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**technology@work™**

30 September, 2003

Dear Shareholder

Progress since my last letter in June has reinforced our confidence in the THELMA business.

This period has also seen the emergence of the first real business improvement data from THELMA's customers, which provides valuable endorsement that the THELMA technology functions well and offers substantial business benefits to customers:

- Hospitals are reporting a return on investment (ROI) on the THELMA transaction fees of 100% just in office supplies, fax and phone calls alone; they are seeing faster payment through sending their claims electronically to the health funds; additional ROI of about 300% for each week the payment cycle is shortened; and intangible benefits such as happier and less stressed staff and patients.
- Health funds are reporting reductions in call centre traffic through increases in THELMA's Internet-based inquiries, and faster, more efficient claims processing.

### **Signing up new customers**

This performance data from THELMA customers is providing an obvious boost to our marketing program (see advertisement on page 4) and we are expecting it will contribute to an accelerated take up of THELMA during the coming year. In the private health insurance (PHI) sector, we anticipate that penetration will increase from about 45% to between 60% and 90% during the 2004 financial year for several reasons:

- A number of connectivity projects that are either under way or at planning stage with the remaining large funds
- The Board of the Adelaide-based HAMBS group, which supplies the core business systems to 24 of the 43 PHI funds, has approved modifications to the HAMBS system to enable it to receive and automatically process Electronic Hospital Claims from THELMA. The rollout to these funds is planned to commence in January 2004.

In the private hospital sector, on the other side of the exchange, THELMA's penetration rate almost tripled during the 2003 financial year from 7.5 per cent to 22 per cent of the Australian market, and we anticipate that this will at least double again during the 2004 financial year in response to the increased health fund coverage. We anticipate substantial growth in the public hospital sector as well, from the current levels of 31 per cent of NSW, 19% of Victoria and 6% of Queensland.

### **Status of each transaction**

Transaction volumes continue to increase month by month, but not as fast as expected. We've gained a better insight this year into what the mix and volumes of transactions through THELMA might look like in a couple of years: THELMA the dominant player in a number of transactions, and an important aggregator in a range of other transactions. Overall, the potential market has grown if anything due to things like the proposed changes to Medicare and the Electronic Health Record (EHR), which needs to

be retrieved before, and fed with clinical information after, every patient episode, to keep the EHR up to date.

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

The Medibank Private EC project is well advanced, with testing due to commence mid-October, and the service “live” in November. Once this is live, the seven funds will equate to about 45% of the fund market and give us a truly national B2B offering to roll out, with market coverage in every State ranging between 22% and 55%. Similar projects with a range of other funds are also underway.

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

The February milestone of Electronic Hospital Claims (EHC) going live was a particularly important one for THELMA for a number of reasons. Commercially, it was the beginning of a major revenue stream. Strategically, it saw THELMA secure the ‘high ground’ of e-health transactions, as EHC are probably the most difficult and complex of all health transactions that are ever likely to be done electronically in Australia.

We believe it is unlikely now that another exchange will attract the investment required to replicate THELMA’s ability to retrieve EHC from any hospital, and deliver them to any health fund– the essential capability for acquiring sufficient volume to create a viable business.

So our focus with EHC now is about building volume from our existing customer base, in parallel with expanding market coverage. A number of EHC connectivity projects that are either under way or at planning stage with most of the remaining large funds should draw in a lot more hospitals when they go live. Plus Medibank Private’s Hospital Provider Relations team have begun to encourage hospitals to send EHC via THELMA, as Medibank’s goal, like all the funds, is to ultimately eliminate paper-based claims.

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

EMC originate from specialists - anaesthetists, surgeons, obstetricians, etc. They are technically much simpler than hospital claims and payment of them usually involves part by Medicare and part by the health fund. 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 send EMC. It’s still not clear where THELMA will ultimately deliver EMC, either one or both of:

- Directly to the health funds. We have EMC and pathology claims pilots running with a number of funds. Once pathology claims are live, it provides an opportunity for the large pathology groups such as Mayne and Sonic to connect to the large number of funds they are still not connected to.
- Directly to the Health Insurance Commission (HIC). The HIC runs Medicare, and have agreed to take EMC from THELMA as part of a pilot they plan to run during 2004.

### ***GP Bulk Bill Claims (GPC)***

The HIC recently published details of a \$6.9m incentive scheme to get GPs to bulk bill over the Internet through the HIC Online program. We put a proposal to the HIC for THELMA to connect as many as possible of the more than 200 different business management software packages used by GPs, and thereby share in the incentives. The HIC agreed in principle to the proposal, and THELMA is currently being connected to HIC Online.

### ***Ancillary Claims (ANC)***

Ancillaries are all the services included under “Extras” in private health insurance. There’s about 30 different categories in all, with dental, optometry, physiotherapy and chiropractic making up about half of the 50 million ANC in the market. We have been working with one of the major banks, who will provide EFTPOS and marketing for the service, and are planning to combine our respective technologies with a view to having a fully functional, Internet-based ANC service in place with at least the top four categories during the first half of 2004.

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

This remains an attractive add-on revenue stream to complement THELMA's medical transactions. THELMA's eProcurement partner, marketboomer, has demonstrated costs savings in hotel supplies of 5% - 10%. When you consider that half of a hospital's purchases are in hotel-type supplies, you will understand the implications of eProcurement for hospitals, and why we remain committed to providing the service to hospitals. However, as we discovered with hospital claims, the health industry likes to see real business improvement data relating to the health industry before seriously considering new technology. So we are conducting a pilot of the service with a hospital to obtain this data, which we will then use to spearhead the marketing of the service.

### ***International***

A number of opportunities have been identified in the UK. The Shadow Health Secretary Dr Liam Fox, MP (Woodspring) in the UK House of Commons visited ICSGlobal in April to examine THELMA's functionality. In his letter of thanks, Dr Fox stated "...Having already made more than 15 overseas visits to assess how other healthcare systems work...it is no exaggeration to say that THELMA is unique....and the scope for putting it to use in the UK (not to mention elsewhere) seems huge." Dr Fox initiated some meetings for ICSGlobal in the UK in August 2003 which identified a number of opportunities in the public health sector, as well as across other government departments through the Office of the eEnvoy. We are now working towards a UK pilot some time in 2004, which could be performed from Australia since THELMA is Internet-based.

### **Other General News and Views**

- We raised \$1.8 million of capital in August via a placement of shares at \$0.38 to meet our working capital short fall. It was particularly pleasing to attract keen institutional interest, led by ING Investment Management, with the result that our share register has broadened and strengthened.
- The company continues to be on the lookout for merger and acquisition opportunities that support our business objectives and build shareholder value.
- The company continues to work closely with the companies that provide software to hospitals, GPs, specialists, diagnostics, pharmacies, etc, to identify mutually beneficial revenue sharing and cross-marketing alliances.

The business objective we set out with four years ago - to effectively change the way our health industry does business - was ambitious and complex, but also very rewarding should we succeed. At this point, thanks to the disciplined persistence of our staff and the continued support of our shareholders, we believe the greatest risks and hurdles in achieving this objective are behind us.

This is not to say management and staff are not conscious of the challenges that still lay ahead. But the lessons and experiences of the past four years have galvanised the company into an extremely effective and highly respected team, which gives us the confidence that we will reward our shareholders for their judgement and patience.

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

Yours faithfully



Tim Murray  
Chief Executive Officer

“Quick and easy to set up. Easy to use. No IT project at the hospital. No Maintenance. Single interface to health funds. 24x7 on line access. Avoids a lot of trauma and stress for both the patient and my staff. Cost effective solution. Leverages our current technology. No hardware or software to buy. Linked directly to our PMS. Streamlines health administration. Makes their job much easier. Process improvement and efficiency gains. Cost savings right across the board: Improved customer (patient) service. Automated, speedy eligibility checking. Automatic, speedy claims handling. Faster payment. Rapid claims resolution. Improved cash flow. Improved patient sat-debts. Restructure front admin staff to service fund confirmation. Im- and OHS. Surprising how fax and office supplies. ROI better than 100% just simplifies preparing HC21 send paper certificates. basically fixed overnight. electronically transmit-number of claims. Dupli-claims are still paid within within a week!). Clear payment is for. Rejections marked. Timely reversion co-payments. Funds can no longer lose claims. We can view the status of all our claims on line 24 x 7. ROI on a number of fronts - 280% if average claim paid just one week faster; 700% ROI for 2 weeks. Happier staff and happier patients – hard to put a value on these. Doesn’t discriminate between large and small organisations. A stay-in-business decision, certainly for hospitals.”

**Hospitals are  
discovering a  
lot of reasons  
for claiming  
electronically.**

isfaction. Reduction in bad office functions. Redeploy customers. Guaranteed proved work force morale much we save on phone, Good for the environment. on office supplies. Vastly claim. No longer need to Our claims process was Immediate notification of ted claims. No minimum cation control. Queried the agreed period (often definition of what the and queries are clearly to patient for any gaps or

## **Why not discover yours?**

All these benefits are there for you to discover right now. You’ll be amazed how quickly your staff can be doing on-line Eligibility Checking, Informed Financial Consent and Electronic Hospital Claims. And how quickly these benefits flow through to your patients, your staff and your bottom line.

To speak to a THELMA representative call (02) 9247 2111.  
For a simple and easy-to-use THELMA Hospital Business  
Case spreadsheet, email to [marketing@icsglobal.net](mailto:marketing@icsglobal.net)

