

McKesson's Top-Ranked Paragon HIS Offers Community Hospitals Integration, Affordability, Low Cost of Ownership, and Industry-Standard Microsoft Technology

Reading healthcare IT magazines might make you think that every hospital needs a \$20 million information system that takes five or more years to install and a vast army of highly trained support staff to keep it up and running. What they don't say is that those systems are not always appropriate for community hospitals that need a fully functional yet affordable system to help them improve patient care, manage costs and the revenue cycle, and allow improving and measuring quality. Systems like that make perfect sense in uncertain economic times, especially when the federal government may soon provide help in financing healthcare technology such as Paragon. The Paragon hospital information system, No. 1 ranked in KLAS, is sold by healthcare giant McKesson Corporation, which backs Paragon with financial stability, deep healthcare expertise, and a wide range of healthcare solutions and technologies. We spoke to Jim Pesce, senior vice president and general manager for Paragon.

Tell me about the Paragon product and who is using it.

Around the time McKesson acquired HBOC in 1999, it became clear that an integrated hospital information system (HIS) built with industry-standard Microsoft technology could change the industry. So, the Paragon vision developed.

We focused on delivering an affordable, contemporary, single database, Microsoft-based hospital information

system to meet the clinical and financial needs of community hospitals. The market demanded a comprehensive solution, but it also had to be an easy-to-use and intuitive solution that takes advantage of the Microsoft Windows interface. The Paragon HIS also serves as a foundation for a complete community hospital solution, surrounded by other McKesson and non-McKesson solutions.

This is the core of our vision and we remain true to it, even as we add new functionality and applications that meet the expanding needs of our customers.

MCKESSON

Empowering Healthcare

FAST FACTS

PRODUCT

McKesson Paragon Community HIS

COMPANY

McKesson Technology Solutions
5995 Windward Parkway
Alpharetta, GA 30005
www.mckesson.com/paragon

NOTABLE CUSTOMERS

Texoma HealthCare System, Ridgeview Medical Center,
New London Hospital Association.

We really don't have a typical hospital. Paragon's primary market is standalone hospitals, which understand that integration and an industry-standard Microsoft platform are key to their growth strategy. Most of our customers are community hospitals that are not part of a major delivery network or enterprise, though we do have multi-entities with more than one facility.

Those that understand the vision and benefits ultimately chose Paragon. The solution works well for the critical access hospital with 25 beds all the way up to a 500+ bed hospital, such as the one we recently signed in Puerto Rico, the largest hospital in the Caribbean. More than a quarter of our hospitals are over \$100 million in operating expense and we have a few that are over \$200 million.

We're in a market where low cost of ownership is very important. Paragon has a far lower cost of ownership than the traditional big systems in the industry. Our integration and technology provides other advantages against mid-range vendors and best-of-breed solutions.

What clinical functionality do community hospitals typically want?

Most community hospitals are now looking to provide automation for all of their clinicians, whether physicians, nurses, or other caregivers, such as therapists. The main drivers are improved quality of care, patient safety, and reduced costs. As a result, we believe that integration is central to meeting these goals.

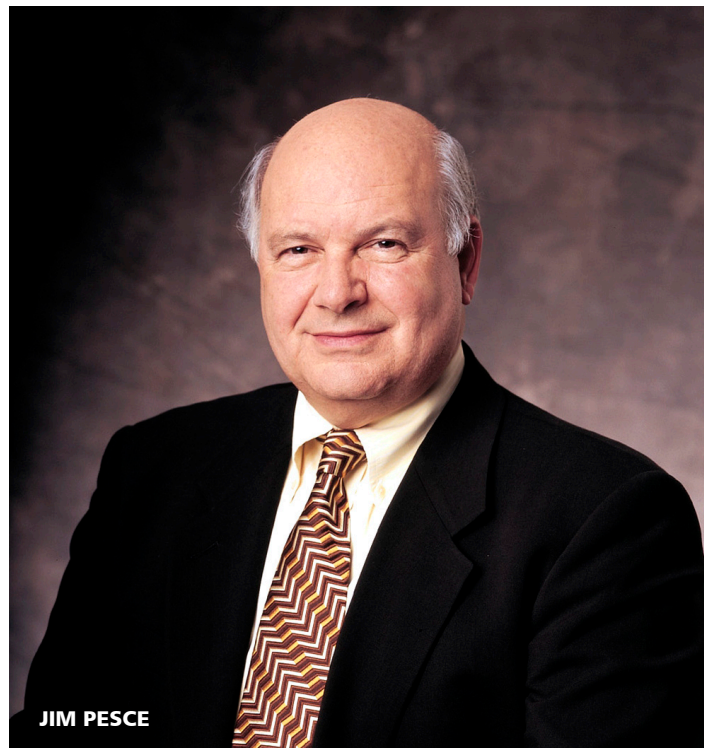
McKesson systems touch virtually every department in the hospital. Paragon offers a full clinical suite of products, totally integrated with our Paragon financial and ERP product set. Community hospitals typically want to integrate all of those functions and are ultimately driving toward an integrated, single electronic medical record.

What type of technologies do they seek?

The key is an integrated solution. They don't want to deal with multiple interfaces supported by a host of different vendors. They don't want to deal with multiple and diverse technologies. It's not a specific technology, but more about technology being delivered in an integrated, coherent, and non-complex environment. The more successful vendors offer truly integrated solutions.

In terms of our customers, the buyers want contemporary technology and all the things that Microsoft can deliver: database auditing, high availability, scalability, and open access. For example, we publish our entire data model as part of our documentation. Every column and every table is

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described and illustrated to the customer. This allows customers to use standard reporting tools to pull data and create reports.

The technology must also deliver a contemporary relational data model that is optimized for long-term data retention. We created an architecture that enables us to store data indefinitely. In fact, no Paragon customer has ever purged any data out of their live and active database. With Paragon's technology, you can run the whole solution on as few as six servers. It's just simpler and easier than most of our competitors.

The third area is Web access to data, either for the traditional physician, caregiver or via a consumer portal, which we're seeing more and more. Long term, we expect to see our customers providing more access to patient data in terms of a personal health record.

Describe a typical Paragon implementation and the kind of services your customers want and need.

This is an area where we believe we separate ourselves from most of our competitors. One hundred percent of our implementations are done with McKesson implementation consultants on site at the hospital. Some of our competitors offer classes where hospital staff has to fly to them, attend general classes, and then they are pretty much on their own.

We go in and evaluate the current processes and workflow. Jointly with

our customers, we set objectives we expect to meet post-implementation, mutually develop the implementation schedule, and track it until completion. We'll even supply complete project management for the customer if they can't provide it. Our implementation team has an average of 18 years' experience.

Another unique offering is detailed conversions of accounts receivable and any other application system that can be electronically converted.

What in-house IT resources do Paragon installations require?

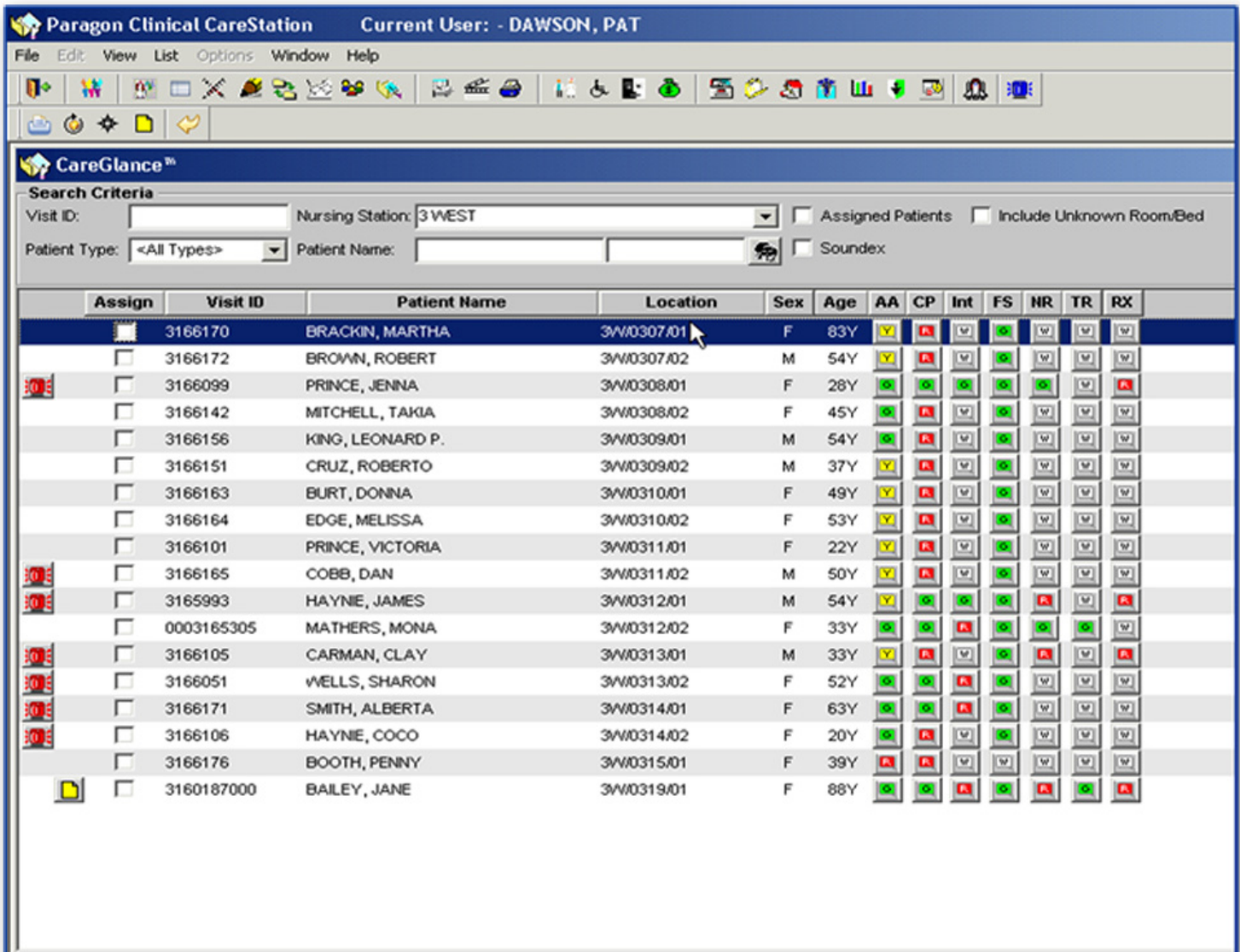
It's minimal. Because we're Microsoft-based, we recommend the customer have a Microsoft-certified database management person.

Staffing is relative to the size of the facility, but in very small facilities, you can have as few as three or four people on the IT staff. In large facilities, you seldom see more than 20.

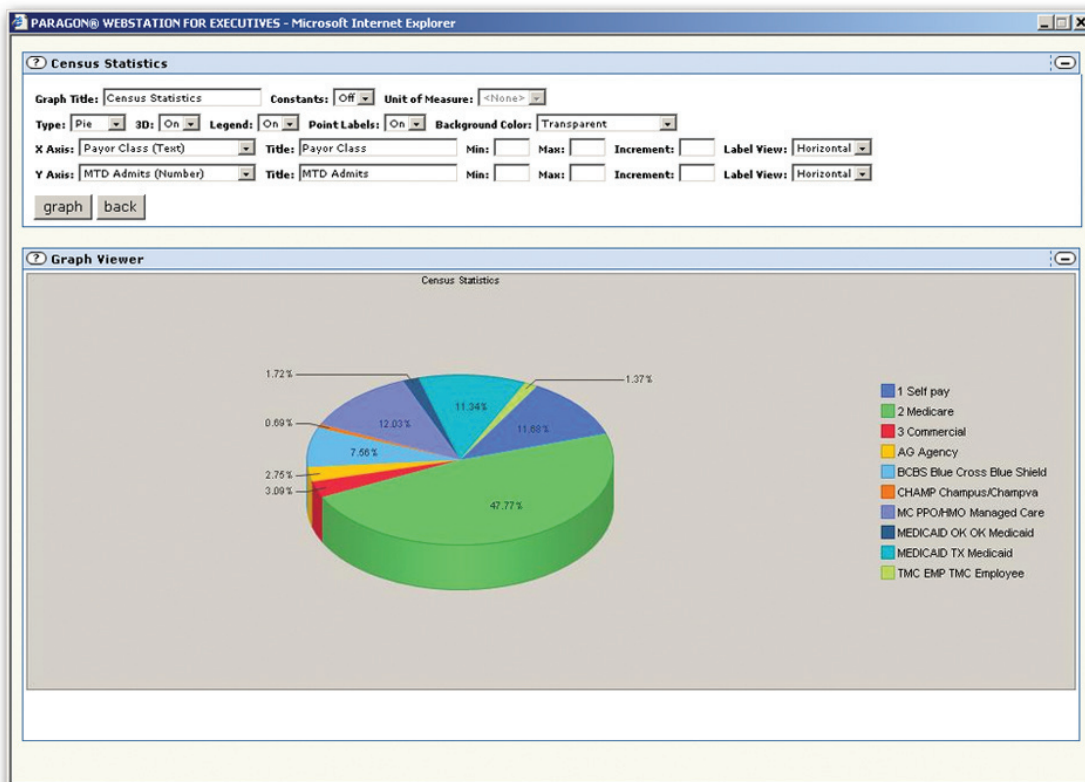
One of the things we stress in implementing Paragon – or any other automated system in the hospital, for that matter – is that the project is not just an IT function. The department heads have to take ownership of the system. If they abdicate that responsibility and let IT manage and perform all the implementation, those departments will not run as effectively and typically will not optimize the value. We strongly recommend that our customers provide full-time project management during the implementation.

A few years ago, Paragon seemed to be on the decline, only to come back as a number one rated product. How did the company move past those early bumps in the road?

We made a renewed commitment to the development and future of the Paragon solution. McKesson stood up and did the right thing. We met with every customer to understand their pain points and their situation. We listened and gave them options, right down to a refund if they preferred to walk away or move to another vendor. We not only said



IN PARAGON'S CARESTATION, AT-A-GLANCE VIEWS OF DATA HELP CAREGIVERS EASILY MANAGE THEIR WORKFLOW.



WEB TOOLS IN PARAGON GIVE PHYSICIANS AND OTHER CLINICIANS REAL-TIME REMOTE ACCESS TO CRITICAL PATIENT DATA, INCLUDING CARE PLANS AND LABORATORY AND RADIOLOGY RESULTS.

we would treat them fairly financially, but we would help support their transition to a new vendor.

We committed to a set of deliverables with very specific due dates. We made our target for every one of those deliverables, helping build confidence with our customers. I believe this created a solid foundation for a happy customer base. Some of the happiest customers I've been associated with throughout my career are customers who were once very dissatisfied and then turned around by quality services and responsiveness. It's an interesting phenomenon.

Paragon has been top rated in KLAS for the last three years. To what do you attribute that high client satisfaction rating?

I think its two things. First, we have defined a vision for Paragon. Customers who ultimately decide to purchase Paragon buy into that vision. As long as we deliver that vision, we have extremely happy customers.

We also have a phenomenal track record of product delivery. The HIS industry historically has a mixed track record for quality products and timely delivery. Prospects call our existing customer references and ask, "Tell me about Paragon and McKesson. What do you like most about them?" Almost

process. The stimulus plan has the potential to increase IT deployment and adoption even further. I think it will also get hospitals' board of directors more energized to get off the bench and support IT purchases. We see no downside for vendors that are well positioned and who can respond to the legislation.

McKesson offers multiple hospital applications. How do you determine which of your products is the best fit for a particular hospital?

One of the interesting things about being a part of McKesson is that we don't just sell Paragon we sell a McKesson community solution. This means that Paragon is the foundation and we surround it with other McKesson assets. Increasingly, hospitals are looking for solutions that include PACS, HIM and document management, physician solutions, automation, and ambulatory for owned and affiliated physician offices.

As a healthcare company, McKesson strives to focus on partnering with hospitals long term. In the technology division, we have the advantage of having the Horizon suite of products, the Paragon suite, and the rest of McKesson's assets. The driver for which set of McKesson products we offer is what's best for the customer. We look

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always, our customers say, "They tell us what they are going to do, they do what they tell us, and they do it on time."

That is a real anomaly in this industry. We're open and transparent, sometimes more than what customers expect. They find it refreshing.

How do you think that federal stimulus plan will impact small hospital IT?

We believe the economic stimulus plan is going to have a positive effect on hospitals' purchasing of IT solutions for EHRs and further automating clinical areas in general. We've seen some Stark law exceptions in recent years that have accelerated that

at their overall requirements, whether they have a best-of-breed strategy or a fully integrated HIS strategy. No other competitor in our market has the full array of offerings and suite of products that we do. That's very attractive to our customers.

What are the good and the bad parts of being a small division of a large entity like McKesson?

There's no real bad. There's a level of bureaucracy and administrative work that you have in a large corporation that is required, but that's not necessarily a negative — it's just a reality.

I don't think there's a 'bad' because in our company, the business unit leaders have a lot of autonomy. The corporation seldom mandates or dictates our strategy or our vision as long as it is aligned with our overall corporate strategy and goals.

McKesson is a very ethical and moral company, with a long history of success — 175 years. The traditional things that people might complain about in big companies don't really exist here and the benefits are many. For example, we have tremendous financial resources. McKesson is the 18th or 19th largest company in America. Over \$100 billion in revenues, strong cash position, strong balance sheet. We have incredible assets. And it's a true healthcare company, as our only business is healthcare.

Unlike traditional IT vendors, we have all kinds of assets. We have large payor relationships, not just provider relationships. We're actively engaged in the commercial side of the business. We have full suites of pharmacy-related products and services. We deliver total solutions. Our RelayHealth division is doing things that are transformational because of the breadth and scope and size of our company. These are all benefits.

We can also rely on the wide range of McKesson's expertise. McKesson has built virtually every form of IT product once, twice, three or four times over its history. As a small business unit, we have access to all of that expertise and all of those people.

We also have a huge sales channel. In addition to the traditional hospital channel, we have sales forces for imaging, automation, and physician practices. All of them are educated and cross-trained on Paragon. We'd never be able to afford that kind of support if we were a small company.

Being part of this major corporation gives us the ability to leverage McKesson products and its intellectual capital. We have people who can give us good advice on product development. So when we go to market with a product, our initial release is equivalent to a second or third release from our competitors because we are able to leverage the lessons learned within the larger McKesson organization.

Is there anything additional you'd like to add?

One of the things that make us unique in this industry is that the vast majority of the hospital information systems that are operational today are running technology that's 20-plus years old. Paragon is the only system I'm aware of that is a fully integrated hospital information system using truly contemporary technology at its core that covers the breadth and needs of a community hospital and the associated ambulatory setting.

It runs on what I consider the world's best and most contemporary technology — it's a pure Microsoft-based product. We haven't modified or changed one thing that Microsoft offers. We use it purely as it was built off the shelf. It provides us with a tremendous competitive advantage over virtually every older product out there that's later in its life cycle. It's one of the big reasons why Paragon has been Best in KLAS for the past three years and one of the big reasons why we have a tremendously high win rate against our major competitors. It really is different. It really is contemporary.

THE BOTTOM LINE

Paragon is the top-rated solution for community hospitals, which make up the great majority of the hospitals in the United States.

McKesson offers a single vendor, affordable electronic medical records system by combining the award-winning Paragon integrated suite of applications with McKesson's document and diagnostic imaging systems.

McKesson solutions offer a single vendor to manage the all-important revenue cycle and financial management processes, giving its customers a single contact that avoids the headache of coordinating multi-vendor solutions that fall short in functionality and integration.

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