

3 June, 2003

Dear Shareholder

Since my last letter in January, the progress and breakthroughs we've made in rolling out THELMA, combined with a number of new developments within the health industry, give us cause to feel confident and optimistic about the THELMA business.

Most of these developments aren't things that warrant announcing individually, but collectively they paint a very positive picture, and the objective of this letter is to translate all that has happened over the previous few months into a coherent summary for shareholders of where the business is at.

### **Status of each transaction**

The status of the THELMA business at any point in time is best summarised on a transaction-by-transaction basis, as these are the basis upon which we earn revenue. Since January we have a better insight into what the mix of transactions through THELMA might look like in a couple of years. There hasn't been any change in the potential transaction market size – it has probably grown if anything due to things like the proposed changes to Medicare – and we've realised that any transaction leakage through existing or proposed B2B systems of the hospitals, health funds and Government will be offset by emerging opportunities in areas such as Ancillary Claims (ie dentists, optometrists, physio, etc) which these systems don't address.

### ***Eligibility Checking (EC)***

Six of the seven funds signed up, which equates to about 15% of the fund market, are live for EC. Medibank Private are working hard to have EC via THELMA live as soon as possible. The project is running in parallel with some, and dependent on other Medibank technology projects, and at this stage is on track to go live in the third quarter this calendar year. Once this is live, the seven funds will equate to about 45% of the fund market and give us a truly national B2B offering, with market coverage in every State ranging between 22% and 55%. On this basis, 30% - 50% of the private hospital market not yet contracted to THELMA have indicated to us that this is sufficient fund coverage for them to sign up to use the service, which would trigger a rapid increase in the volume of EC, and therefore revenue.

### ***Electronic Hospital Claims (EHC)***

Four of the seven funds signed up (Medibank Private, Australian Unity, Lysaght Peoplecare, CBHS Friendly Society), which equates to about 38% of the fund market, are now receiving EHC. The remaining three either have back-office IT work to do before taking EHC, or there are still insufficient hospitals signed up in their catchment area to warrant the move from manual to EHC.

So our principle focus with EHC now is to get as many of the 120 hospitals that have signed up connected to THELMA, staff trained and sending EHC.

The most efficient way to get hospitals connected for EHC is to connect directly to the hospital's Patient Management System (PMS). You might recall that we already have connectivity to the IBA-PMS, which is the major private hospital PMS used by some 180 hospitals in Australia, or about 70% of the number of private beds. Over the last few months we have also developed connectivity to the other major PMS in Australia, a system called BJS, which is used by some 270 hospitals, mainly smaller (20 – 50 bed) ones, and EHC began running live out of some BJS hospitals last month. So with THELMA's connectivity to the two major PMS systems, we are well placed now for rapid roll out of EHC to some 450 hospitals, or about 85% of the market, as they decide to connect.

### ***Electronic Medical Claims (EMC)***

EMC is a transaction that has attracted a lot of industry discussion over the past few months. EMC originate from specialists - anaesthetists, surgeons, obstetricians, etc – plus pathology and radiology claims. They are technically much simpler than hospital claims but payment of them usually involves some by Medicare and some by the health fund, so the claim needs to be split and delivered to these two parties. The THELMA EMC transaction does this split and is ready to roll out. There are over 1,000 specialists, about 5% of the national market, within the public and private hospitals that have signed up for THELMA, who are in a position to use the THELMA EMC transaction. So we have plenty of potential EMC senders, just waiting now to see where to send the claims. A number of funds, including one of the top four, have asked us to trial delivering EMC to them, which gives us a good business case with which to approach the large pathology groups such as Mayne and Sonic to connect. Some other funds are looking at piloting a direct link to Medicare, and we are in discussions about participating in the pilot, principally to collect the EMC from the myriad of systems that the providers use, which is THELMA's strength, and deliver them into the pilot in any format requested.

### ***Supply Chain / eProcurement***

This is potentially a very lucrative add-on service to complement the medical transactions. The alliance with marketboomer (details in previous newsletter) to market an e-procurement service to private hospitals through THELMA is functioning well. The alliance makes sense for both organisations, giving marketboomer a running start into the health industry with a market leader, and the potential market among private hospitals from the alliance is worth around \$2 million net per annum to ICS. A number of large hospital groups are currently evaluating the service and can see the business benefits, and we expect at least one signing this calendar year. Like all new health technology initiatives, the sales cycle is quite long, but the fact that the marketboomer alliance costs ICS nothing means we can afford to be patient.

### **Signing up new customers**

A third to a half of the industry - hospitals and health funds - all of whom endorse the need for moving from manual to electronic business processes, have indicated to us that they want to either “see and touch” THELMA at customer sites, or wait until most of our existing customer base is connected, before using THELMA themselves. So we are prepared for a rapid escalation in transaction volumes after June, once events such as Medibank Private's Eligibility Checking Service comes on line through THELMA, which we expect will trigger a “domino effect” of new customer signings.

We are beginning to hear positive testimonials from THELMA customers, some of these appear on page 4 of this letter. It is this sort of feedback, together with real business-improvement performance data as it becomes available, that we expect will further fuel this “domino effect”.

THELMA's approximate national market share currently rolling out (ie excluding trials) stands at:

<b>Signed up</b>	<b>Market Share</b>
Health funds (7 in total):	45%
Private hospital patients (120+ hospitals):	19%
Public hospital beds:	31% of NSW; 22% of VIC; 6% of QLD
Specialists in these hospitals (1,000+):	5%

In addition to the hospital percentages above, there are quite a few hospital trials underway. This involves signing a User Agreement then trialing THELMA for a couple of billing cycles on a no obligation basis. When you think about it, this makes sense because THELMA is a new way of doing business for hospitals and a trial enables them to examine the impact on their organisation as well as gauge the benefits. These User Agreements aren't announcable until the end of the trial.

## Competition Analysis

Nothing has changed in terms of THELMA being the only such service of it's kind in Australia. And as each month goes by, this seems less likely to change. Certainly in terms of Hospital Claims, the most complex of transactions which we've had running commercially since last February, it's hard to imagine anyone taking the risk of committing \$5 - \$10 million to build over the next 1-2 years technology capable of extracting claims from any hospital over the Internet (every hospital is different), validating that the claim is complete and in compliance with each health fund's business rules (every fund is different), then translating the claim into a format that can be received by any fund (every fund is different). Then, in 1-2 years time, when THELMA is expected to be carrying around 75% of all hospital claims, they would have to find some way of coaxing transactions away from THELMA.

## Other General News and Views

- We were paid a visit in April by the Shadow Health Secretary Dr Liam Fox, MP (Woodspring) in the UK House of Commons, together with his Head of Office Mr Bill Clare. During a 90 minute workshop in our Boardroom, THELMA's functionality was examined in terms of how it can support and enable health policy at a national level. We explained the reasoning and benefits behind Australian initiatives such as the 30% Government Rebate and Lifetime Health Cover, No Gap and Informed Financial Consent, and how they require any-to-any connectivity technology such as THELMA's for the health industry to be able to put these initiatives into practice without adding yet another substantial cost overhead to their business. In his letter of thanks to me, Dr Fox stated:

*"...As I explained when we met, one of the prime objectives of my visit was to learn more about how IT is put to use in the provision of healthcare. Having already made more than 15 overseas visits to assess how other healthcare systems work, I confess that I had not expected to come across any initiatives, IT or otherwise, which were completely different to anything I had already seen. You managed to confound that expectation. It is no exaggeration to say that THELMA is unique. Having seen how well it works, and given that you have built into the system sufficient capacity to allow it to accommodate changes in the healthcare IT environment, the scope for putting it to use in the UK (not to mention elsewhere) seems huge."*

- The recent Federal Budget had no impact that we are aware of on the positive outlook for THELMA in the health industry.
- The recent changes proposed for Medicare, enabling GPs to charge a gap above the standard Medicare bulk bill rate, means there will potentially be three transactions per GP visit if private health funds include this gap cover in their policies - an Eligibility Check and Claim to the private health fund, and a claim to Medicare. As with all such health transactions, ICSGlobal is well placed to capture these with THELMA, will strive to capture as many as possible.
- We raised \$1 million of capital in May via a placement of shares at \$0.36 to fund the continued roll-out of THELMA. The placement was made largely to new and existing institutional shareholders, adding three more institutions and bringing to seven the number of institutions on the ICS share register.

We have entered a very exciting time for ICS and THELMA. Our team is incredibly talented, stable and committed, and are getting great satisfaction for all their hard work from feedback such as that below from hospitals and health funds using THELMA.

I hope that you've found this review of our business status useful. If you would like to be included on our email list for company announcements and newsletters, and you haven't done so already, please send me your email address to [tim.murray@icsglobal.net](mailto:tim.murray@icsglobal.net).

Thank you for your continued support in helping us to reach this point.

Yours faithfully



Tim Murray  
Chief Executive Officer

### ***How are our customers finding THELMA?***

"We've found the THELMA approach of getting something simple working first, upon which we can progressively build and improve, and give the organisation time to evolve from manual to automated business processes, as a very effective way of making the leap to B2B."

*Mr Peter Kerestes, General Manager – Healthcare, Australian Unity*

"The single electronic interface that THELMA provides to health funds made sense to us. Our staff found it easy to set up and use. Their only gripe about the system is they wish they could use THELMA for all the health funds."

*Mr George Toemoe, Chief Executive Officer, St Lukes Hospital Complex*

"CBHS has a focus on efficient member service and see THELMA as part of our strategy to enhance claim processing efficiency by replacing paper based processes with electronic transactions."

*Mr Chris Bertinshaw, Chief Executive Officer, CBHS Friendly Society Limited*

"THELMA's Eligibility and Hospital Claims transactions took about a day to set up the technology and train our staff. It's very user friendly, in fact our staff wish they could use THELMA for all their work."

*Ms Ingrid Williams, General Manager / DON, Northpark Private Hospital (owned by Healthscope)*

"Connecting to THELMA has been one of our best experiences with introducing a new business system, in terms of ease of implementation, user friendliness, and the fact that THELMA has been designed to grow with our organisation."

*Mr Michael Bassingthwaighe, Chief Executive Officer, Lysaght Peoplecare*

"Being able to access multiple funds for electronic eligibility checking through THELMA has proven to be much more efficient, providing more timely and accurate information. Contacting health funds by fax, phone or email is time consuming and entails a substantial margin for human error."

*Ms Kathleen Lovely, Patient Liaison Officer, Mount Alvernia Mercy Hospital*

"The introduction of THELMA has allowed us to streamline our admission and administrative procedures. It has proved to be an effective, easy-to-use solution for our hospital."

*Ms Cheryl Ryan, Office Manager, NIB Private Hospital*