KPMG

H E A L T H C A R E

Blue Cross Blue Shield of Florida
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Making the ERP Vision a Reality

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Proposed Agenda

| Topic	Content	Time
Introduction		10 minutes
The ERP Vision for BCBSFL	■ Elements of the ERP vision ■ ERP fit in the Enterprise ■ Areas to be included in the ERP vision	15 minutes
Finance and EPM	Description of the implementation approach, high-level rollout plan, and project tasks	50 minutes
HRMS Phase II	Description of planned next steps for e-HR and PeopleSoft Benefits Administration rollout	30 minutes
Next Steps		10 minutes

The ERP Vision for BCBSFL

Elements of the ERP Vision for BCBSFL

[handwritten: - Cost - Timeliness - Handoffs/Resources } Enterprise Solution]

Single integrated platform	■ Integrate systems onto a single platform to maximize functionality and flexibility - eliminate need for silo-based programming ■ Expands capabilities to include web-enablement
Web-enabled	■ Recognize that a successful healthcare organization will be expected to make full use of e-business
Speed	■ Act quickly to implement business and strategic decisions to maintain a market advantage
Minimal customization	■ Maximize results and delivery time by blending existing functionality of new systems with redesign of business process. Focus on configuration rather than customization of new software
Enterprise-wide	■ Begin to make decisions to communicate and act on an enterprise basis. End silo-based decision making at BCBSFL
Flexibility	■ Maintain an infrastructure that can adapt quickly to a changing business model, future acquisitions and other fundamental organizational change
Efficiency	■ Improve business processes and maximize return on investment
Knowledge management	■ Become recognized as a leader in enterprise-wide management, information sharing and customer management

Integrating the Vision into BCBSFL

To maintain organizational flexibility and an ability to meet future market dynamics, BCBSFL must develop a core set of integrated system applications.
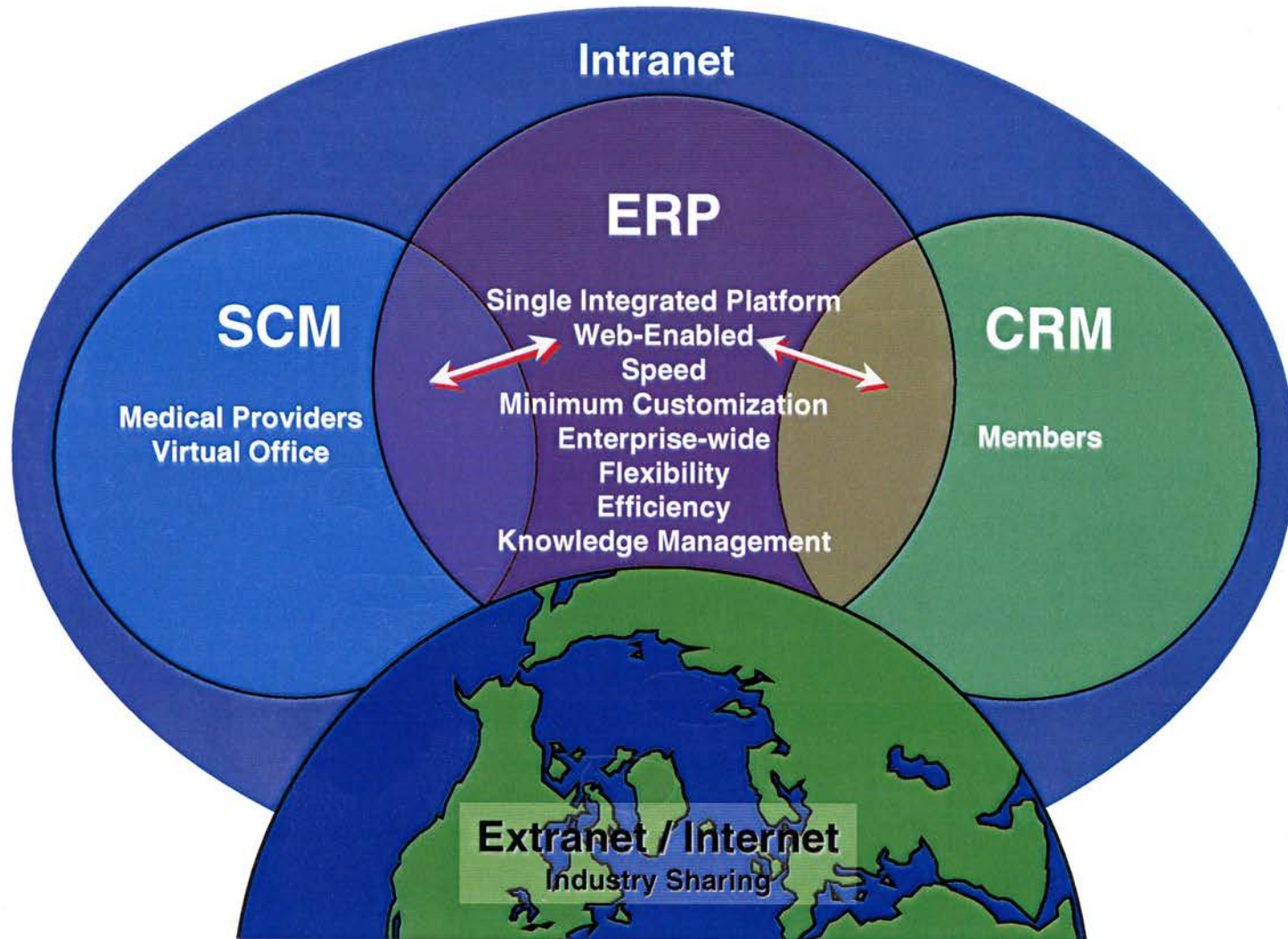
Fit of the ERP in the Enterprise

A strong business backbone, including ERP, is critical to BCBSFL achieving its strategic objectives.

Web Enablement

| Intranet | Extranet | Internet |

Analytical Tools

Enterprise Performance Management

Business Backbone

ERP

Industry Specific Applications (e.g. claims systems)

Technological Infrastructure
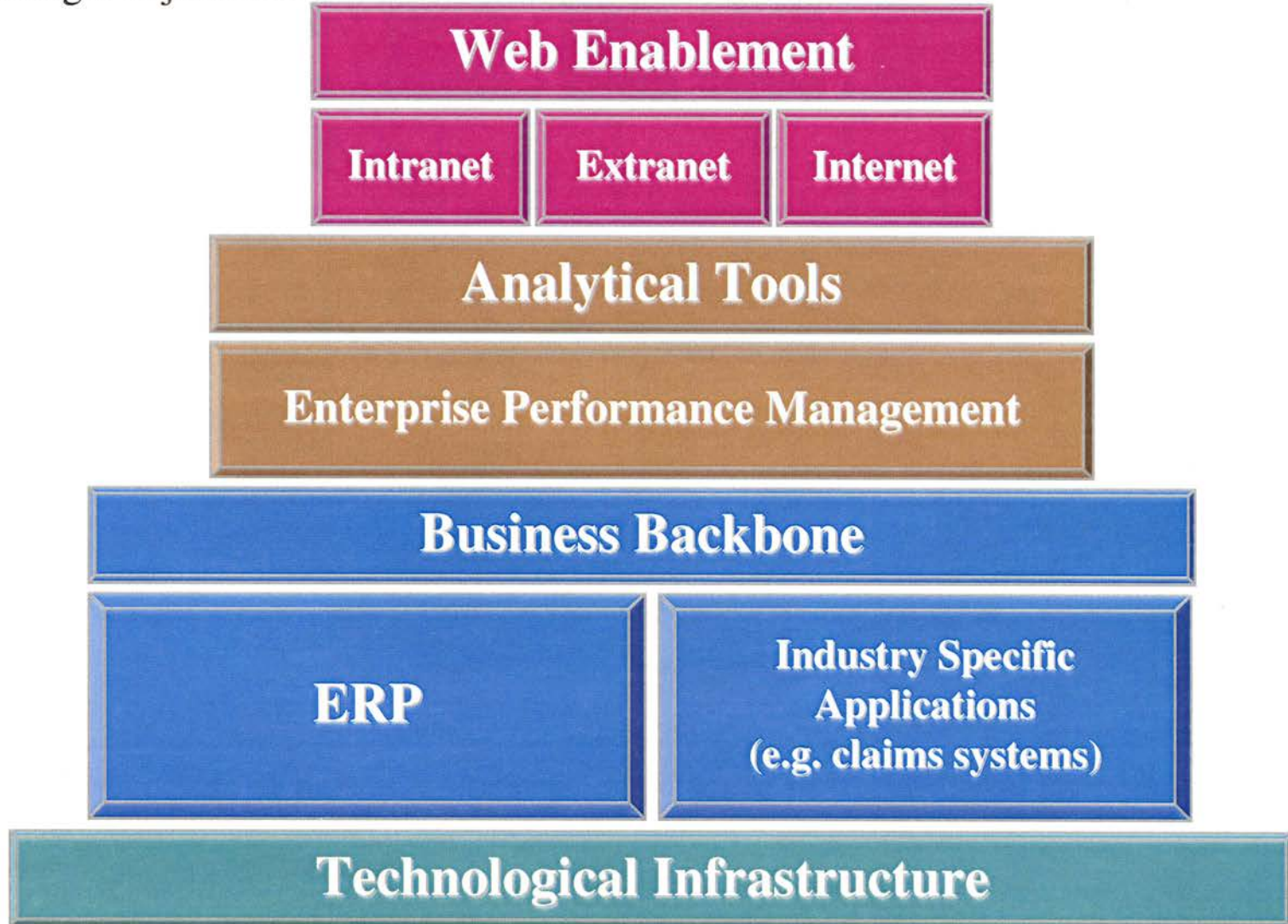
MISSING HR & BUDGET

Today's Environment

The current state of business systems has evolved into a complex structure.
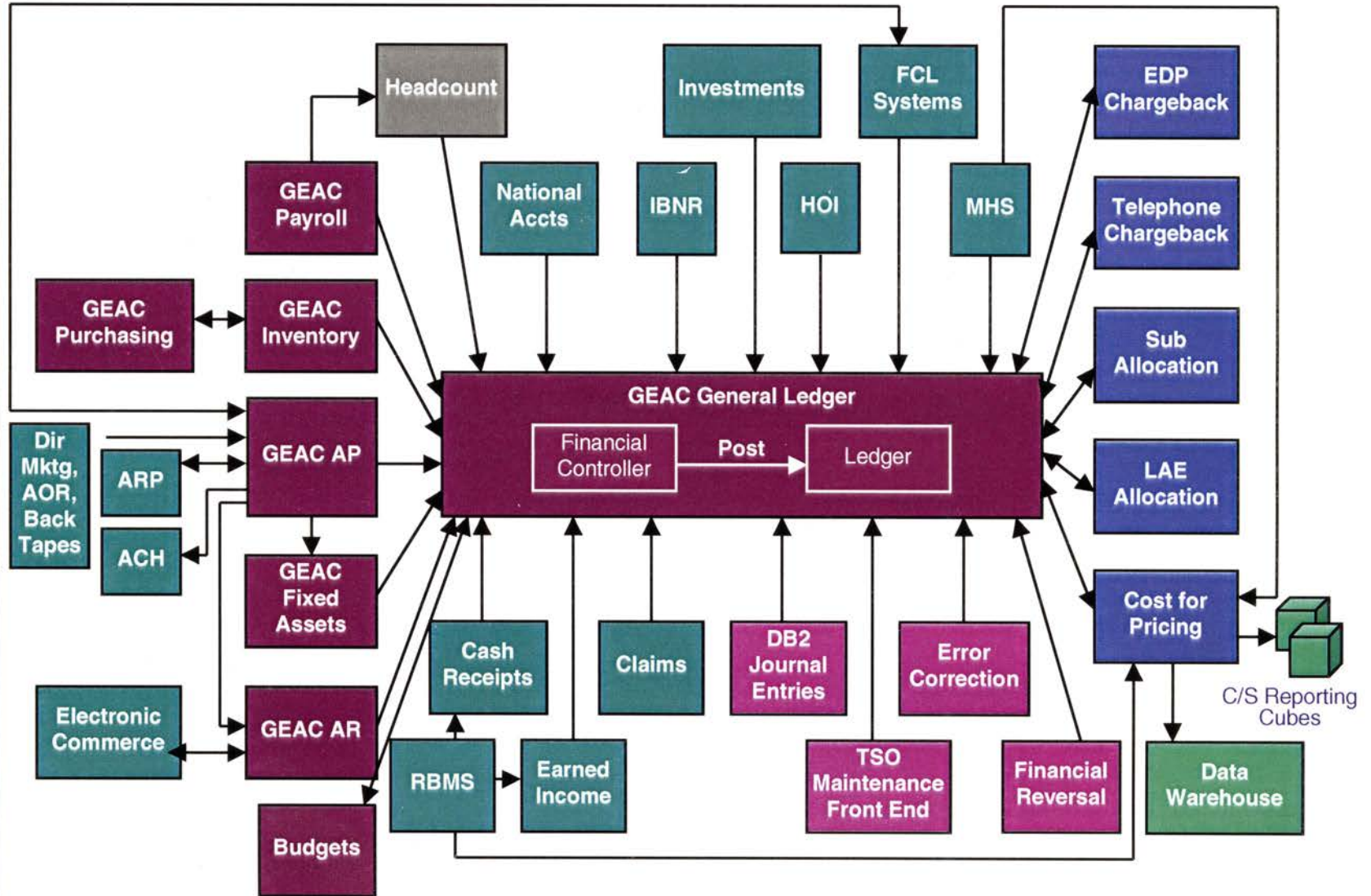
The ERP Vision for BCBSFL

The ERP Vision simplifies the BCBSFL approach to business systems.

Top row inputs: FCL Systems | Investments | National Accts | IBNR | HOI

Left side inputs: Dir Mktg, AOR, Back Tapes | ARP | Electronic Commerce

PeopleSoft ERP Solution

GL	HR	PO	AR
Budget	PR	AM	Treasury
AP	EPM	IN	Expenses

Headcount	Sub Allocation	DB2 Journal Entries
EDP Chargeback	LAE Allocation	TSO Maintenance
Telephone Chargeback	ACH	Error Correction
		Financial Reversal

Right side: Data Warehouse | C/S Reporting Cubes | Cost for Pricing

Bottom row inputs: Cash Receipts | Claims | Earned Income | RBMS | MHS

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The ERP Vision for BCBSFL

The ERP project must begin with a clearly defined vision statement.

BCBSFL recognizes enterprise agility and flexibility as critical success factors for the future. To maximize our capability in this area, we will strive toward a fast-track implementation of an integrated, web-enabled information system platform.

We will continue our immediate progress towards achieving our ERP vision by capitalizing on existing knowledge and progress made to date. We will begin with two related initiatives:

1. PeopleSoft Financials and Enterprise Performance Management

2. Implementation of Phase II HRMS

Finance & Enterprise Performance Measurement (EPM)

Implementation Options for Financials *Suite*

For financials, there are multiple approaches to achieving the ERP Vision.

...gt = Balanced Score card

Scenario 1: *"All"*	■ Implement **PeopleSoft GL, Budgets and EPM for 2nd Quarter** "go-live" ■ Subsequent redesign of Chart of Accounts and other modules
Scenario 2: *"Traditional"*	■ Redesign **Chart of Accounts and implement PeopleSoft GL, Budgets and EPM for a 3rd Quarter** "go-live" ■ Subsequent implementation of other modules
Scenario 3: *"GL"*	■ Implement **PeopleSoft GL and EPM for 2nd Quarter** "go-live" ■ Subsequent redesign of Chart of Accounts and other modules
Scenario 4: *"Budgets"*	■ Implement **PeopleSoft Budgets and EPM for 2nd Quarter** "go-live" ■ Subsequent redesign of Chart of Accounts and other modules

Dealing with Business Realities

In evaluating the four scenarios for implementation of financials, we must consider the business realities facing BCBSFL.

- 2001 budget season - need for less resource intensive approach

- Financial reporting needs - need for more timely and informative financial reporting

- Day-to-day business requirements - Importance of selecting an implementation approach that balances peak workloads in financial reporting and budgeting with project participation

Scenario Comparisons

Each of the scenarios assume immediate commencement of project inception and no delay between requirement definition and implementation

	1Q - 2000	2Q - 2000	3Q - 2000	4Q - 2000	2001

Scenario 1: "All"
Phase I: GL, Budgets, EPM — Phase II: COA Re-design — Phase III — Phase IV

Scenario 2: "Traditional"
Phase I — COA Re-design — GL, Budgets, EPM — Phase II — Phase III

Scenario 3: "GL"
Phase I: GL, EPM — Phase II: COA Re-design — Phase III — Budgets — Phase IV

Scenario 4: "Budgets"
Phase I: Budgets, EPM — COA Re-design — Phase II — GL — Phase III

▲ Requirements Definition Complete

Legend:
- Core Financials
- Chart Field Reengineering
- Procurement Modules
- Cash Management Modules

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Handwritten: Give mgrs info they need to mnge resources on desktop

1Q - 2000	2Q - 2000	3Q - 2000	4Q - 2000	2001

Requirements Definition for GL, Budgets and EPM *(handwritten: 4 to 6 wk effort) proposal*

Phase I: Implement GL

▲ Go Live - GL *(handwritten: INTERFACES)*

Phase I: Implement Budgets

▲ Go Live - Budgets

Phase I: Implement EPM Warehouse, Balanced Scorecard *(handwritten: ? (minor piece?))*

▲ Go Live - EPM Warehouse, Balanced Scorecard

(handwritten: — Earned Income —)

Phase II: Re-design Chart of Accounts

Requirements Definition for AP, PO, AM, and Inventory

Phase III: Implement AP, Purchasing, Inventory, Asset Mgmt, EPM Workbenches

▲ Go Live - Phase III Modules

Requirements Definition for AR and Treasury

Phase IV: Implement AR, and Treasury

Go Live - AR ▲
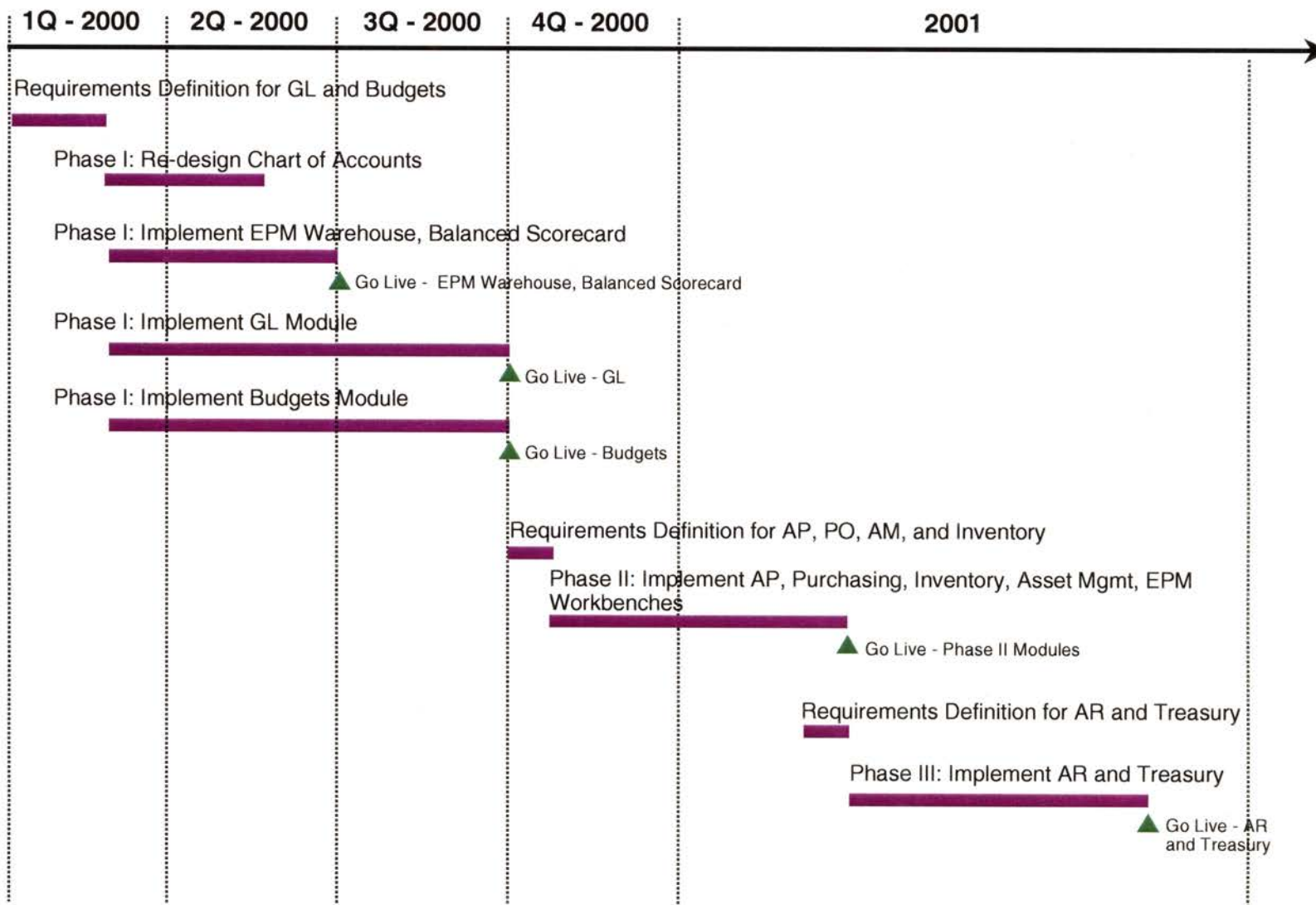and Treasury

Scenario 1-"All": Pros and Cons

Pros

- Rapid Implementation Timeframe - go-live with GL & Budgets by end of second quarter
- Benefit from simultaneous implementation of GL and Budgets in Phase I

Cons

- Tight timeframe does not allow for account re-design in Phase I
- Account re-design will be difficult to implement once GL is in place
- Heavy resource load on BCBSFL implementation team within a short time span

Scenario 2-"Traditional": Simultaneous PeopleSoft GL and Budgets with account re-design in Phase I

1Q - 2000	2Q - 2000	3Q - 2000	4Q - 2000	2001

Requirements Definition for GL and Budgets

Phase I: Re-design Chart of Accounts

Phase I: Implement EPM Warehouse, Balanced Scorecard

▲ Go Live - EPM Warehouse, Balanced Scorecard

Phase I: Implement GL Module

▲ Go Live - GL

Phase I: Implement Budgets Module

▲ Go Live - Budgets

Requirements Definition for AP, PO, AM, and Inventory

Phase II: Implement AP, Purchasing, Inventory, Asset Mgmt, EPM Workbenches

▲ Go Live - Phase II Modules

Requirements Definition for AR and Treasury

Phase III: Implement AR and Treasury

▲ Go Live - AR and Treasury

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Scenario 2-"Traditional": Pros and Cons
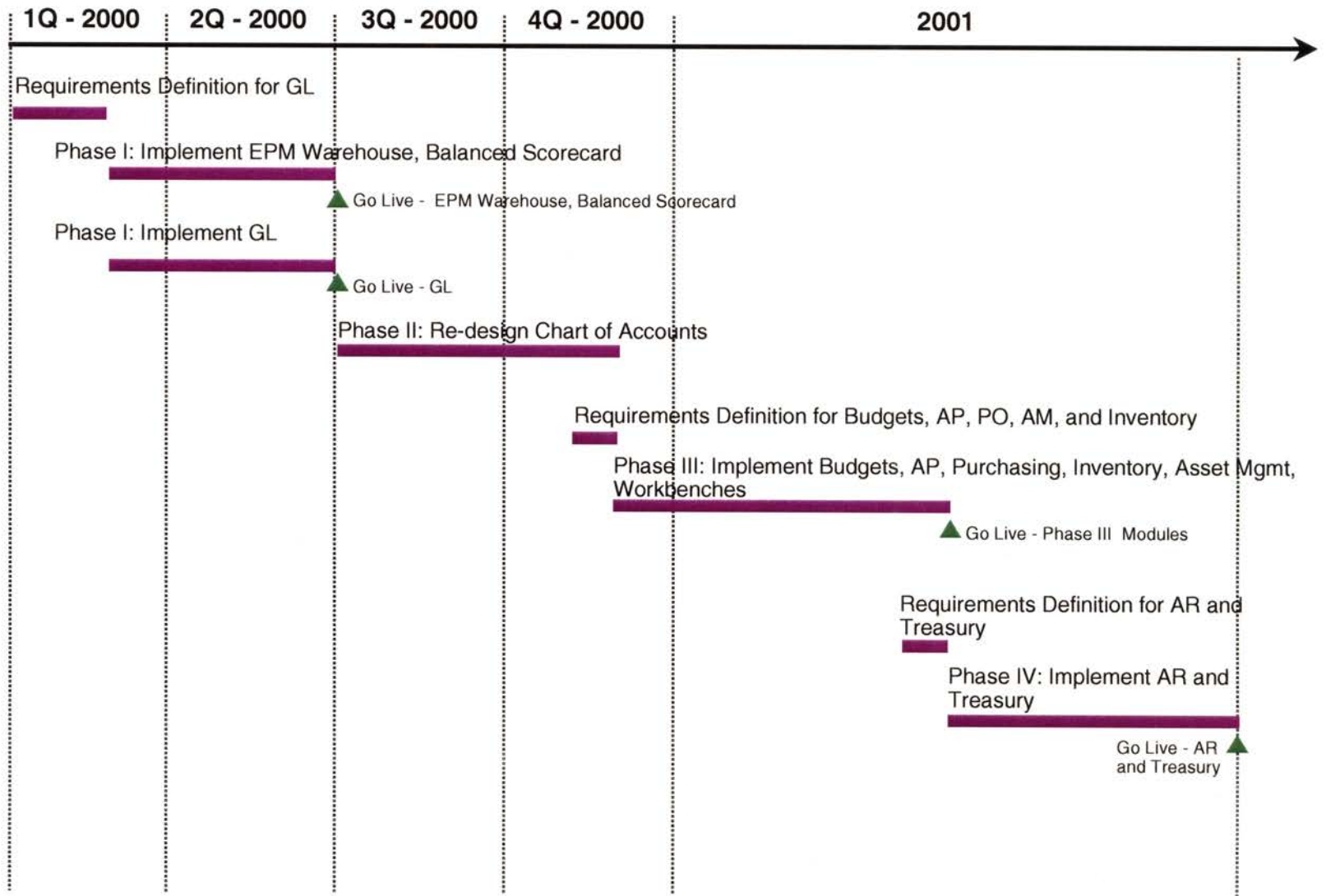
Pros

- Account re-design is performed at the most efficient opportunity
- Traditional approach to implement ERP
- Benefit from synergies among all modules for all phases

Cons

- Extends completion of Phase I until end of third quarter
- Increases resource load of Phase I (external and internal)

Scenario 3-"GL": PeopleSoft GL without account re-design in Phase I - PeopleSoft Budgets in Phase III

1Q - 2000	2Q - 2000	3Q - 2000	4Q - 2000	2001

Requirements Definition for GL

Phase I: Implement EPM Warehouse, Balanced Scorecard

▲ Go Live - EPM Warehouse, Balanced Scorecard

Phase I: Implement GL

▲ Go Live - GL

Phase II: Re-design Chart of Accounts

Requirements Definition for Budgets, AP, PO, AM, and Inventory

Phase III: Implement Budgets, AP, Purchasing, Inventory, Asset Mgmt, Workbenches

▲ Go Live - Phase III Modules

Requirements Definition for AR and Treasury

Phase IV: Implement AR and Treasury

Go Live - AR and Treasury ▲

Scenario 3-"GL": Pros and Cons

Pros

- Focus is on one module only - minimizes impact to organization during implementation
- Rapid Implementation Timeframe - go-live with GL by end of second quarter
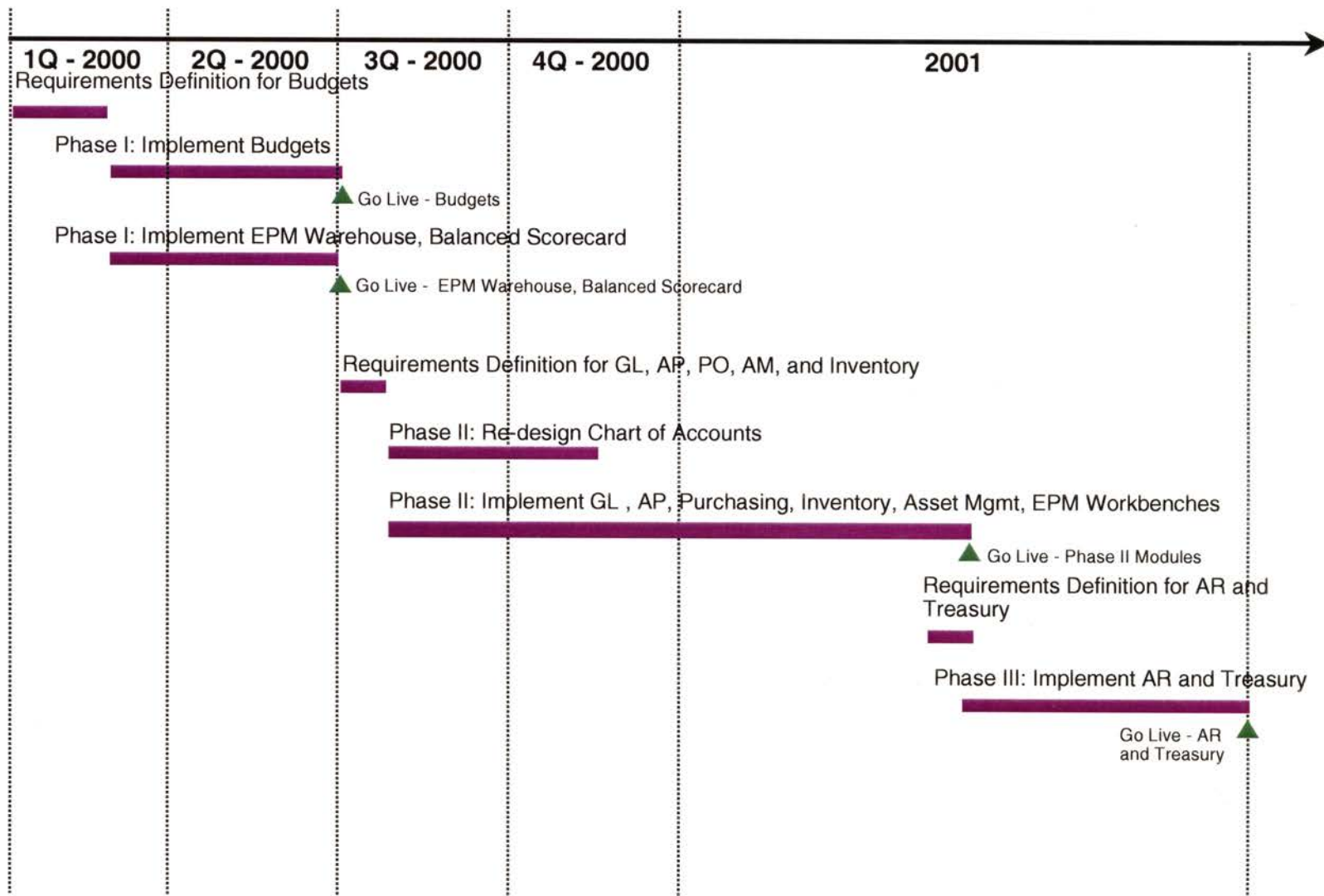- Implement web-based PeopleSoft Budgets Version 8.0 *Same toolset*

Cons

- Pushes Budgets module back to Phase III
- Account re-design is difficult to implement once GL is in place
- Timing of resource burden conflicts with financial reporting year-end activities

Scenario 4-"Budgets": PeopleSoft Budgets in Phase I - PeopleSoft GL with account re-design in Phase II

1Q - 2000	2Q - 2000	3Q - 2000	4Q - 2000	2001

Requirements Definition for Budgets

Phase I: Implement Budgets

▲ Go Live - Budgets

Phase I: Implement EPM Warehouse, Balanced Scorecard

▲ Go Live - EPM Warehouse, Balanced Scorecard

Requirements Definition for GL, AP, PO, AM, and Inventory

Phase II: Re-design Chart of Accounts

Phase II: Implement GL , AP, Purchasing, Inventory, Asset Mgmt, EPM Workbenches

▲ Go Live - Phase II Modules

Requirements Definition for AR and Treasury

Phase III: Implement AR and Treasury

Go Live - AR and Treasury ▲

Scenario 4-"Budgets": Pros and Cons

Pros

- Rapid Implementation Timeframe - Budgets go-live end of second quarter
- Focus is on one module only - minimizes impact to organization during implementation
- Timing of resource burden minimizes conflict with year-end reporting activities
- Fiscal year 2001 Budget completed using the PeopleSoft redesigned processes
- Best time to implement Budgets given current budget cycle

Cons

- Throw away interface to be built to/ from GEAC GL
- Need to involve financial reporting resources to confirm GL related decisions

Value Assessment for Implementation Options

Based on what we understand to be important to BCBSFL, with careful consideration of the objectives, and with KPMG's experience in implementing ERP, we recommend Scenario 4.

- The selected scenario most favorably combines BCBSFL's Qualitative objectives and Quantitative values.

    - Qualitative objectives
        - Web-based solution
        - 2001 Budget
        - User Acceptance
        - Less re-work

    - Quantitative values
        - Approach timeline
        - Scope
   - Complexity
        - Efficient use of resources

HEALTHCARE
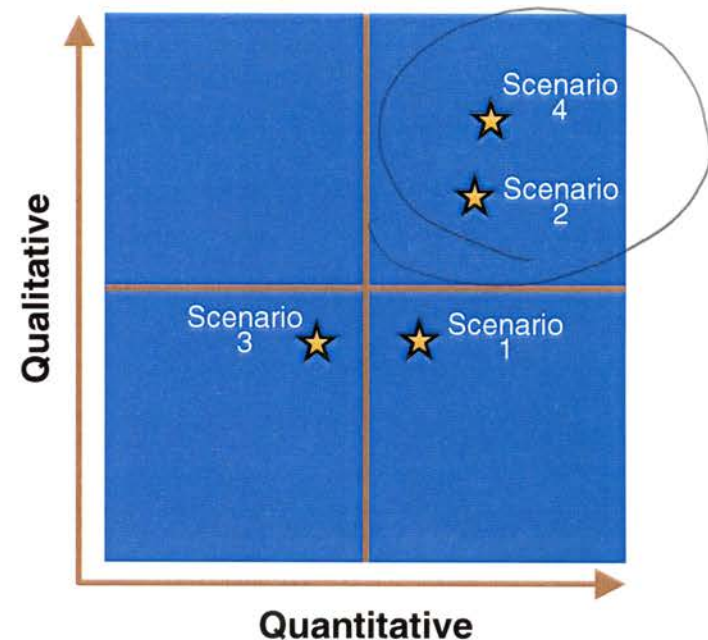
Requirements Definition Worksteps

Engagement Approach & Methodology

- The five implementation phases have distinct, manageable activities, tasks, and associated deliverables. Current phase deliverables are used as inputs to the the next implementation phase. All deliverables from the current phase are approved and signed off by client personnel before progressing the the next project phase.

- This process of obtaining sign-off is critical to ensuring quality deliverable content and obtaining "buy in" from key stakeholders.

- The major implementation activities for the five project phases are listed below.

Phases
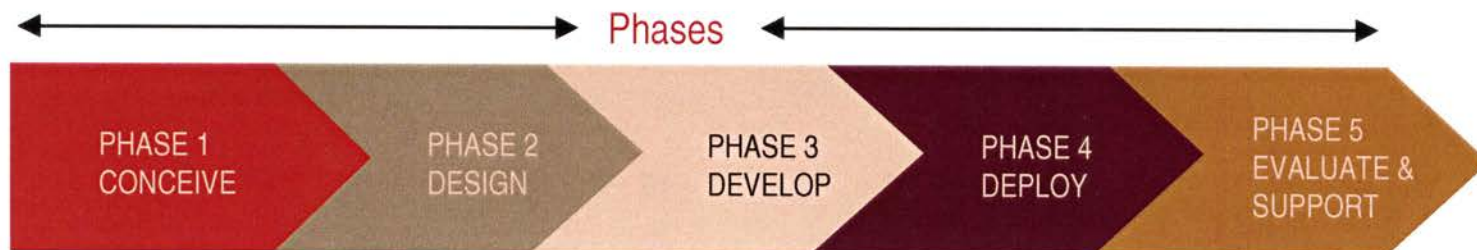
PHASE 1 CONCEIVE	PHASE 2 DESIGN	PHASE 3 DEVELOP	PHASE 4 DEPLOY	PHASE 5 EVALUATE & SUPPORT
☐ Initiate Project ☐ Finalize Detailed Work Plan ☐ Define Business Objectives ☐ Define "As Is" Business Model	☐ Configure the Prototyping Model ☐ Complete Gap Analysis ☐ Develop Functional Specifications	☐ Create Technical Specifications ☐ Build/Test System Modifications ☐ Conduct System Test	☐ Data Conversion ☐ Implementation	☐ Evaluate Production System ☐ Establish Continuous Improvement Program

# Worksteps - Business Requirements Definition (Summary)

The worksteps for the business requirements definition will largely involve focus on BCBSFL's current situation.

PHASE 1 CONCEIVE	PHASE 2 DESIGN	PHASE 3 DEVELOP	PHASE 4 DEPLOY	PHASE 5 EVALUATE & SUPPORT

- Schedule and Conduct As-Is Workshops
- Define and Document Business Requirements *(1 month)*
- Develop Business Requirements Document
- General Requirements
- Chartfield (Codeblock) Requirements
- Define Processing Requirements
- Define Technical Requirements
- Define Reporting Requirements
- Understand and update the results of the PFMS project (EPM)
- Document Managerial Reporting Requirements (EPM)
- Assess Technical Environment and document requirements (EPM)

FIT GAP
Quantified

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HEALTH CARE

HRMS Phase II
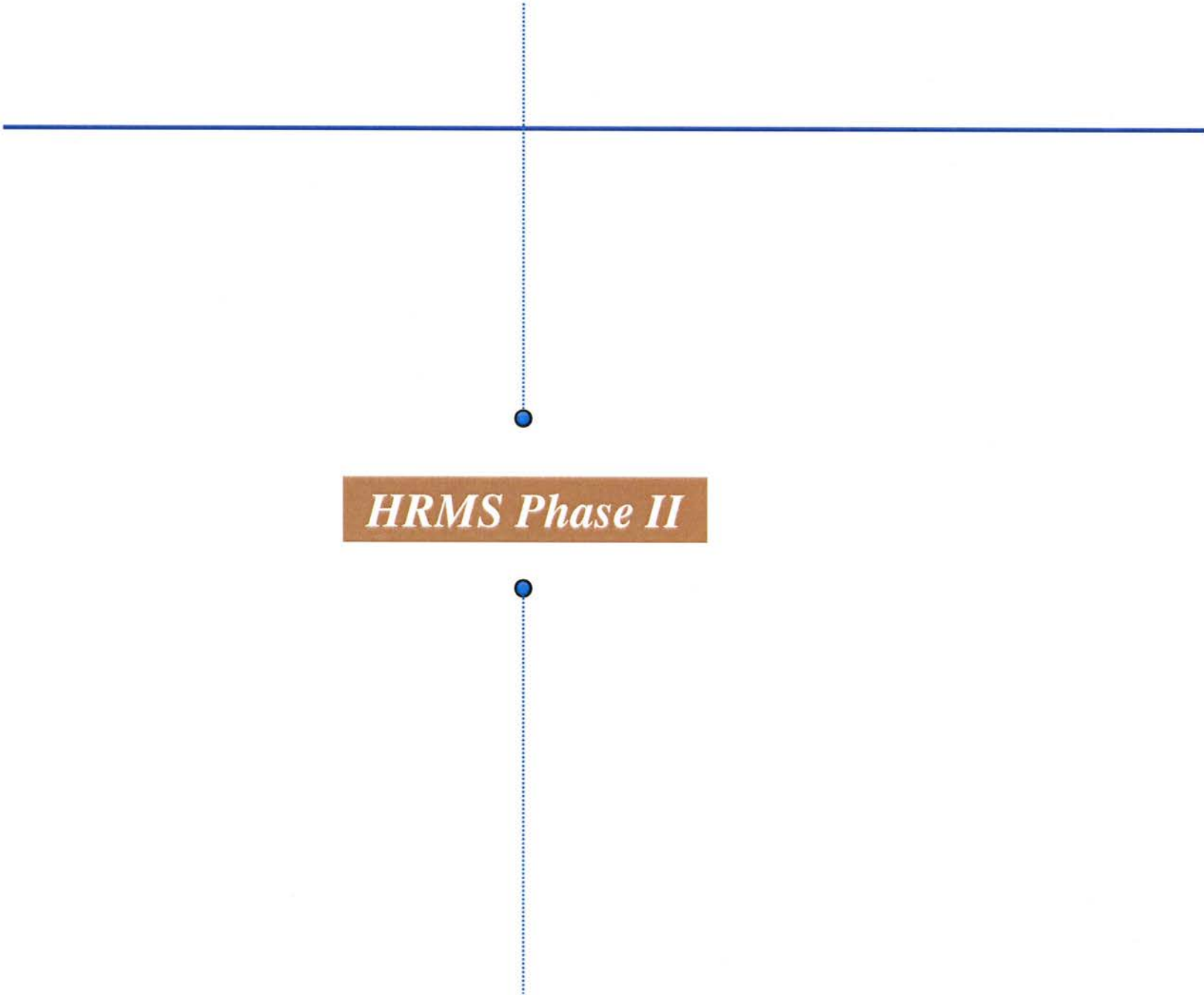
Workforce Dilemmas

Rapid change, increased competition, and soaring expectations are creating workforce challenges.

■ Information overload

■ Miscommunication

■ Training non-delivery

■ Forest of papers

■ Revolving door

Leading to issues with

■ Group and member satisfaction

■ Internal and external customer service

■ Enrollment process and communications

■ Information dissemination and interpretation

■ Employee retention
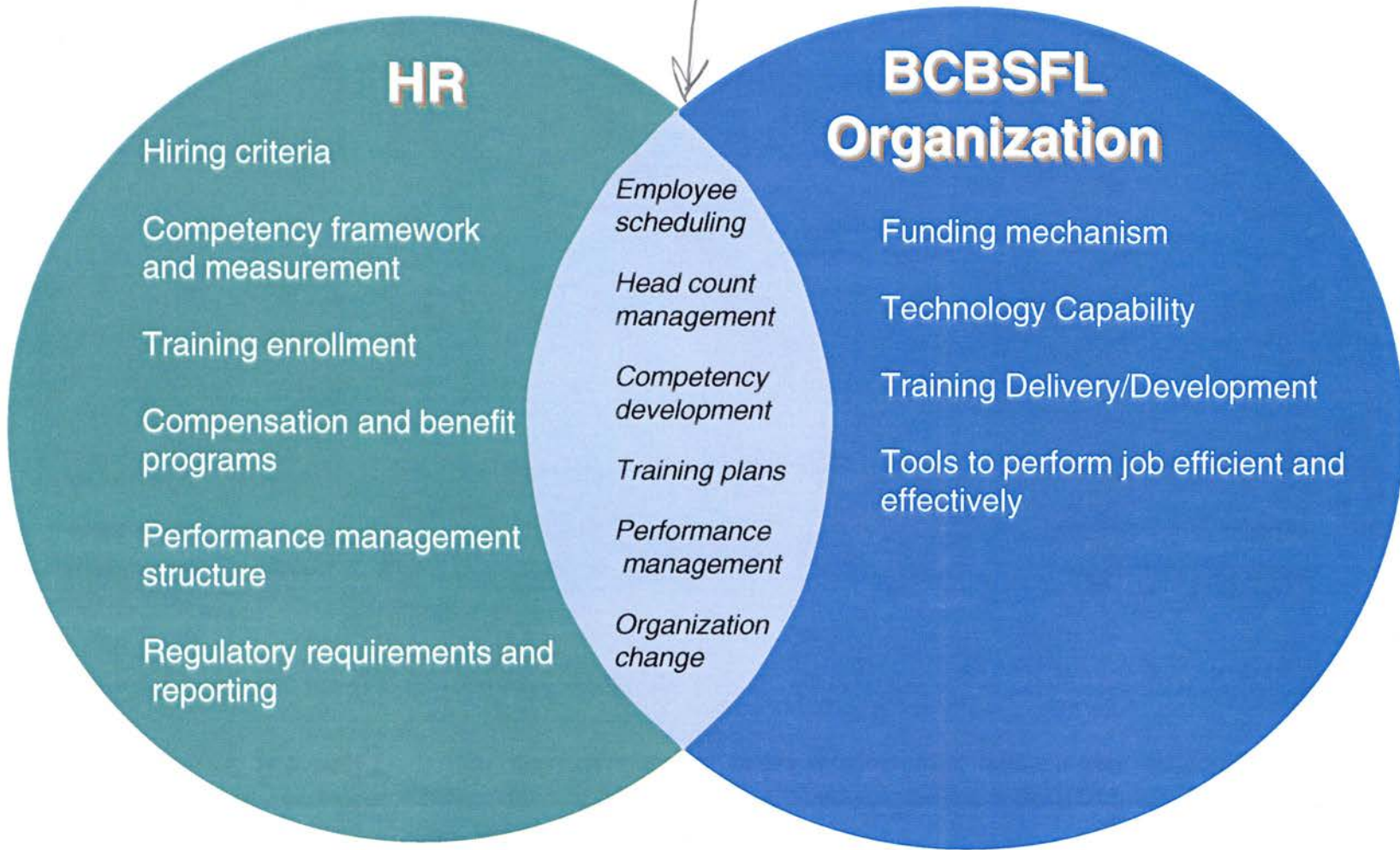
The Optimal Workforce

Developing the optimal workforce requires a set of essential elements within HR organizations.

- Hire individuals with the competency and capability to adapt to the rapidly changing workplace

- Equip the workforce with the knowledge, skills and tools to perform their jobs efficiently and effectively

- Create the organizational environment that encourages career growth, flexibility and risk taking

- Develop a set of performance metrics that are tailored to the operational areas and actively implemented and monitored by executives, line managers and supervisors

- Flexible compensation linked to competency and performance

- Monitor the workforce optimization by continually evaluating skills, training and performance.
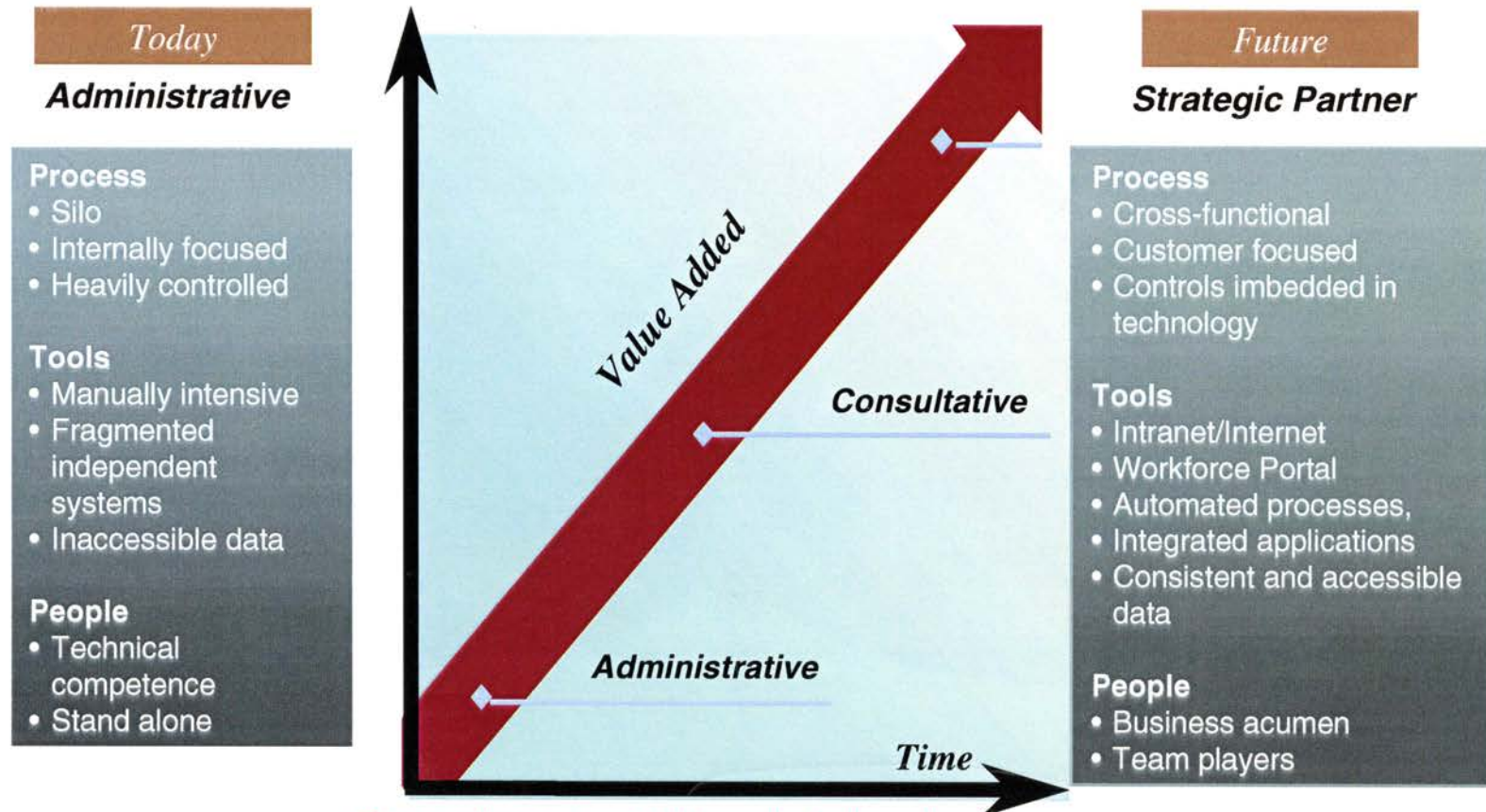
The Optimal Workforce

Cisco

Developing the optimal workforce is a shared responsibility that overlaps many functional areas.

HR

Hiring criteria

Competency framework and measurement

Training enrollment

Compensation and benefit programs

Performance management structure

Regulatory requirements and reporting

Employee scheduling

Head count management

Competency development

Training plans

Performance management

Organization change

BCBSFL Organization

Funding mechanism

Technology Capability

Training Delivery/Development

Tools to perform job efficient and effectively

Transformation of the HR Organization

The challenge for today's HR organization is to transform into a strategic business partner.

Today

Administrative

Process
- Silo
- Internally focused
- Heavily controlled

Tools
- Manually intensive
- Fragmented independent systems
- Inaccessible data

People
- Technical competence
- Stand alone

Future

Strategic Partner

Process
- Cross-functional
- Customer focused
- Controls imbedded in technology

Tools
- Intranet/Internet
- Workforce Portal
- Automated processes,
- Integrated applications
- Consistent and accessible data

People
- Business acumen
- Team players

Value Added

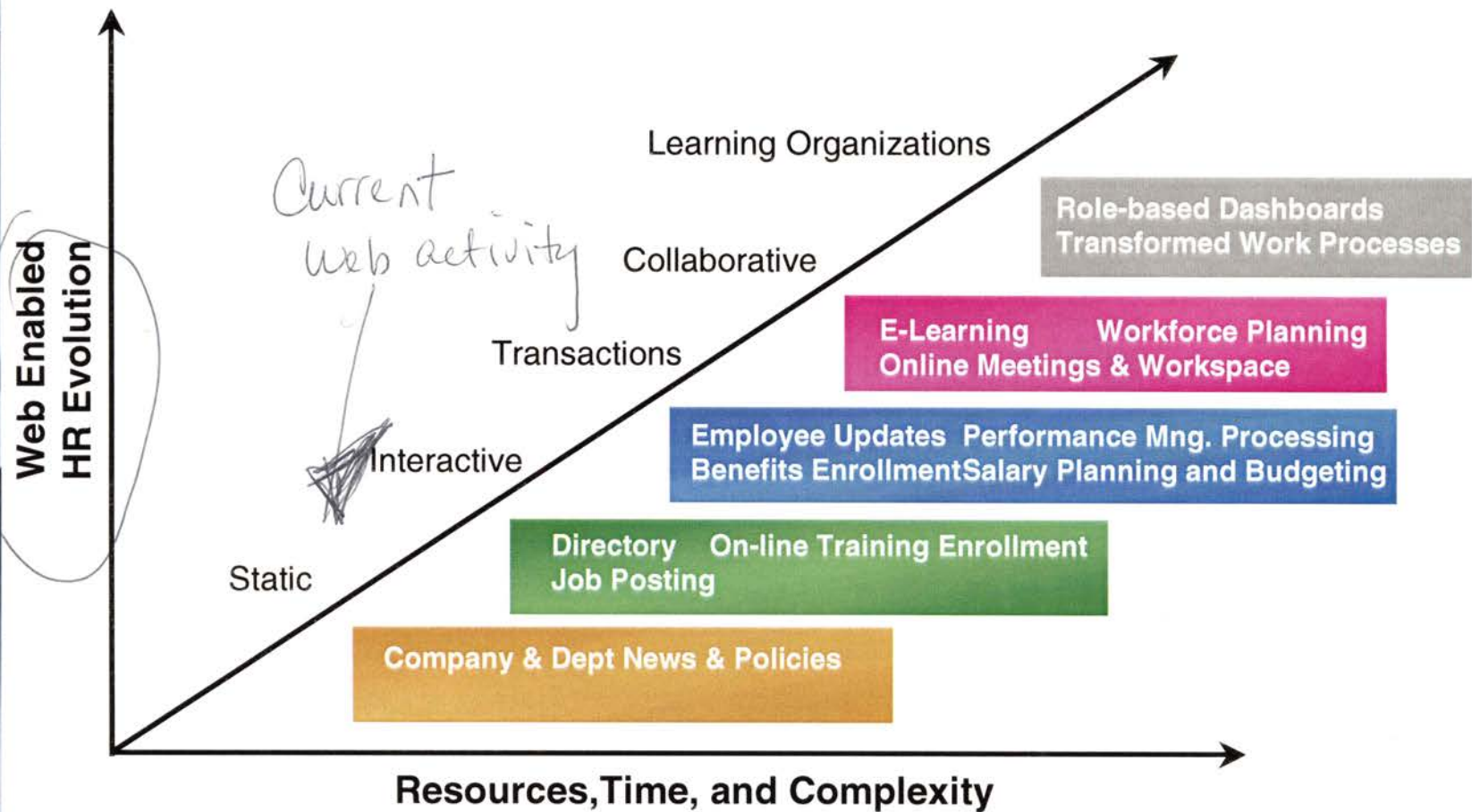*Consultative*

Administrative

Time

These roles are not independent. In order to move up the "matrix", HR must first demonstrate excellence in administrative responsibilities for its customers.

Transformation of the HR Organization

The Internet is essential in transforming the HR organization from an administrative, manually intensive environment to a collaborative strategic partner.

Web Enabled HR Evolution (vertical axis)

Current web activity

- Learning Organizations
- Collaborative
- Transactions
- Interactive
- Static

Role-based Dashboards Transformed Work Processes

E-Learning   Workforce Planning Online Meetings & Workspace

Employee Updates Performance Mng. Processing Benefits EnrollmentSalary Planning and Budgeting

Directory   On-line Training Enrollment Job Posting

Company & Dept News & Policies

Resources, Time, and Complexity

Today's Environment

Currently, HR offers a variety of static content to their employees. Now is the time to enhance the features and functionality by deploying interactive self-service.

Fit in the Enterprise

The business backbone including ERP is critical to the HR organization achieving its strategic objectives.

Role-Based Workforce Portal

| Training | Directory Services | Employee and Manager Self-Service | Recruiting to Hire | Benefit Enrollment | Expense Payment | Communications | Payroll Check Distribution |

Aligned Business Processes and Technology Architecture

Business Backbone (PeopleSoft, Data Warehouse, etc.)

Technological Infrastructure

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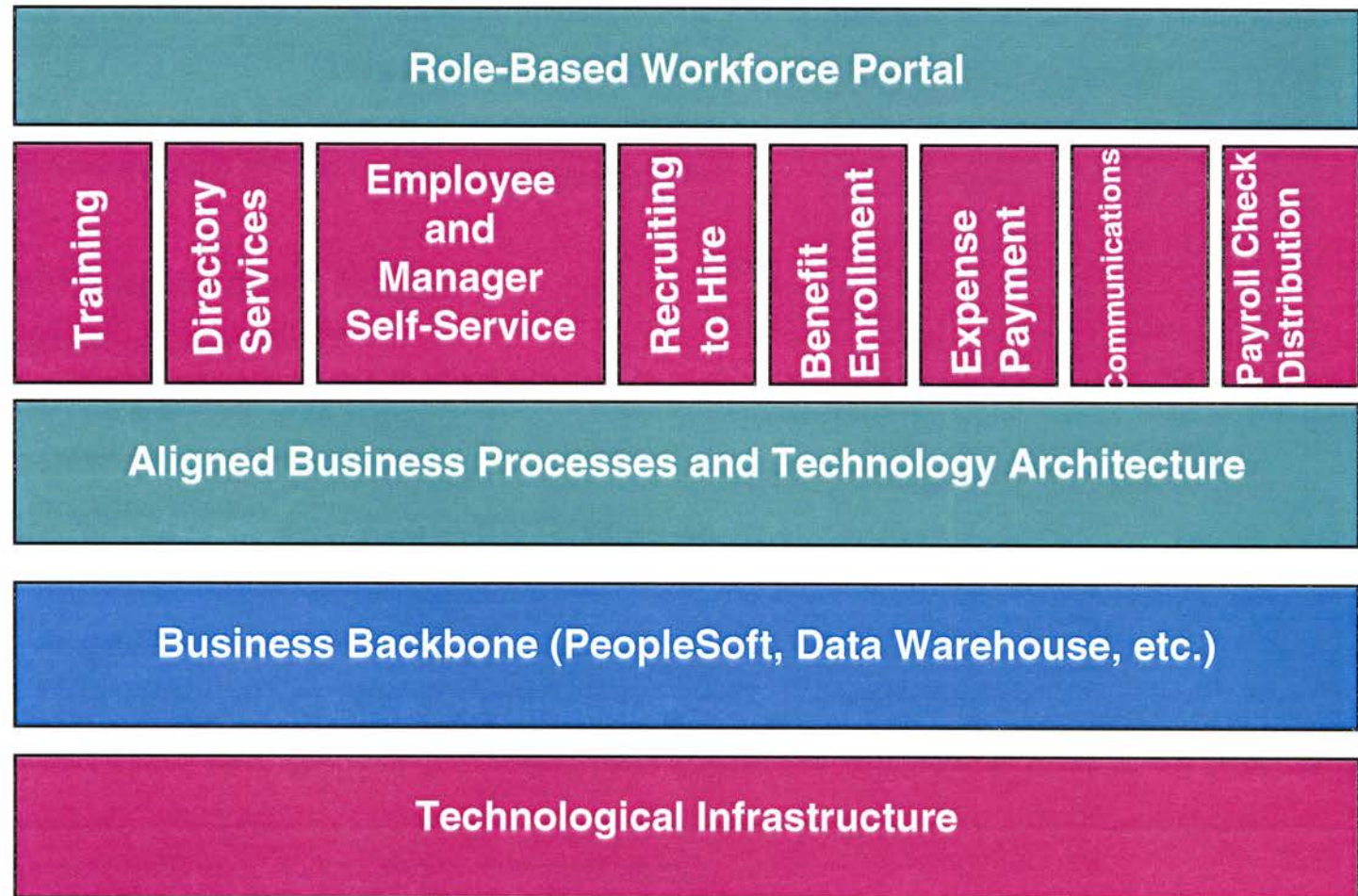
Prioritizing the e-HRMS Initiatives

It is important that the organization first focus on initiatives that have high cultural and economic impact and are relatively "easy" to implement.

Application Impact

- Revenue or Cost Impact
- Cultural Effects
- Satisfaction / Quality
- Impact of not doing project

Implementation Ease
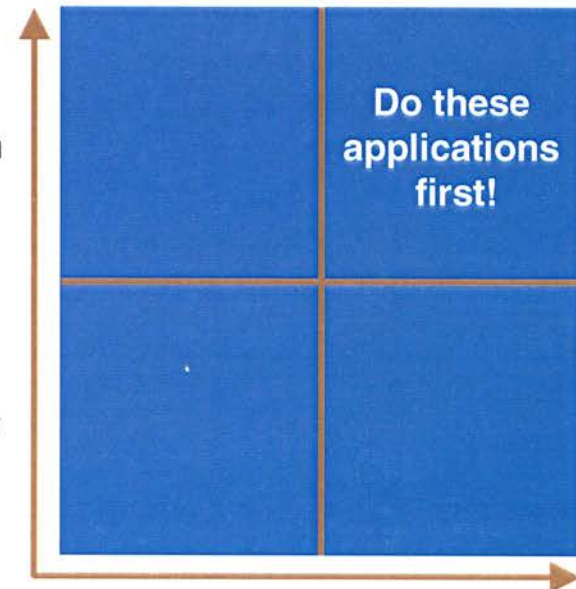
- Connectivity to audience
- Users and Security
- Access to/Quality of Data
- Process Simplicity

Application Value Matrix

Cultural & Economic Impact

High

Low

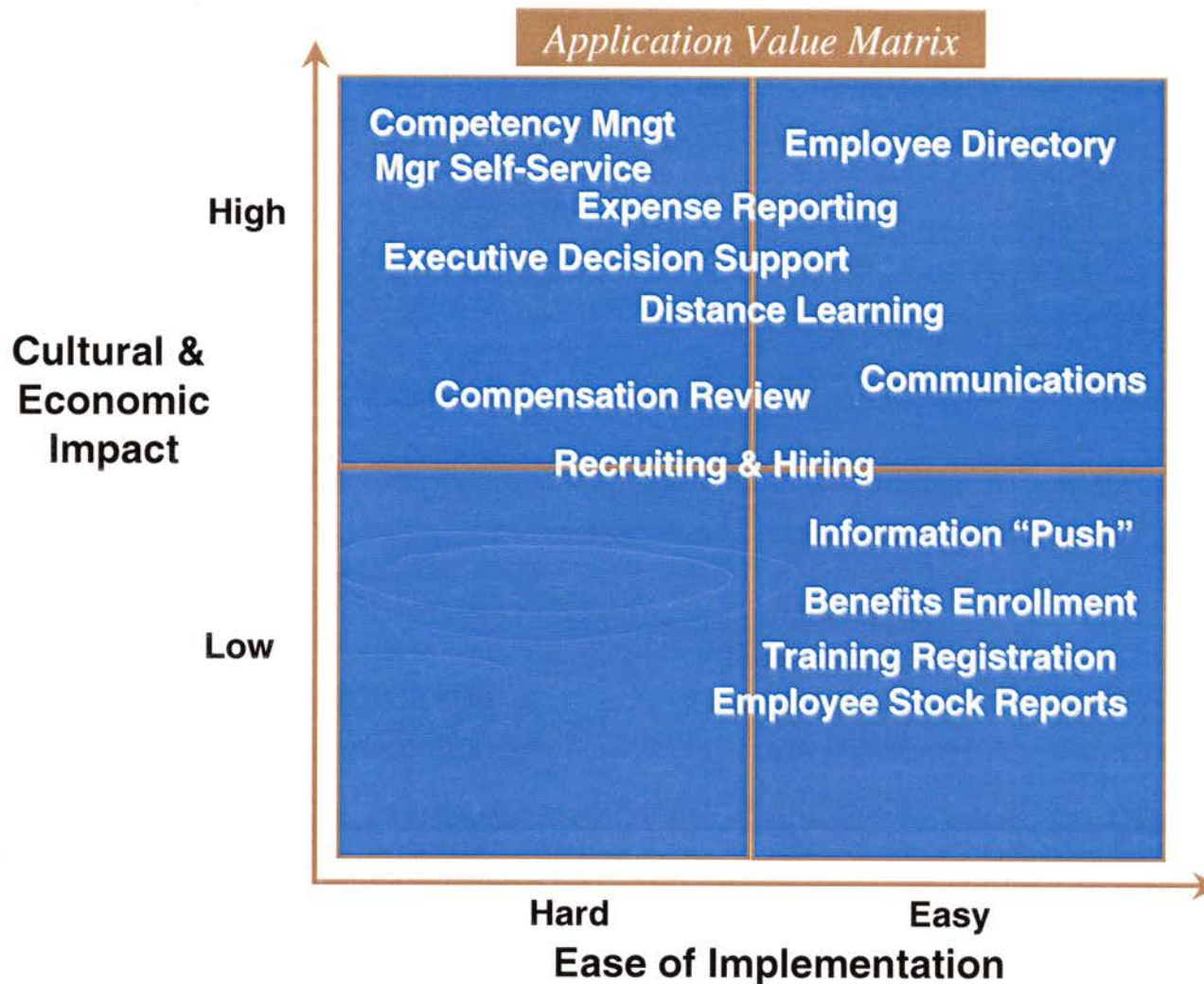Do these applications first!

Hard   Easy

Ease of Implementation

Prioritizing the e-HRMS Initiatives

Web-enabling these core HR functions should be evaluated against current initiatives and capabilities.

Application Value Matrix

Cultural & Economic Impact (vertical axis: High, Low)
Ease of Implementation (horizontal axis: Hard, Easy)

- High Impact / Hard: Competency Mngt, Mgr Self-Service, Executive Decision Support, Compensation Review, Recruiting & Hiring
- High Impact / Easy: Employee Directory, Expense Reporting, Distance Learning, Communications
- Low Impact / Easy: Information "Push", Benefits Enrollment, Training Registration, Employee Stock Reports

Prioritizing the e-HRMS Initiatives

BCBSFL has identified several potential internet/intranet initiatives to pursue in the next three to six months.

Application Value Matrix

	Competency Mngt	**Employee Directory**
High	**Mgr Self-Service**	**Personal Updates**
	Web-based time	**Benefits Review**
	and attendance	
		W-4 Updates
Cultural &		**Dependent Updates**
Economic		
Impact	**Recruiting & Hiring**	
		Benefits Enrollment
Low		**Training Registration**

Hard   Easy

Ease of Implementation

e-HRMS Benefits

Organization-wide benefits are significant and can be achieved in a relatively short time-frame.

■ Lower HR operational costs

■ Distributed, flexible, scaleable processes:

■ Lower non-HR (enterprise-wide) costs

■ Improved quality of employee services

■ Consistent, secure, and complete access to employee data

■ Progress toward "friction-free" processes

learn how to interact w/ internet

70% of Retirement Communities use internet

Cisco's Employee Connection

Cisco has developed outstanding HR capability that is accessed through its enterprise portal, Cisco Employee Connection (CEC).

To Bri KPMG Consulting (handwritten note)

The CEC portal:

- Accessed by 23k+ global employees through the enterprise portal
- Gets 2M+ hits per month
- Consists of 100k+ Pages
- Provides access to 100+ applications and
- Drives over $75M of bottom line impact

Cisco's Employee Connection

The CEC is the gateway to the core HR functions within Cisco.

Employee Directory

E-Learning

Travel Expense Management

Job Posting and Profile Submission

Cisco's Employee Connection

revenue/employee

By "pushing" the needed information to the employee's desktop, costs can be significantly reduced.

■ Fastest time to productivity in the industry…..

■ 10,000+ hits monthly

■ $688k revenue per employee

New hire orientation

1 HR then productive

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Cisco's Employee Connection

Investing in the "right" technology and redesigning core process have facilitated the development of the CEC. These strategic investments have resulted in significant hard and soft cost reductions.

Hard cost benefits:

- Less resource management
- Less administration paperwork
- Reduced cost of communication, marketing, and publishing
- Reduced cost of data entry and recordkeeping
- Reduced cost of training and development
- Reduced cost of recruiting, hiring and retaining

Soft benefits:

- Increased productivity (minimized waste of time and effort)
- Time-sensitive information prioritized
- Greater employee participation/satisfaction leading to higher retention
- Role-based, targeted communications
- Improved collaboration and teamwork
- Fewer "gatekeepers" and "lines of approval" *Streamlined*

Cisco's Employee Connection

Cisco recognized significant savings from the implementation of web enabled HR capability. Cisco's revenue per employee is more than two times that of its nearest competitor after deploying Workforce Optimization Solutions.

Annual Recurring Savings ($ in millions)

Employee Directory	3.2
Expense Submission	2.7
Benefits Enrollment	0.7
Employee Communication	16.0
Recruitment and Staffing	2.2
Training Delivery	24.4
Compensation Management	2.3
Stock Administration	0.5
Procurement	3.0
Total Annual Recurring Savings	**$55.0**

Cisco's Employee Connection

Working together, Cisco and KPMG learned a number of important lessons.

- Revolutionize processes via IT/Business partnership

- Provide new value with new applications

- Focus on the "low-hanging fruit"

- Leverage "been there, done that" experience

- Phase functionality to reduce time-to-market

HRMS Phase II- Next Steps

The Phase II scope must be clearly defined.

Scope of phase II then determine priority & fit w/ strategy

- Prioritize e-HRMS initiatives; begin "fit/gap"

- Implement PeopleSoft Benefits Administration

- Complete VO analysis for competency management *※*

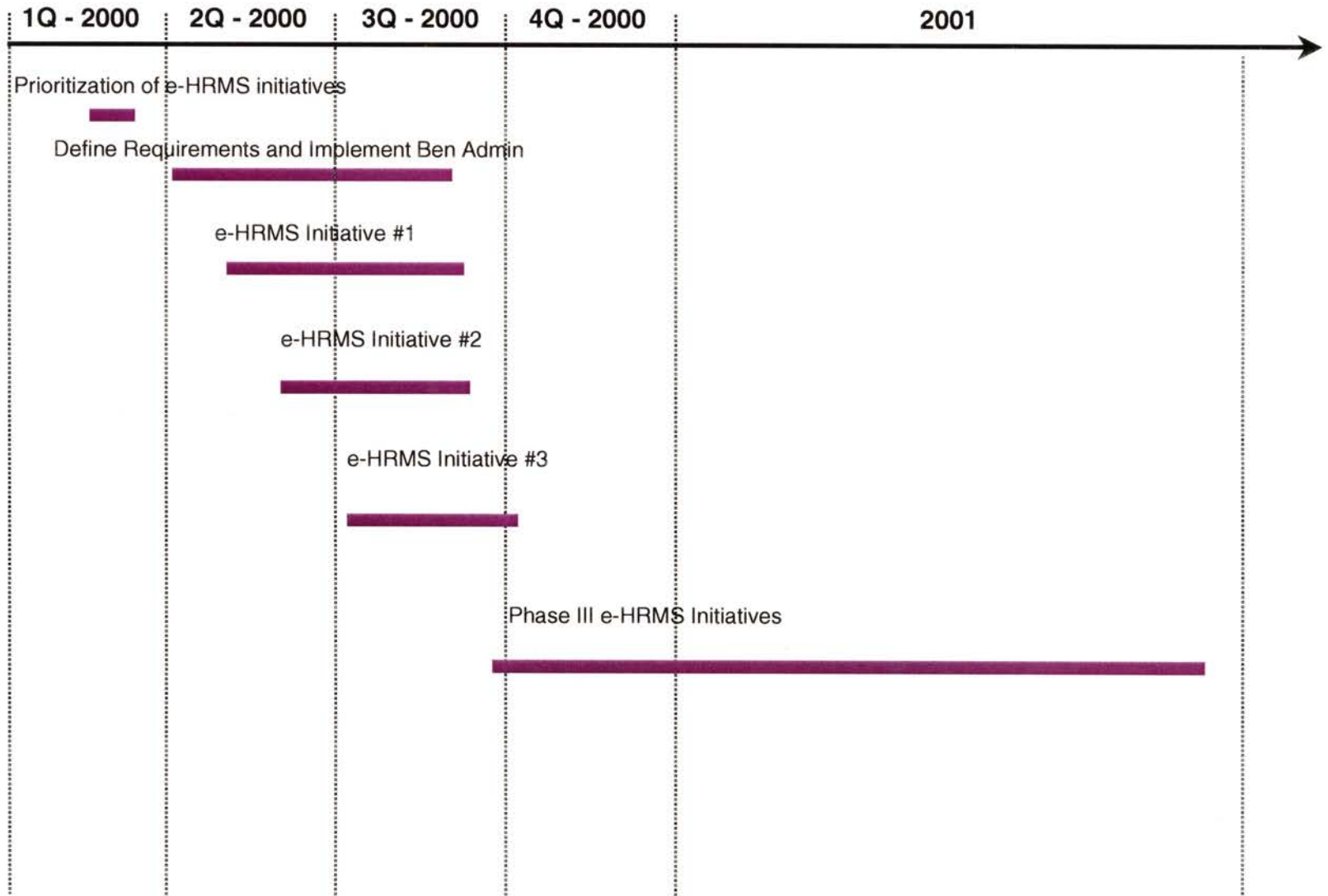- Implement web-based time and attendance *(IVR) Already purchased*

PeopleSoft HRMS Phase II - Benefits Administration and e-HRMS Estimated Rollout Schedule

1Q - 2000	2Q - 2000	3Q - 2000	4Q - 2000	2001

Prioritization of e-HRMS initiatives

Define Requirements and Implement Ben Admin

e-HRMS Initiative #1

e-HRMS Initiative #2

e-HRMS Initiative #3

Phase III e-HRMS Initiatives

Next Steps

Next Steps

- Select Rollout Scenario

- Select Budget Package

- KPMG to begin Requirements Definition

  — Finance and EPM Phase I

  — HRMS Phase II

- Begin Implementation