



Mayo IT Infrastructure Software Proposal - IBM SRO

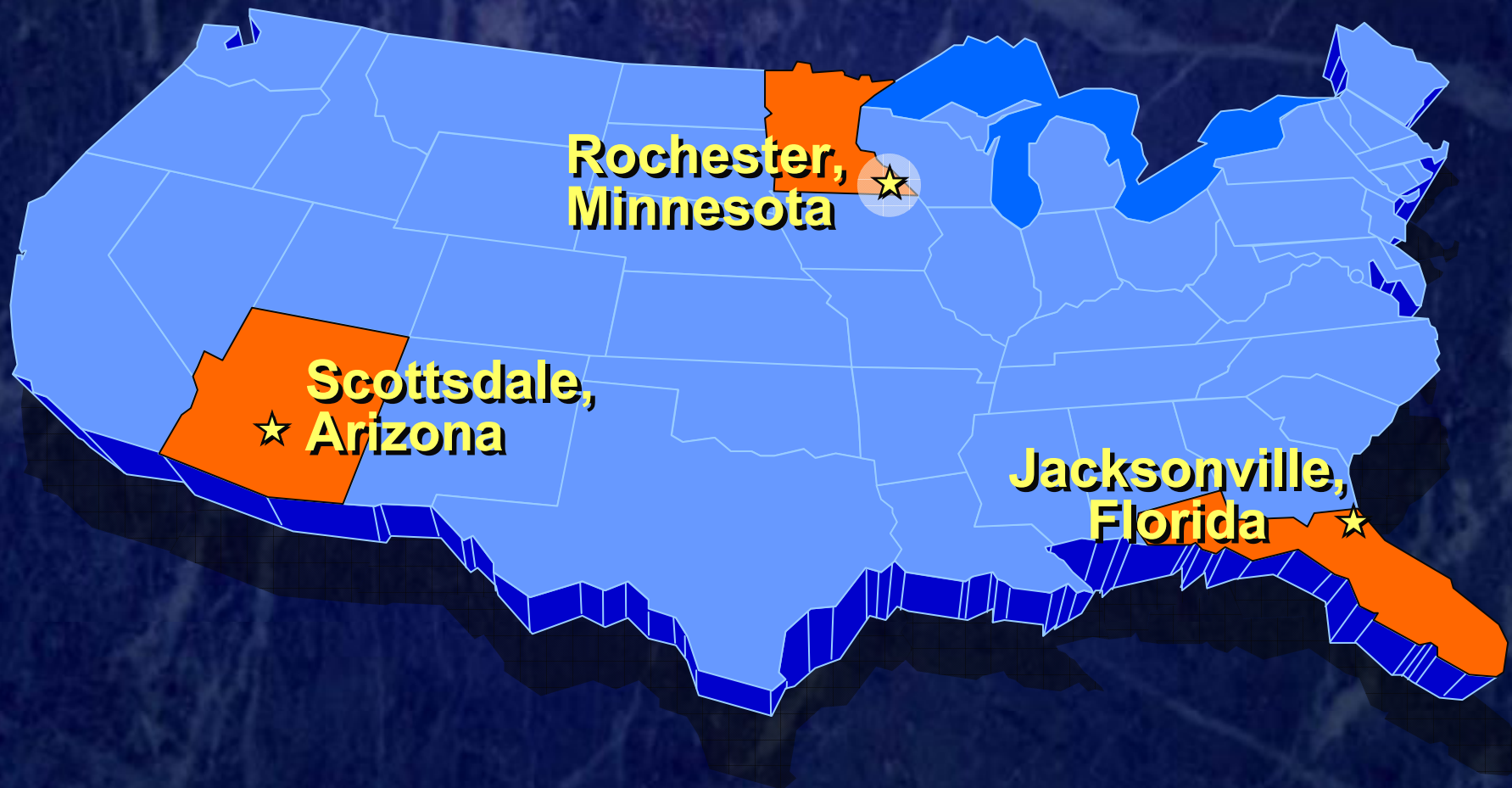
Prepared by:
Tom Rau
Paul Steger
Bill Thomson



- Mayo Clinic is an integrated group practice of medicine
- Our mission is to provide the best care to every patient every day through integrated clinical practice, education and research



MAYO CLINIC



Mayo IT Infrastructure Software Proposal - IBM SRO

- Project Goals
 - More cost effective by reducing the rate of expense growth for Infrastructure Software
 - Standardize and integrate IT infrastructure software to increase service levels
- Replace a significant portion the existing infrastructure software portfolio with integrated IBM software solutions
- Does NOT cover all Infrastructure Software needs
 - Sun, Tandem, Oracle, HP, Business Objects - Crystal, and Microsoft not included

Why consider the change?

- Independent Software Vendors (ISV's) have not maintained their value
 - Many ISV's acquire smaller software companies to expand their software portfolio
 - License products based upon total capacity, not product usage with no incentive to change
 - “Cash Cow” syndrome - Limit investment in keeping the products current with technology changes
 - Even after 18 months, the ISV DB2 Tools did not support key functionality in DB2 Version 8

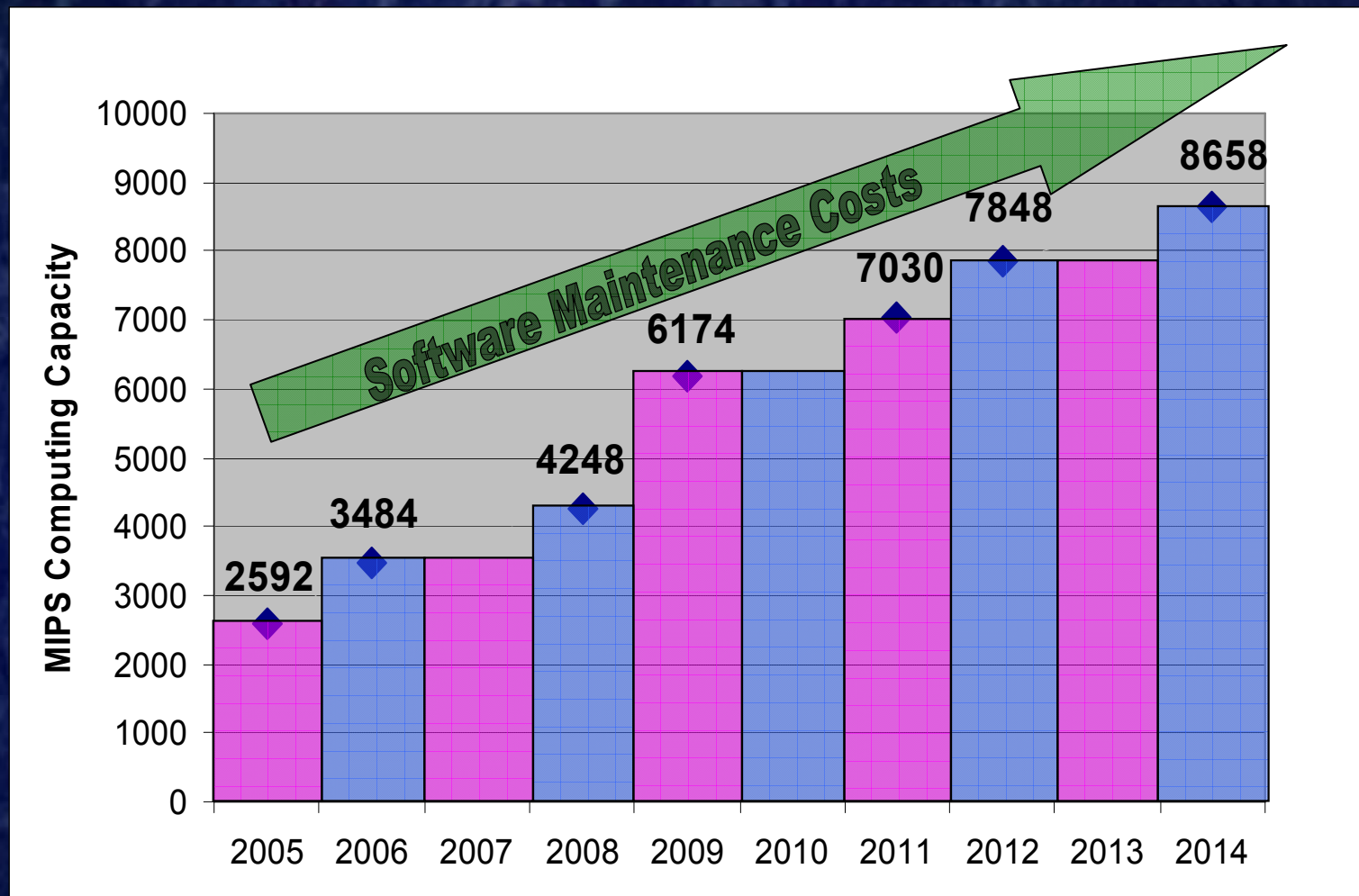
Why consider the change?

- Independent Software Vendors (ISV's) have not maintained their value
 - Inadequate effort to integrate products with others from their portfolio
 - Last 2 contracts have not resulted in any additional discounts in cost-per-unit of service despite volume growth
- Extrapolating 2003 cost-per-unit of service against anticipated capacity growth over next 7-years yields over 16% annual increase in software maintenance costs

Why consider the change?

	Continue as we have been	IBM
Reduced Expense		
Increase Service Levels through Standardizing		
Ease of Implementation and Training		

Mainframe MIPS Growth



Analysis Assumptions

- Demand for increased computing capacity to serve practice and business needs will continue
 - Since 1995, mainframe capacity has grown approximately 20% annually
 - Distributed system growth has exceeded 22% each of the last 3 years
 - Infrastructure software costs have risen an average of 16% annually since 2001
- Standardized and integrated cross infrastructure management software tools are essential to information technology service delivery – automate technology management

IBM SRO Proposal Summary

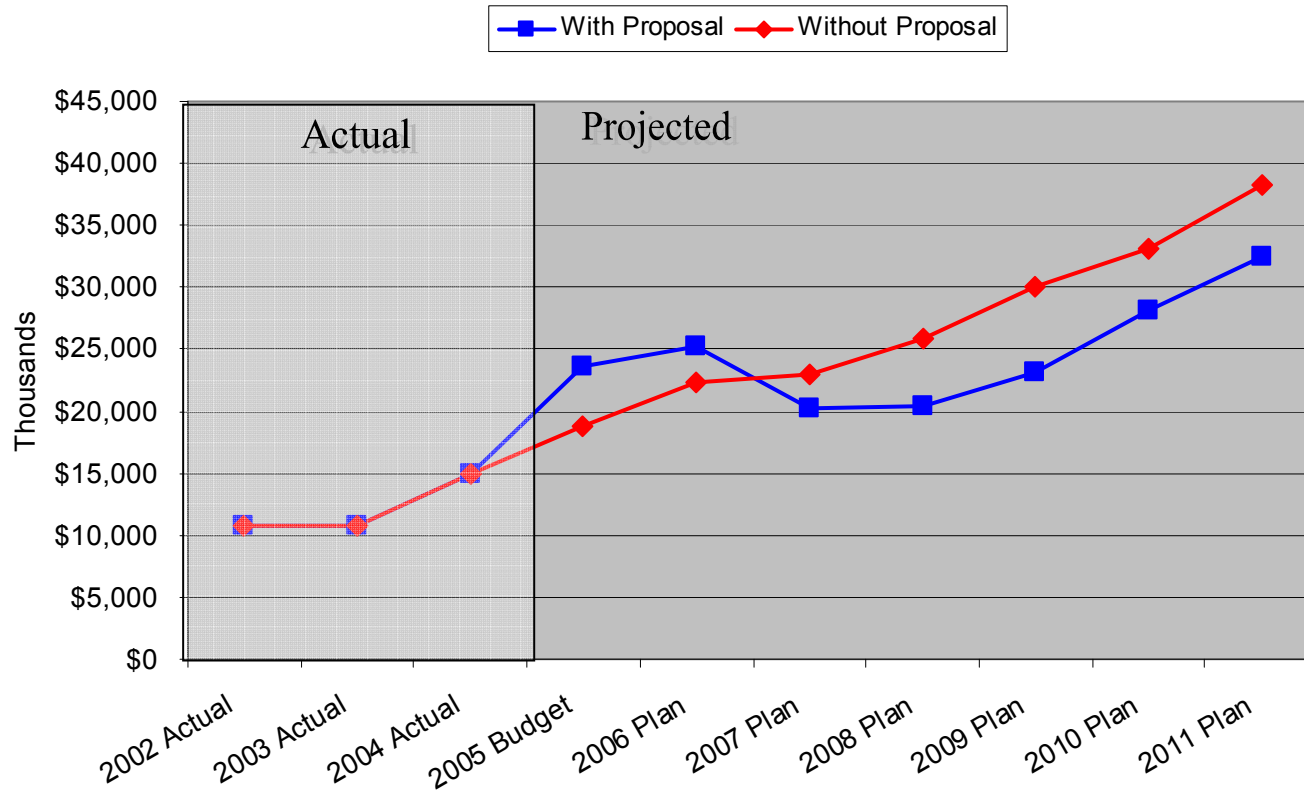
- Seven year project
 - Five year contract with 2 year price protection (not to exceed)
 - Quarterly payment stream to IBM for software licenses, professional services and software maintenance
 - Payment stream developed based upon expected utilization over the term
 - Offers \$21.3 million cumulative cost avoidance when compared to current contract relationships over the same period
- Flexibility to change and amend agreement content to meet changing infrastructure needs during the term

Proposal Summary

- Project Costs
 - New Commitments
 - Incremental software capital in 2005
 - \$2.0 million contingency fund for conversion assistance in 2005 and 2006
 - Planned Commitments
 - Future allocated software capital in 2006 and 2007
 - Primary operating expense over next 7 years
 - Net Result
 - (\$21.3) million in cumulative cost avoidance over the 7 year term

Mayo IT Infrastructure Software Proposal – Capital Lease

**Infrastructure Software Spend
(7-year Project - includes Planned Capital)**



Financial Benefit – Project Timeline

- More cost effective
 - Provides a \$21.3 million dollar cumulative reduction in operating expense over 7 years when compared to projected Independent Software Vendor (ISV) costs over the same timeframe
- Project Timeline (18 month conversion)
 - Start conversion to IBM software in June 2005
 - Complete all ISV software replacements before December 2006 when existing ISV contracts expire

Mayo IT Infrastructure Software Success Factors

- Functional review by IT user community prior to SRO content being finalized
- Include professional services into the SRO
 - SMPO office provided critical resources for both hands-on assistance and training
 - Full time professional Project Manager from IBM
 - Divided portfolio into 13 concurrent projects with both IBM and Mayo co-leaders
- Just-in-time Training
- Project sponsorship and broad based communication
- Commitment to change

Mayo IT Infrastructure Software Project Status

- Completed 12 of 13 projects by September 1, 2006 to accommodate z9 Hardware upgrade early
 - Needed additional computing capacity for ERP implementation Labor Day
- 13th Project (DFSMS Conversion) required too much data migration to completed early
- Renegotiated 1 ISV contract with 5 remaining software products (cancelled 34 products)
- Cancelled 3 ISV contracts in their entirety

Questions

Thank you for your time

Paul H. Steger

Section Head - Foundation Technical Services

Mayo Clinic

(507) 284-3835

Steger.Paul@mayo.edu