had it evaluated by our research community for capabilities of what we would need in the future, both this year as well as the next five years. And it really ranked right up in the top, with the top three, top analytics engines that were available, so we felt very comfortable about putting it into our framework of analytics capabilities and building on top of that.

On the automation set, we've got some really strong offerings for being able to automate because just labor arbitrage is, you know, we've pointed out, is only one aspect of what we want to do. As you move up that sweep chart, the automations are there and you'll see some of the automation today in those demos but there's more behind that. And it's an important thrust that we've got in

research to be able to look and say, how best can we do at automation to that, and something that you'll see in the years to come that we've got available.

We talked about the Vpod. I do have to mention Vpod is the name of the company that we've dealt with and partnered with. We are still going through branding for the actual artifacts to be able to bring it out to market, but it's only one of the examples of what we're trying to do to make sure that we can prepare for crowd sourcing. The crowd sourcing is a nice buzz word. Not as easy to implement as it might sound. And being able to make sure you can address the concerns of the customer for security, for privacy, for treatment of data and all the other aspects that come along with not only healthcare but across the book of business. At the same time, have accessibility, have ways of being able to recruit, deliver. Those are things that we're doing within that arena. But not only the pod concept but also an at-home network, being able to connect call centers to agents in a much more transparent way. And being able to make life simple, because being able to crowd source means you have to also make the transaction simpler to deal with. Complex transactions are a lot harder to field, just to push out to everybody. And so, as you see call simplicity, you'll see what we've done to be able to help with that.

And then, I guess, last is that being able to get everybody together to affect what our outcomes are, be able to help with outcomes as opposed to just transactions. There's a big thrust that we've got with the research and development community. That sweep chart, being able to move up that sweep chart and affect other places means you also have to leverage, what we basically

say, getting our smart people together all in the same room. And that's something that we've been focused on being able to do and I think the structure that we've put in place is going to be important for doing that. So I'm not just going to drone on with that, but I thought I'd make some comments and if you have questions about innovations or the things you'll see on the demos or what's been here, I'll be glad to answer those.

Male Voice: ((inaudible)) dedicating towards trying to facilitate further IT for the services organization with fifty people, a hundred people? What kind of an allocation?

RG Conlee: It's a good question. There's a couple of different answers. I mean just in the research community. So as you look at facilities like this you'll see multiple hundreds of people in a research facility. PARC is a subsidiary of Xerox and probably, fifty percent of it is. Steve will give you more of the details, the numbers, is dedicated to non-Xerox activities. But we found, over the last three years we've had, where we've started with almost no services focused on that. That shift has gone now probably to the middle in the terms of the remaining people. And that's not just at PARC, it's throughout all the vendors, through Noble and Webster and other research facilities. We've seen a pretty dramatic shift in terms of the hundreds of people that would be working on that.

Now, again, we have people besides just the research community that are working on IP as well, so within our own ranks and business that we have invention disclosures and patents and things that are filed at a much greater rate,

by the way, that we've had since we become part of Xerox because that's part of the process of that has allowed us to be able to capitalize on that intellectual property. Where in the past, maybe not quite as dedicated to doing that and so we got a rise of the inventions disclosures and patents within our business ranks as well. In fact, we started a new program this year to be able to recognize and reward and encourage those types of activities.

Jim Lesko: RG, thanks very much. I think that will, yes. Sure.

Female Voice: I'm just curious, and this is ((inaudible)) there is clearly a huge amount of opportunity in healthcare, so I'm curious where the pain points are. What's going to limit the growth or slow the growth? What you guys are worried about and just what the challenges are, because obviously, everything has been very positive from.

RG Conlee: One of the reasons we wanted to focus on healthcare today, and I'll let Connie respond to that, was because we see so many positive attributes. Obviously, we're in many lines of business across many areas, all of which we, you know, we critically look at to ensure they perform in a positive fashion but healthcare, in particular, a cross over, we think, is uniquely positioned given the environment we participate in and some of the capabilities that we can bring to that. With that maybe I'll talk further.

Connie Harvey: I'll give mine. I think probably the biggest challenge that we had over the last twelve to twenty-four months is just trying to predict where this market. I think we get, we've got a much better picture of what healthcare reform is today. Now how the market reacts to that through the, some

large employers continue to buy directly with potential payers or do they go to private? Do the individuals opt into state programs or are they going to end up as individual participants in the large payers market as well? So I think that's probably the biggest challenge, trying to kind of start at this and they're going to see narrow and narrow. But I still think, although we know what healthcare reform is going to drive, I don't know that we have a real clear picture of how the market.

Female Voice: ((inaudible))

Connie Harvey: But you remember that. My husband has one of those. If you look at that, one of those first slides that we showed where the costs are going, it's, you know, every single person, whether it's large companies, small companies or individuals are going to see a dramatic cost.

Male Voice: Connie, I think the big thing. What we've seen in the last year is some clarity. I mean we have Supreme Court decisions and we have elections and clarity, but I actually do think they help remove a sense of confusion. I think once the state and federal exchanges are up and running, that will tell us the things that many, many employers and individuals and companies are waiting to hear. And then as we get better and better data that starts to push, or takes over the next twelve to twenty-four months ((inaudible)).

Male Voice2: My question ((inaudible)) revenue growth and, as Charles mentioned, double digit revenue growth. Mary said ((inaudible)) growth but if we just give about two billion dollars ((inaudible)) and is that solid business revenue growth?

Connie Harvey: Yeah, I think it's actually.

Male Voice2: Well it said good growth, it didn't say double digits. I was trying to figure out.

Connie Harvey: ((inaudible))

Male Voice3: And if you don't mind, the businesses that are represented here are across three Chief Operating Officers. Connie has the payer group under her. David Bywater has the government healthcare solutions and Kevin Kyser was ITO in provider business.

Male Voice2: The question then ((inaudible))

Connie Harvey: If you look at slide number thirteen. And historically, all of these businesses are double digit growth. And from 2012 to 2015 to 2016 we expect this to continue.

Male Voice: And that's consistent with how we've kind of expressed the BPO side of our business. Where this obviously is a, you know, a growing percentage of our BPO business would have high, you know, low double digits kind of growth. And this would probably be the catalyst for that. It may vary based on compares and contract startups and ramp ups and so forth in any quarter. But in general, this will be the primary catalyst, I think, for that accelerated BPO growth. We've talked, obviously, ITO is at a lower growth level and some of the other, the BPO solutions are probably at a lower growth level as well.

Connie Harvey: And I think, you know, here we're kind of looking from this day forward. If you look that these three businesses historically, it's been a consistent double digit growth.

Male Voice: And I think it becomes a larger and larger percentage of our business, that's kind of why we feel confident about the future and the opportunity to grow and grow margins as well.

Female Voice: ((inaudible))

Connie Harvey: That's two things from an internal perspective. There's so much market activity. For us, it's really focusing on the right thing. You know where we can really be successful. The thing that I kind of worry about the most, at the market level, is I call it like Medicaid consumerism. I think we're going to, I think the market is expecting an awful lot of people that are going into the insurance market for the first time. And I think we have a pretty good understanding of what that service model is, certainly from Mike's area and mine, we do a lot of that work right now. Health literacy, education levels, their experience of only going to an emergency room for care. There's a lot that's going to be coming at them and that support model driven. If the whole reason for the ((inaudible)) and improve health outcome. We have to, I think be cognizant of a lot of those challenges that these individuals are going to have to face and the system that's going to support them.

Male Voice: ((inaudible)) survive here the operating margin versus revenue growth chart. If you had to draw a line here, where is the firm wide margin on this chart here? Relative to levels?

Male Voice2: Well, if you take on the average, margins in our services segment, we target ten to thirteen. We're operating closer to the ten with modest improvement anticipated this year. And from a revenue growth perspective, the segment grew seven percent last year.

Male Voice: So the operating margins are ((inaudible)) across corporate average?

Jim Lesko: Big time. Okay. This concludes the webcast version of the conference. And so, thank you very much for your participants.

[END OF RECORDING]

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