

# ICSGlobal Limited Business Update

Rights Issue to fund  
Global Medical Banking Growth Strategy

15 July 2009



global medical  
banking

- ◆ ICSGlobal has a proven solution to inefficient and costly healthcare administration in health systems globally called “**medical banking**”
- ◆ “medical banking” combines Internet technology and outsourced “accounts receivable” services to shift manual, paper-based healthcare administration processes into the realm of online banking
- ◆ ICSGlobal’s medical banking customers report increase in net revenue (25% - 100%); reliable cash flow; reduced bad debt to less than 0.5% of revenue
- ◆ ICSGlobal’s business is firmly established in 3 key markets: Australia, US & UK
- ◆ The combination of “Thelma” and the first US billing company acquisition has created an excellent industry “roll up” consolidation opportunity in the US
- ◆ ICSGlobal is on track to be cash flow positive in calendar 2009

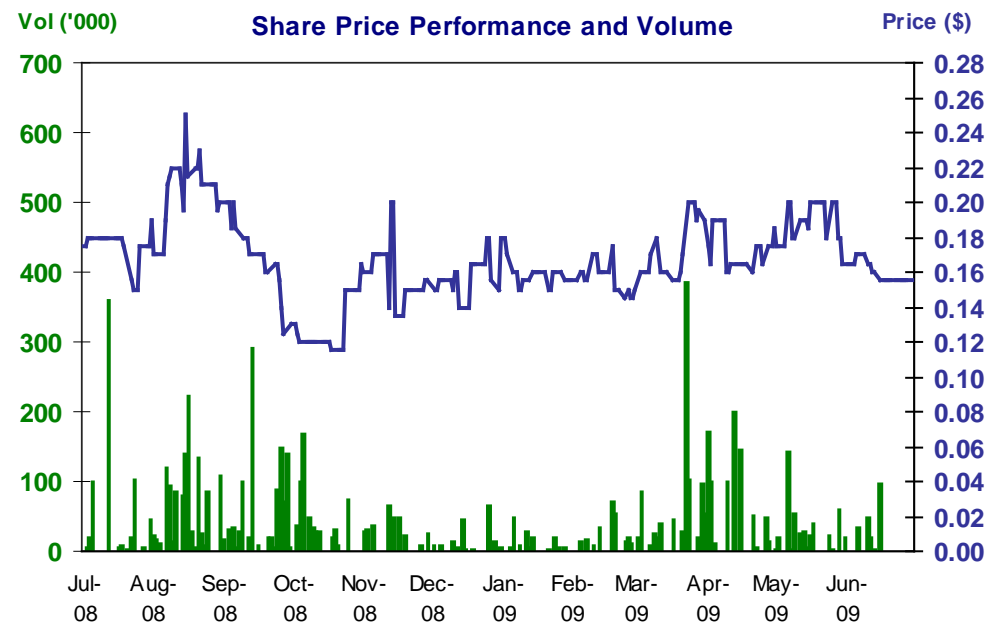
## Key Information as at 1 July 2009\*

<b>ASX CODE:</b>	<b>ICS</b>
<b>Shares on Issue</b>	<b>149.9m</b>
<b>Unlisted Options</b>	<b>13.4m</b>
<b>Share Price</b>	<b>15.5¢</b>
<b>12 Month Price Range</b>	<b>25¢ - 11¢</b>
<b>Market Cap</b>	<b>\$23.2m</b>
<b>Cash</b>	<b>\$0.5m</b>
<b>Debt</b>	<b>\$0.9m</b>

### SIGNIFICANT SHAREHOLDERS:

<b>Timothy Murray</b>	<b>10.9%</b>
<b>Dixon Trust Pty Ltd</b>	<b>9.2%</b>
<b>Randell Management Services Pty Ltd</b>	<b>6.3%</b>
<b>Top 20 shareholders</b>	<b>57.8%</b>
<b>No of shareholders (30/06/08)</b>	<b>1,248</b>

\*Date the Rights Issue was announced



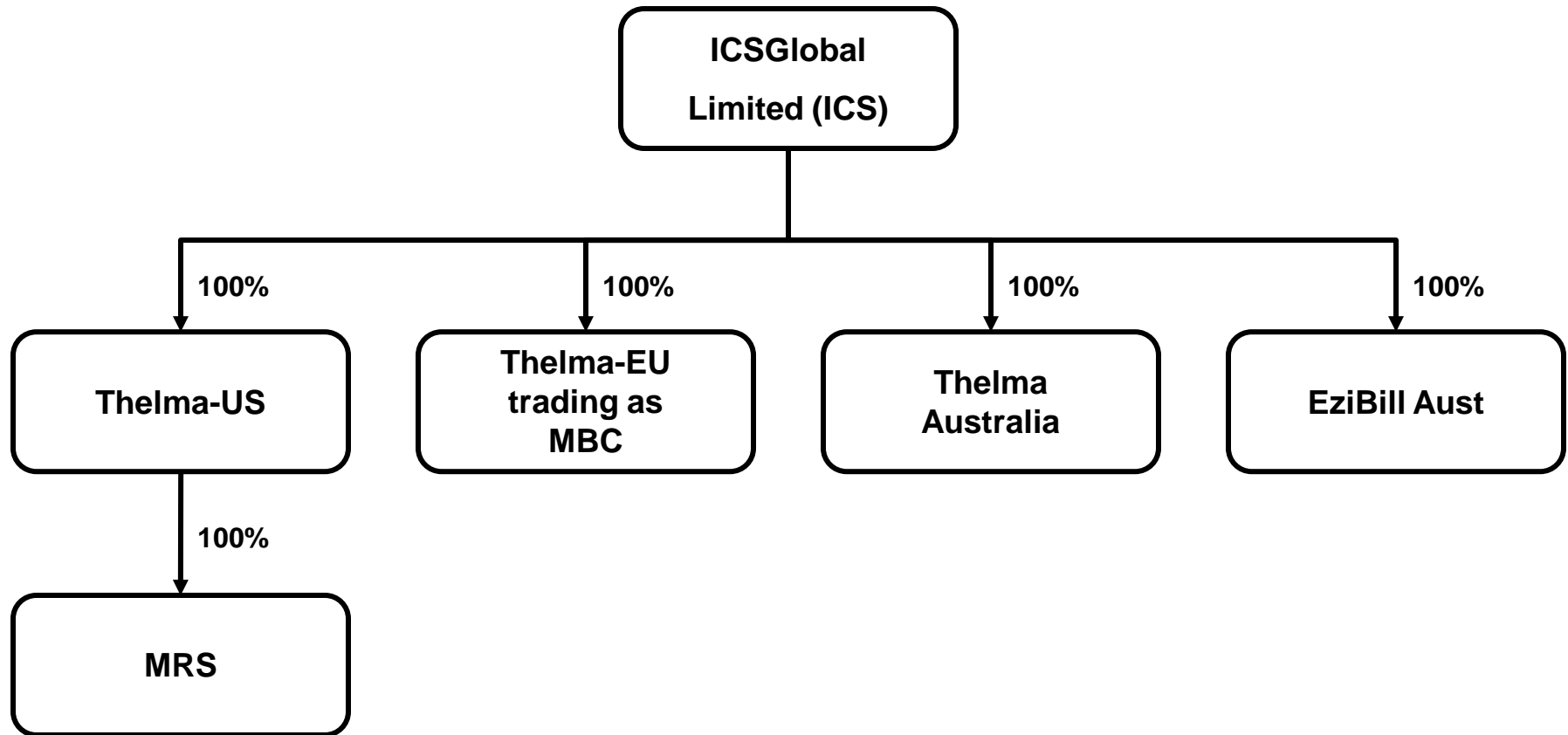
<b>Issued Capital</b>	<b>Number</b>
Issued Shares at the date of the Letter of Offer	149,985,972
New Shares offered under this Letter of Offer	33,330,216
Total issued Shares on the completion of the Offer	183,316,188*

- ◆ ICSGlobal was founded in 1990, listed on the ASX in 1999, and has since invested over \$20m in developing its proprietary e-health and medical banking technology platform
- ◆ 3 value streams to our business:
  - Healthcare clearing house technology, Thelma. Revenue from transaction fees.
  - The acquisition of profitable medical billing (ie accounts receivable) companies. Our income = 4% to 10% of revenue collected
  - Vertical integration of these two to create compound value: transaction volume and operational efficiencies
- ◆ Two successful acquisitions of profitable medical billing companies: in the UK in Nov 2007; in the US in Dec 2008. Both bedded down and growing strongly.
- ◆ Potential upside for ICSGlobal as a result of litigation against Medicare Australia
- ◆ Sufficient working capital post the new issue that Directors believe will see the Company through to cashflow positive in late 2009
- ◆ Conducting a renounceable 2:9 Rights Issue to raise \$3.3m that will give the Company the working capital and flexibility to pursue further US medical billing company acquisitions that will be earnings accretive

- ◆ Founded in 1990, ICSGlobal listed on the Australian Stock Exchange in 1999 [ASX:ICS]
- ◆ Since April 2000 ICSGlobal's core business has been medical banking: a range of electronic tools & services that helps patients, doctors, hospitals, laboratories, health insurers and governments to make payments or get paid.
- ◆ Underpinning the business is our configurable medical banking clearinghouse technology, Thelma (Transaction Health Exchange Linking Multiple Applications), which clears and settles healthcare bills electronically over the Internet.
- ◆ ICSGlobal has a dual-edged global growth strategy around medical banking – the expanded deployment of Thelma and the acquisition of established, profitable medical billing companies to “bolt on” to Thelma.
- ◆ In Australia, Thelma went live in 2001 and volume growth continues at over 50% per annum, and “EziBill”, an Australian medical billing company, went live in 2008.
- ◆ In 2007, ICSGlobal acquired The London Patient Billing Service (LPBS), the UK's leading company in the outsourced patient billing services sector, which has since been renamed Medical Billing & Collection (MBC).
- ◆ In the US, Thelma’s “all-payer” national medical banking network went live in October 2008, and the first US medical billing company, Medical Recovery Services, Inc., was acquired by ICSGlobal in December 2008.

- ◆ Raising approximately \$3.3 million on a pre rights issue market cap of \$23.2m
- ◆ 2 for 9 renounceable rights issue utilising a short form prospectus
- ◆ Issue price of 10 cents = 42.4% discount to volume weighted average price for the month preceding the announcement of the Offer (17.3c)
- ◆ Funds to be used to support growth in the US and UK operations
- ◆ Timetable – anticipated key dates:
  - Trading Ex-Rights / Rights Trading: **20 July 09**
  - Record Date for determining Entitlements: **24 July 09**
  - Offer Opens: **30 July 09**
  - Offer Closes: **14 August 09**
  - Allotment and Dispatch: **24 August 09**

*A prospectus will be made available for the rights issue and is expected to be made available through the Company's website from the date of this announcement. Eligible shareholders should consider the prospectus in deciding whether to acquire new shares under the rights issue. An eligible shareholder wanting to acquire new shares under the rights issue will need to complete an entitlement and acceptance form that will be in or accompany the prospectus*



## ◆ ICSGlobal Limited

- **Mr Ross Bunyon AM** – Chairman (Non-Exec) since June 2007. Also Chairman of Eraring Energy and Turner & Townsend Pty Ltd. Formerly CEO of Pacific Power.
- **Mr Tim Murray** – Managing Director and CEO since he founded ICS in 1990.
- **Mr Geoff Lambert** – Director (Non-Exec) since 1999. Also CEO of boutique investment house Byrne Lambert Woolf & Co and Director of Stratatel Ltd and Reward Minerals Ltd.
- **Mr Lindsay Martin** – Chief Financial Officer since 2000

## ◆ Thelma-EU Limited - UK based subsidiary trading as Medical Billing and Collections (MBC)

- **Mr Tim Murray** – Managing Director
- **Dr Diana Bell** – Director (Non-Exec). Founder of MBC.
- **Mr Lindsay Martin** – Executive Director and CFO
- **Mr Garry Chapman** – General Manager

## ◆ Thelma-US, Inc. - US based subsidiary

- **Mr Tim Murray** – Chairman and CEO, Healthcare Transaction Services
- **Ms Donna Murphy** – CEO, Medical Billing Services
- **Mr Lindsay Martin** – Director and CFO
- **Mr Emory Meeks** – Executive Director, Healthcare Transaction Services

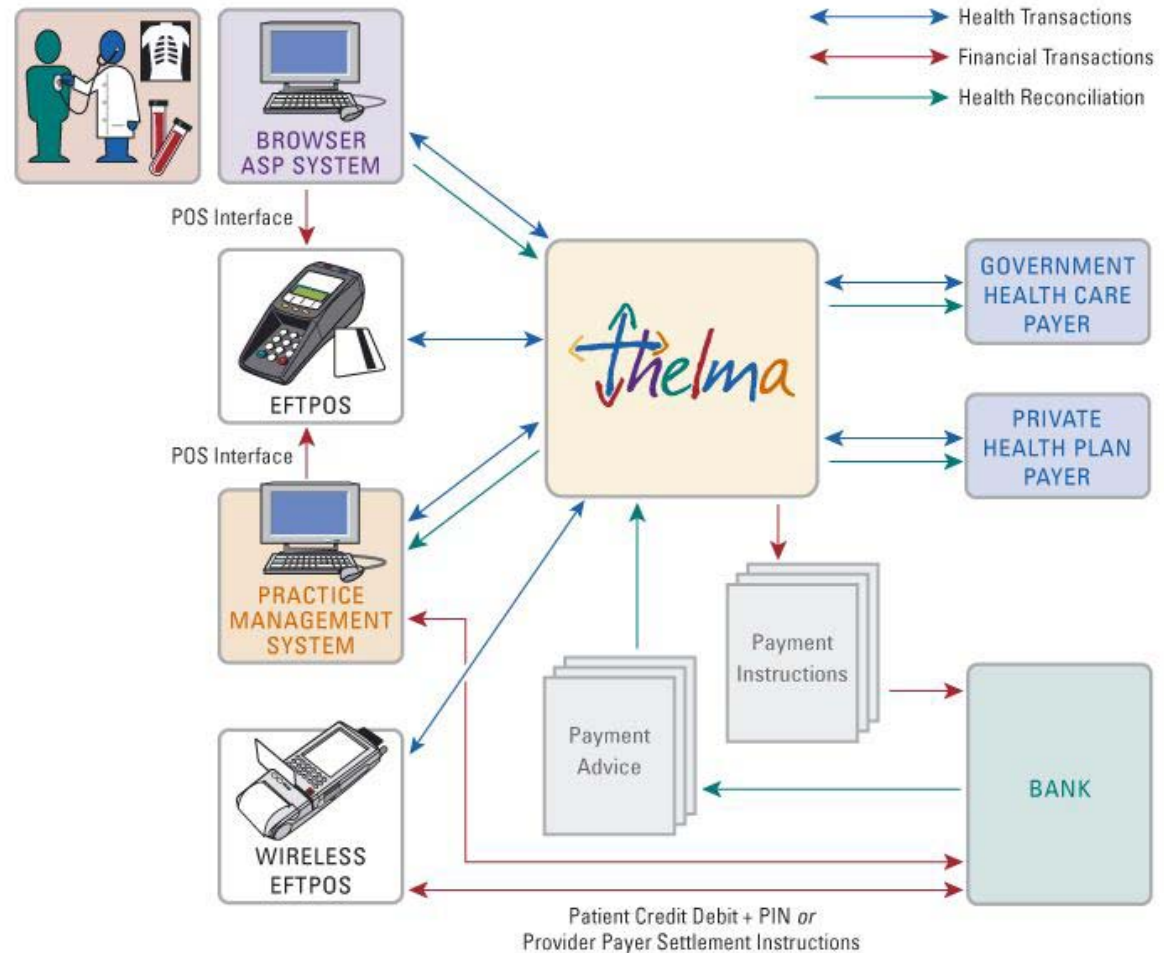
- ◆ The expected result for financial year 2009 is a loss in the range of \$2.8M to \$2.9M. The key factors contributing to the increase in the loss include:
  - MRS revenue delayed from FY2009 to FY2010 of the order of US\$275,000 as a result of delays by Medicare in the re-enrolment of doctors from the large Florida-based medical fraternity that MRS secured in February, which represented a 70% increase to the existing MRS customer base.
  - Investment of \$625,000 in the establishment of the Thelma-US business
  - Medicare Australia litigation costs for the year of approximately \$475,000
- ◆ ICSGlobal is on track to be cash flow positive in calendar 2009 driven by:
  - MRS getting the remainder of the doctors at the large Florida-based medical fraternity into billing production
  - Further organic growth of MRS. Additional doctors already signed up since acquisition are expected to generate annualised revenue of US\$150,000
  - Organic growth of MBC, our UK medical billing company, as a result of recent new business and some major new account prospects

# Pro Forma Balance Sheet

(assuming full subscription)

	Actual Unaudited 31 Dec 08	Rights Issue	Unaudited Pro-forma 31 Dec 08
	\$	\$	\$
TOTAL CURRENT ASSETS	2,009,416	3,027,000	5,036,416
TOTAL NON-CURRENT ASSETS	5,324,561	-	5,324,561
<b>TOTAL ASSETS</b>	<b>7,333,977</b>	<b>3,027,000</b>	<b>10,360,977</b>
TOTAL CURRENT LIABILITIES	863,742	-	863,742
TOTAL NON-CURRENT LIABILITIES	902,633	-	902,633
<b>TOTAL LIABILITIES</b>	<b>1,766,375</b>	<b>-</b>	<b>1,766,375</b>
<b>TOTAL EQUITY</b>	<b>5,567,602</b>	<b>3,027,000</b>	<b>8,594,602</b>

- ◆ The medical banking process begins the moment a patient contacts a doctor seeking help and ends when that encounter or episode of care is complete, and all monies have been paid, received and accounted for. This process is also often referred to as the **“revenue cycle”**.
- ◆ Thelma was designed as a flexible, configurable transaction “clearinghouse” for blending healthcare administration processes with banking-type infrastructure to maximise efficiency and minimise costs in providing and paying for healthcare.



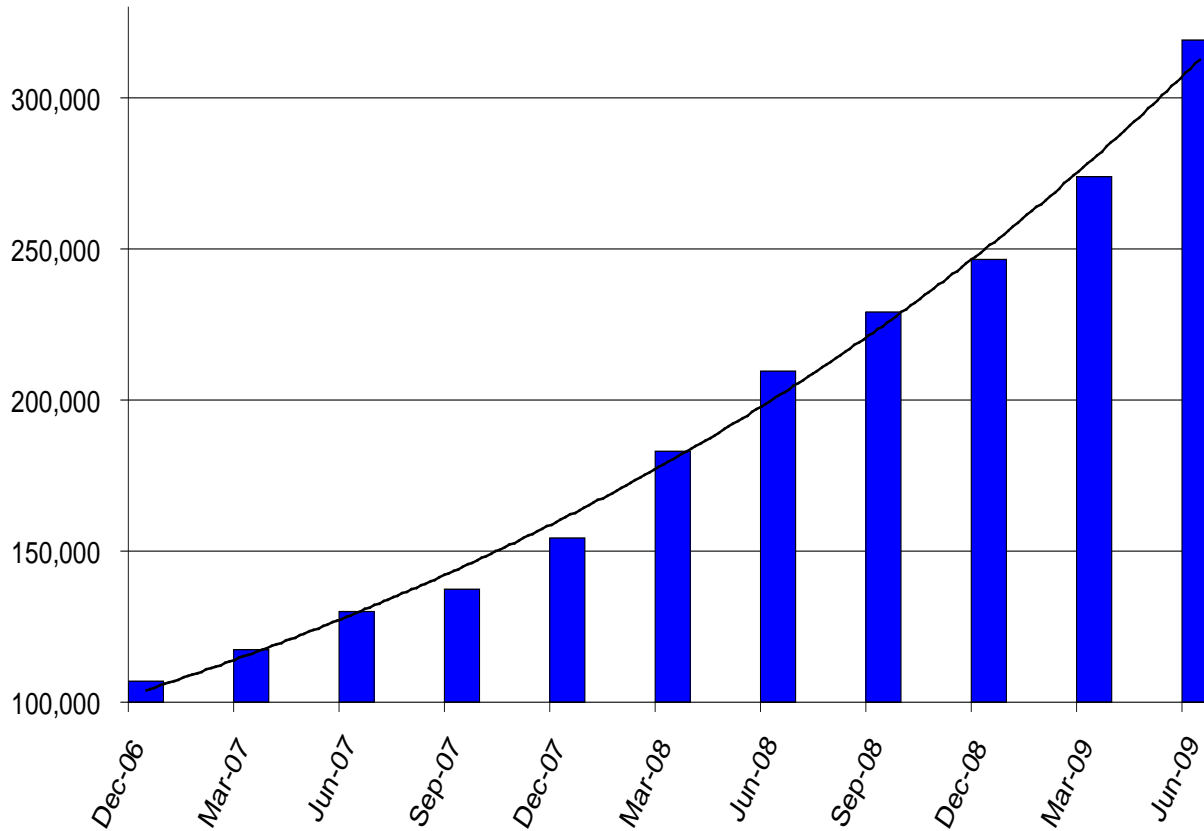
- ◆ ICSGlobal's "medical banking" solution combines Internet technology and outsourced "accounts receivable" services to shift manual, paper-based healthcare administration processes into the realm of online banking.
- ◆ ICSGlobal's medical banking customers report an increase in net revenue (25% - 100%); reliable cash flow; reduction in bad debts to less than 0.5% of revenue
- ◆ Global opportunity: inefficient and costly healthcare administration in every health system
- ◆ 3 value streams to ICSGlobal's medical banking strategy:
  1. Thelma: proprietary healthcare clearing house technology. Revenue from transaction fees.
  2. Acquiring established, profitable medical billing companies that collect revenue for doctors and hospitals. Our income = 4% to 10% of revenue collected
  3. Using Thelma to vertically integrate the billing companies. Creates operational efficiencies within the billing companies and generates more volume for Thelma

# The Thelma Clearinghouse



- ◆ A “transaction clearinghouse” can be likened to an electronic post office, routing electronic transactions between senders and receivers (not dissimilar to drawing cash out of an ATM that belongs to a bank other than your own). The transactions need to be “routed” from the other bank to your bank, and back again. This is what a clearinghouse does.
- ◆ Transaction clearinghouses often don’t do anything to the transaction other than simply pass it to the addressee.
- ◆ Thelma however can be configured or “taught” to perform whatever functions are necessary in order to move a range of complex and differing transactions between large numbers of senders and receivers, each with different technology platforms.
- ◆ Designed and built by ICSGlobal. Over \$20m of development costs have been fully expensed
- ◆ Can be easily configured to carry all types of eHealth transactions:
  - Insurance Eligibility Checking
  - Electronic Healthcare Claims, Claim Status & Remittance Advice
  - Patient Co-Payments
  - Clinical data including Electronic Medical Records
- ◆ Cost base to maintain & support US & Australia relatively fixed at \$2.1m
- ◆ Transaction fee based revenue model
- ◆ ***Highly scalable business with relatively fixed cost base***

**Thelma-Australia: Quarterly Transaction Volumes**



- ◆ Volume for the June quarter shows continued growth at around 50% per annum
  - Insurance eligibility checks and Informed Financial Consent
  - Private hospital claims
  - Specialist's claims
  - Pathology/Radiology Claims
  - Bulk bill claims
  - Remittance advice
- ◆ Private hospital transactions remain flat due to the free service that Medicare Australia continues to provide in competition to Thelma
- ◆ This is the basis of ICSGlobal's anti-competitive claim in the Federal Court against Medicare Australia

- ◆ On 11 August 2008, Thelma Pty Ltd, a wholly owned subsidiary of ICSGlobal, filed an application in the Federal Court of Australia alleging anti-competitive conduct by Medicare Australia.
- ◆ Thelma alleges that Medicare Australia has unlawfully used its market power in providing electronic private health transaction services identical to those provided by Thelma into the private health sector, free of charge, in direct competition to Thelma, for the purpose or effect of eliminating or substantially damaging Thelma, and/or to deter or prevent Thelma from engaging in competitive conduct.
- ◆ The trial has been listed for 30 November 2009
- ◆ Thelma has estimated its loss and damage in excess of \$65 million. From page 22 in the Statement of Risks section of the 2009/10 Federal Budget ([http://www.budget.gov.au/2009-10/content/bp1/downloads/bp1\\_bst8.pdf](http://www.budget.gov.au/2009-10/content/bp1/downloads/bp1_bst8.pdf))

“Medicare Australia - Proceedings were commenced against Medicare Australia in the Federal Court by Thelma Pty Ltd. Thelma alleges that Medicare Australia is misusing or taking advantage of market power in contravention of section 46 of the Trade Practices Act 1974, by offering and enabling health care providers and health insurance providers to use ECLIPSE (Medicare Australia’s electronic claiming system) free of charge. Thelma claims to have a substitutable product operating in the same market(s) as ECLIPSE. Thelma has sought relief which, if granted by the Court, would require Medicare Australia to charge a fee for the use of ECLIPSE and to pay damages to Thelma. In its recently amended Statement of Claim, Thelma has estimated its loss and damage (loss of revenue, loss of past opportunity and loss of future opportunity) at in excess of \$65.7 million. Medicare Australia is defending the case.”

- ◆ The Board of ICSGlobal is confident of the merits of the Company’s claim against Medicare Australia.

- ◆ The US healthcare system is the largest, and probably the most complicated, in the world, with estimates of 50 billion administration transactions annually, many of which are still manual (phone, fax, post)
- ◆ Healthcare administration alone is estimated to cost 20-30% of the national US healthcare spend of around US\$3 trillion per annum.
- ◆ Yet ironically, eHealth (ie the transmission of electronic administrative transactions between healthcare participants) in the US is probably the most mature of any country in the world
- ◆ A major source of the inefficiency arises from the fact the majority of established eHealth organisations specialise in only a few of the dozen or so electronic transaction types that are required for full “medical banking”, and the gaps between them have to be filled in with manual transactions
- ◆ The business opportunity identified for Thelma in this large, fragmented market was not to compete with the large established players, but to work with them, using Thelma’s flexible architecture as the “glue” to close the gaps in the market currently filled by manual transactions

- ◆ **Healthcare is the fastest growing industry segment in the US because of the aging “Baby Boomer” generation (1946 – 1964)**
  - By 2015 healthcare will be 20% of the US GNP
  - By 2020 hospital admissions will double
  - By 2030 over 20% of the population will be over 65
- ◆ **Healthcare spend is currently US\$3 trillion pa, over 20% of which is lost in administrative costs and inefficiencies**
- ◆ **Healthcare costs was a major contributor to the downfall of General Motors (GM was spending more on healthcare than steel)**
- ◆ **In Feb 2009, U.S. Congress approved the economic stimulus bill, which contains \$19 billion for a national system of patient records:**
  - Starting in 2011, doctors are eligible for US\$40,000 to US\$65,000 in grants if they begin using health-information technology.
  - This has created a major new transaction market opportunity for Thelma

# The US Medical Billing Consolidation Opportunity

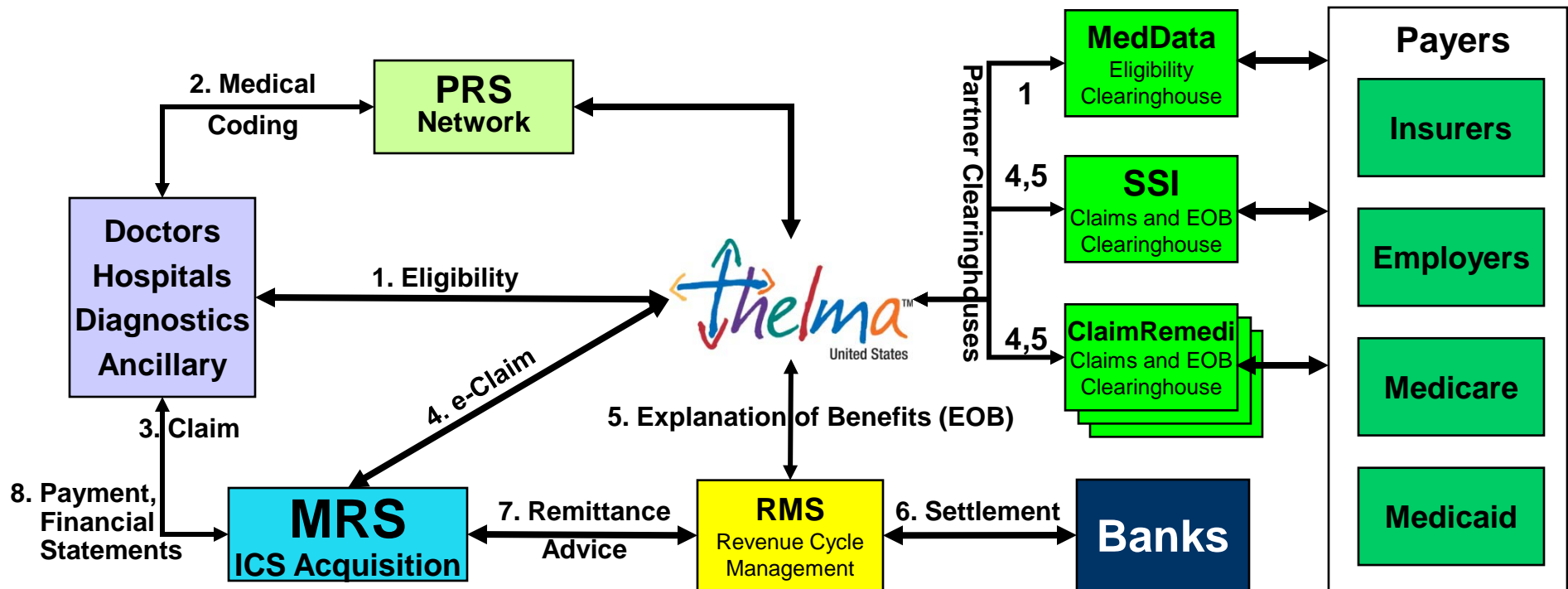
- ◆ Medical billing is a mature US “cottage” industry, with virtually every doctor needing to use a billing company due to the complexity of getting paid in the US
- ◆ Revenue is based on a % of money collected (ranges from 4% - 8%)
- ◆ There is some 3,000 medical billing companies in the US, with around 400 in the \$3m-\$5m revenue bracket.
- ◆ Thelma-US, Inc. completed its first medical billing acquisition, Georgia-based Medical Recovery Services, Inc. ('MRS') on 1 January 2009. The price was US\$1.75 million, comprised of 34% cash, a US debt facility for 34%, and 32% in ICSGlobal shares.
- ◆ The attraction of MRS was how it had broken down the complexity of US medical billing into “assembly line” simplicity, controlled by in-house workflow software, enabling MRS to retain localised market and relationship presence in 14 US States, while centralising the back offices into one processing centre in Georgia
- ◆ MRS’s clients report increase in net revenue (25% - 100%), reliable cash flow and drastic reduction in bad debts. Eg a 3 doctor / 2 assistant practice went from US\$2 million to US\$3.5 million revenue in the first year of using MRS

**The combination of MRS’s “assembly line” billing systems with Thelma’s ability to interconnect billing companies creates an excellent industry “roll up” consolidation opportunity**

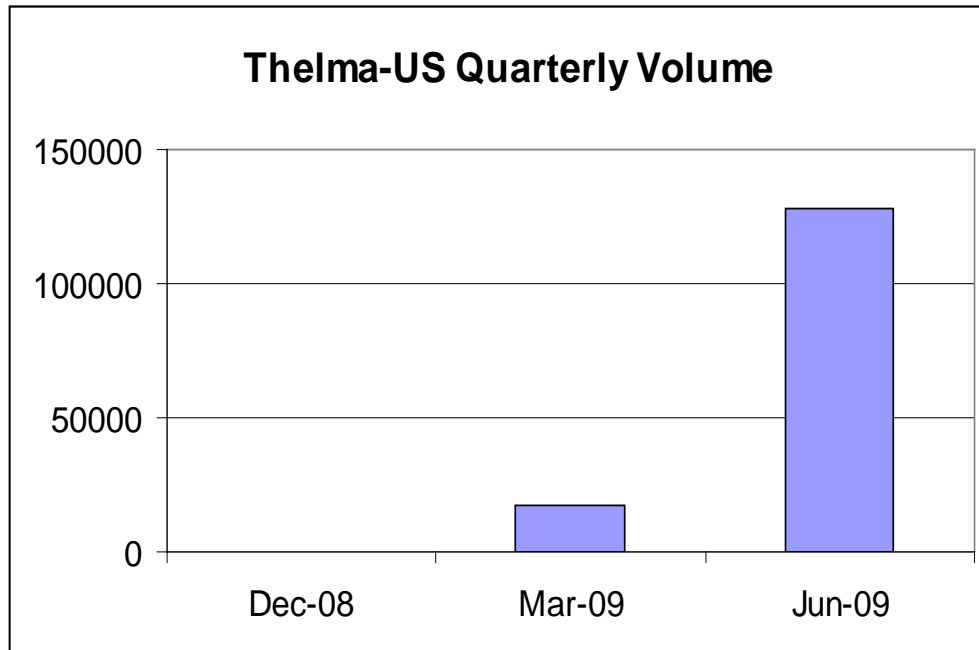
- ◆ Having Thelma gives ICSGlobal a unique advantage in a US billing company “roll up” consolidation strategy:
  - The ability to efficiently integrate the transaction processing functions of multiple billing companies we acquire allowing centralised operational functions
  - The ability to provide an enhanced level of patient service through the sharing of financial and clinical information
- ◆ Using Thelma to vertically integrate medical billing companies in the US generates a range of “compound value” effects:
  - Reduction in operating costs in the billing companies
  - Volume for Thelma generating transactional revenue
  - New transaction revenue opportunities such as routing patient records to the State-based Health Information Exchanges that are emerging as a result of the US Congress Stimulus Bill

- ◆ The size of the US market meant ICSGlobal had to take a different approach to Australia:
  - Rather than contract directly with thousands of healthcare “payers” to achieve national connectivity, for speed of deployment we partnered with three established, successful clearinghouses through “transaction interchange agreements”:
    - MedData for eligibility transactions
    - SSI for claims and EOB (Explanation of Benefits)
    - ClaimRemedi for claims and EOB
  - This enabled Thelma to quickly get national “all payer” connectivity in the US
  - Then ICSGlobal partnered / acquired other established, successful companies that provide various components of the medical banking process:
    - Acquired MRS for its billing company “assembly line” and connected it to Thelma
    - Partnered with RMS (Revenue Cycle Management) for bank-side connectivity
    - Partnered with PRSNetwork for billing transactions & optimising the clinical coding of doctor claims

- ◆ Using Theлма as the “glue” to tie all these established, successful service providers together created the first “all payer” national medical banking network in the US
- ◆ *This is Theлма's competitive edge in the US*



# Thelma Progress in the United States



◆ Volume started through Thelma-US in January 09, and is ramping up across the key US medical banking transaction types:

- Eligibility checks
- Healthcare claims
- Remittance advice
- Claim status reports
- Human readable reports (HRR)

- ◆ ICSGlobal acquired The London Patient Billing Service (LPBS) in November 2007 for £950,000 (EBIT multiple of approx 4.5)
- ◆ Since the acquisition ICSGlobal has reinvested heavily in the business to prepare it for rapid growth
- ◆ LPBS was rebranded to Medical Billing & Collection (MBC) in May 2009 to facilitate the marketing of the business around the UK
- ◆ The marketing focus has been expanded from individual doctors to include hospitals and larger groups of clinicians. A contract has been secured with one of the UK's major hospital groups for a billing trial.
- ◆ Year on year growth is expected to continue if not accelerate
- ◆ Record figures in all areas of the business for Q1 and Q2 2009

**MBC is now the UK's leading company in the outsourced patient billing services sector with a strong growth platform in place**

- ◆ ICSGlobal's medical banking network is live and providing immediate functionality and efficiencies in three major markets – Australia, US and UK
- ◆ There is enormous scope to grow the business in each of these markets as well as become a leading player in the consolidation of medical banking sector
- ◆ The Company has a strong management team with a deep understanding of the global e-health sector and a well founded strategy to unlock value for shareholders
- ◆ ICSGlobal will be in a strong cash position after the Rights Issue
- ◆ The Company is on track to be cashflow positive later in 2009
- ◆ Has an established platform from which the business has the potential to grow rapidly – both organically and by acquisition
- ◆ Potential business upside for ICSGlobal as a result of litigation against Medicare Australia