

Gullette
7/12/93



Sierra Health Services, Inc.

July 02, 1993

Mr. Ed Lucente
Vice President, Worldwide Sales and Marketing
Digital Equipment Corporation
146 Main Street
Maynard, MA 01754-2571

RECEIVED
JUL 09 1993
EDWARD LUCENTE

Dear Mr. Lucente:

Within the past 48 hours I have been informed that Digital Equipment Corporation has retired the POLYCENTER DECalert product. It is my understanding that development and support have been discontinued for this product. As I am sure you are aware, the health care industry is confronted with many challenges and managed care companies, such as Sierra Health Services, must take a leadership role in utilizing technology to gain efficiency and control costs.

Sierra Health Services purchased and implemented DECalert in 1991 along with several other POLYCENTER products including Remote Environmental Monitor, Data Center Manager, VAXcluster Console, DECMCC, and VAX Storage Library. Our total investment of over \$300,000 also included VAXstations, VT1200's, DECservers, and DECTalk hardware. In addition we have invested numerous hours in training, planning, implementing, and refining our use of these products. The POLYCENTER products were purchased because of our need to optimize the efficiency and reliability of the data center operation. We chose Digital because of product functionality and most importantly because of Digital's commitment to develop and enhance these capabilities.

I view DECalert as the heart of POLYCENTER and I am concerned that as it goes so will the rest of the POLYCENTER products. I believe the decision to discontinue full development and support for DECalert will confuse the other POLYCENTER vendors and send the wrong message to your current and potential customers. This decision will certainly cause Sierra Health Services to rethink its automation and systems solution strategy.

I have supported Digital in many ways in its effort to promote and market these products. I have spoken on Digital's behalf at POLYCENTER seminars and other user meetings. I cooperated with Digital to put together a testimonial (copy attached). Sierra Health Services just purchased Target Hotline and Asset Tracking for our help desk. One of our primary selection criteria was the product's ability to interface to DECalert. Sierra Health Services is in the midst of constructing a new corporate office complex and I did have plans to purchase additional POLYCENTER tools for this facility. Needless to say, all our POLYCENTER plans are on hold at this time.

I look forward to your review this situation and response to my concerns.

Sincerely,

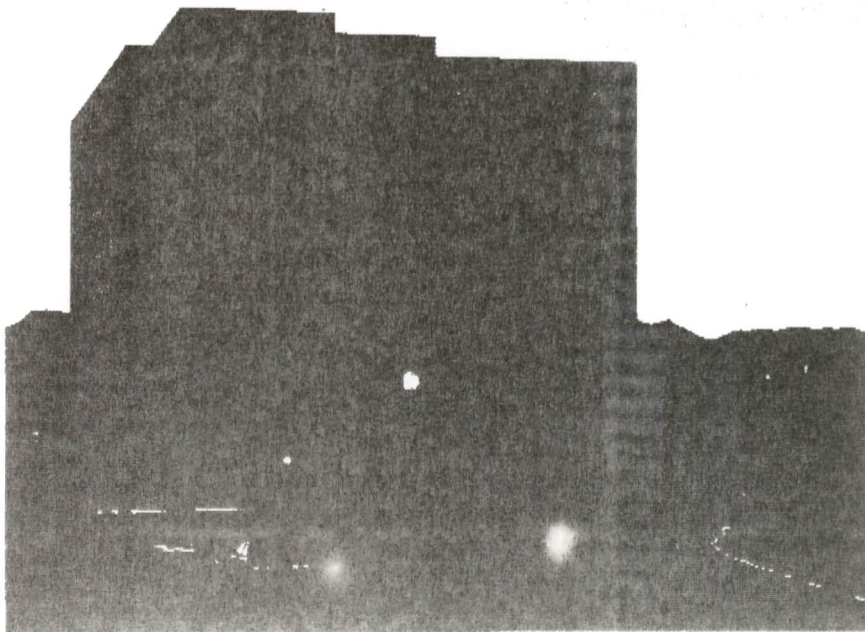
Wayne Haddad
Vice President, Sierra Health and Life Insurance Company
Director, Corporate Computing and Network Services

attachment

Sierra Health Services, Inc. Keeps Its Edge with DECalert™

DECalert, a Component of Digital's POLYCENTER™ Solution

digital™



Sierra Health Services (SHS) is a successfully managed health care organization diversified in several health care services. Headquartered in Las Vegas, Nevada, SHS has eight subsidiaries, which primarily provide or arrange for the provision of health care services.

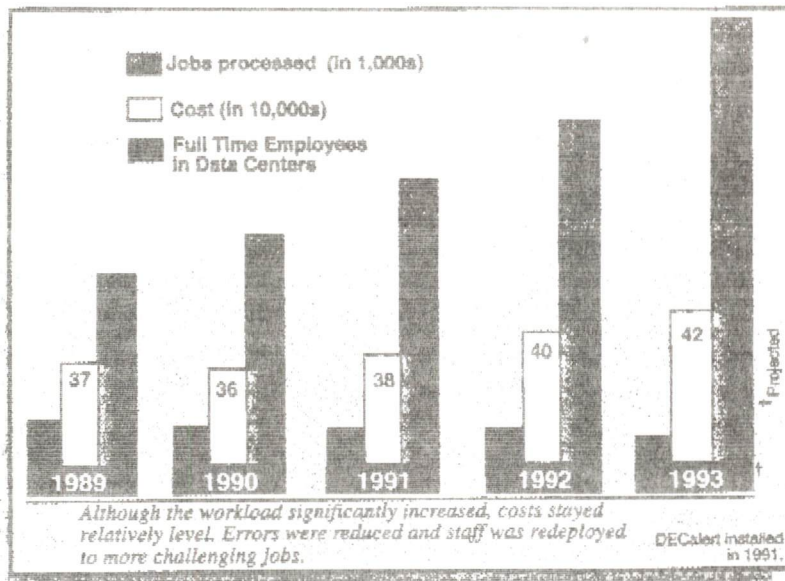
To stay competitive in the health care arena, SHS must have sophisticated information management. As Wayne Haddad, Director of SHS Data Processing and a Vice President of Sierra Health and Life Insurance Company, Inc., a subsidiary of SHS, says, "We rely heavily on our people and our information. Our information systems are a key element of our operations." DECalert, a POLYCENTER solution, has assisted these operations by providing system availability and increased productivity.

DECalert provides system uptime availability

SHS installed DECalert in 1991 to help bolster the infrastructure of SHS's data center services processing. Since 1989, demands by the user community on the data system have more than doubled. SHS has gone from 40 VUPs (VAX Unit of Performance) processing power and 30 gigabytes of storage in 1989 to more than 100 VUPs and 100 gigabytes today. SHS is running a larger data center and processing more jobs with a higher level of service today than ever before. There are more than thirteen hundred employees at SHS in Las Vegas using 800 terminals (mostly VT420s) and about 300 PCs (386 and 286 models).

DECalert and other POLYCENTER tools have automated many manual tasks. Through this automation, computer processing tasks are now more reliable, reducing the number of errors and system downtime. According to Haddad:

digital™



Sierra Health Services MIS Operations

"DECAalert improves the level of service throughout the company and allows us to improve the reliability of what we do—having fewer errors and having satisfied customers."

SHS has two data centers in Southern Nevada. DECAalert has been a key component in SHS's disaster recovery strategy, providing consolidation and distribution of system alerts. One center runs "lights out" (dark) twenty-four hours a day and the other runs "lights out" four hours during the night. Both centers are equipped to run critical applications in case the other is off line or disabled. "We could not have gone lights out without DECAalert," says Mr. Haddad.

DECAalert reduces administrative costs
All SHS electronic claims are electronic; therefore, uptime is essential. SHS must be efficient and productive in handling claims because any backlog of processing caused by downtime negatively affects customer service. DECAalert and other POLYCENTER data center tools have

Digital believes the information in this publication is accurate as of its publication date; such information is subject to change without notice. Digital is not responsible for any inadvertent errors.

reduced downtime and increased productivity. Wayne Haddad confirms: "We use DECAalert to provide a higher level of service in terms of system uptime and reliability and to reduce our operating costs so we can be more efficient."

DECAalert empowers personnel

As a tool, DECAalert not only increases revenues by cutting costs and streamlining functions, it also empowers personnel. Mr. Haddad credits DECAalert for improving the data center environment. Staff retention and morale have been high, and DECAalert has helped solidify the computer operations staff. There is now more of a team approach to solving problems.

According to the director of data processing, personnel who were responsible for lower-level jobs now manage the automation. Mr. Haddad affirms: "Their prime focus used to be monitor and report. Now they are problem solvers." The Help Desk function illustrates this new empowerment of personnel. Staff

DECAalert is one of many applications included in Digital's POLYCENTER™ solution. Capitalizing on the Enterprise Management Architecture (EMA), POLYCENTER is Digital's industry-leading solution for the enterprise-wide management challenge.

members who used to spend hours watching terminals to report problems are now answering the Help Line and assisting other SHS users with solving problems. Mr. Haddad continues: "Most of the staff members on the third shift were redeployed to the Help Desk. Because of DECAalert's timely reporting of unexpected systems events, and through its wide range of alerting techniques, these same people now solve 70% of the problems before they are reported by users."

As a provider of outpatient medical services, insurance coverage and processing, SHS and its subsidiaries rely on DECAalert for enhancing productivity. This POLYCENTER tool has augmented productivity by increasing user service and streamlining day-to-day functions. As Wayne Haddad describes: "We are doing a lot more today with fewer dollars." Using DECAalert helps SHS keep its edge.



"We could not have gone lights out without DECAalert."

*—Wayne Haddad,
Director of SHS Data Processing*

The following are trademarks of Digital Equipment Corporation: The DIGITAL Logo, POLYCENTER, and DECAalert.

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 059348
Date: 30-Jul-1993 09:41am DST
From: Matt Kochan @MRO
KOCHAN.MATT AT A1 AT USCTR1 AT
Dept: USMCS
Tel No: (508) 467-9626

MRO

TO: Rose Ann Giordano @MRO

CC: Russ Gullotti @MKO

CC: John Paget @MRO

Subject: DECAAlert/Sierra Health Services, Inc.

Rose Ann,

The Product Manager responsible for DECAAlert and myself, have drafted a letter to Wayne Haddad of Sierra. It will go out today.

Regards,

Matt

I N T E R O F F I C E M E M O R A N D U M

Date: 19-Jul-1993 09:13am DST
From: Rose Ann Giordano
GIORDANO.ROSE.ANN AT A1 at MCI

S2 at MRO

Dept: U.S. MARKETING
Tel No: DTN 297-4049

TO: MATT KOCHAN @MRO

CC: RUSS GULLOTTI @MKO

CC: JOHN PAGET @MRO

Subject: RE: DECALERT/SIERRA HEALTH SERVICES, INC.

Since Ed Lucente received a letter from the customer, I believe he is expecting someone to respond in writing to the customer. Will someone from MCS write a response to Sierra?

Regards,

Rose Ann

RAG/dac

I N T E R O F F I C E M E M O R A N D U M

Date: 15-Jul-1993 08:34am DST
From: Matt Kochan @MRO
KOCHAN.MATT AT A1 AT USCTR1 AT

MRO

Dept: USMCS
Tel No: (508) 467-9626

TO: Rose Ann Giordano @MRO
TO: Russ Gullotti @MKO
TO: Ed Lucente @MLO

CC: John Paget @MRO

Subject: DECAAlert/Sierra Health Services, Inc.

John Paget requested that I research and respond to you regarding DECAAlert. This information was obtained from Jerry Compkin, who is in the CSS orgnaization and is responsible for DECAAlert.

A TFSO'd employee from the DECAAlert effort called customers to tell them Digital laid-off all the DECAAlert employees and will no longer provide support.

This is not true. Digital is currently and will continue to support customers. Sometime in the future, CSS will partner with a third party to provide support.

The current customers have been contacted and customers like Sierra Health Services are satisfied according to Jerry.

Regards,

Matt

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 058911
Date: 19-Jul-1993 04:56pm DST
From: P GEORGE
P_GEORGE@MILPND@MRGATE@TEABAG@

MLO

Dept:
Tel No:

TO: russ gullotti@mko
TO: tom colatosti@ofa
TO: diane albano@mro
TO: robert tassone@seo
TO: sam mccandlish@seo

Subject: DECalert status

Sam,

As a follow up to our phone conversation, here's what I was able to find in written party lines on the status of DECalert. Combined with the information that I passed on verbally, I hope this information helps you reassure Boeing that the product is not 'going away'. Let me know if there's more I can do to help.

I've also asked to receive periodic updates on the state of the negotiations to outpace DECalert with an ISV. I'll keep you posted as those discussions progress.

Thanks.

- Peter

From: BLUMON::DINNEEN "Ann, ZK01-3/H25, 381-2677, NSM Business Practices PMM" 19-JUL-1993 11:31:17
To: MILPND::P GEORGE
CC: BARBARA, TÖÖK::ISHIKAWA, DINNEEN
Subj: Follow up on DECalert message

Hi Peter,

Attached is the message Gerry Campkin sent the field regarding DECalert. It really uses many of the messages Barbara Saunders already sent you.

Ann

From: SOLVIT::SOLVIT::MRGATE::"A1::CAMPKIN.GERRY" 19-JUL-1993 11:18:47.25
To: BLUMON::DINNEEN
CC:
Subj: RE: DECalert message to the field

From: NAME: GERRY CAMPKIN @MKO
FUNC: T&N EIC
TEL: DTN 264-4226

<CAMPKIN.GERRY AT A1 at WOODRO at

MKO>

To: NAME: VMSEmail User DINNEEN <DINNEEN@BLUMON@MRGATE>

New Directions for DECalert

Digital is responding to the realities of the market place and the changes within Digital by accelerating the POLYCENTER strategy to incorporate non-Digital technology into the POLYCENTER portfolio. As part this strategy Digital will focus its resources in certain core competencies, while divesting itself of other products and services.

DECalert, a bundled package including the DECalert software, DECTalk hardware, installation and support, is an example of a product that falls into the above category.

This is an area where Digital wants to retain a market presence and so we are investigating the possibility of selling the product to a third party who would continue to support the product and may choose to actively market the software which we would license to them in return for a royalty revenue stream to Digital. I will communicate later on the results of these negotiations.

While the POLYCENTER strategy is being worked, DECalert customers will continue to receive support internally through our engineering groups. All calls previously going to CXO will continue to do so, and we are training additional engineers in MKO for the future. We will continue to make DECalert available for existing customers who may wish to purchase additional packages. You should contact me in these cases.

I am writing to you to ask you to inform your customers of this situation and to assure them that on-going support will be provided. Please send me any feedback that you or your customers might have.

Gerry Campkin
Product Manager

From: BLUMON::SAUNDERS "Barbara, NSM PM, DTN 381-0497, ZK01-3/J35 19-Jul-1993
1004" 19-JUL-1993 10:07:37.50
To: MILPND::P GEORGE
CC: ME,ANN,JIM
Subj: U: Info: DECalert marketing messages

Peter,

Bill Keyworth asked me to forward you information that would assist in building a marketing messages package around the DECalert situation. I have attached partyline messages that should be helpful:

- 1) general POLYCENTER partyline created in June, 1993, after downsizing message #1 (ISV connection) is particular pertinent Q&A #2 also
- 2) U.S. Area Territory messages regarding fault area, authored by Aireen Deperalta.

DECalert is unique because it is an on-site service. When it became unfunded the service organization removed it from the price book to limit continuing obligations for Digital.

The Disposition of DECalert is being handled by NSM. We are attempting to move forward quickly in the entire fault area to bring in the right third party connections to meet customer needs.

DECalerts sales reps received a letter from the service product manager. I've asked Ann Dinneen to get a copy of the letter and forward it to you.

If I can be of further assistance, please call.

regards,

barb

POLYCENTER PARTYLINE FOR JUNE, 1993

KEY MESSAGES

Digital is responding to the realities of the market place and the changes within Digital by accelerating the POLYCENTER strategy to incorporate non-Digital technology into the POLYCENTER portfolio. This means:

- 1) The POLYCENTER Program is taking more advantage of the growing ISV market to provide complete system and network management solutions for customers. There is increasing emphasis on establishing ISV partnerships and providing the necessary systems engineering to integrate these applications into POLYCENTER Solutions.
- 2) The Enterprise Management Architecture continues to evolve to simplify the integration of existing ISV applications and the development of new ISV applications. POLYCENTER Solutions continue to provide customers with growing functionality while protecting their current investments.
- 3) POLYCENTER Solutions are being developed to support AXP and the expanding client/server market. The next generation of Pathworks provides integrated PC and PC LAN management, and are part of Digital's POLYCENTER Solution. POLYCENTER Solutions provide robust management capabilities for all three operating systems on Alpha servers, with increased focus on OSF/1 and NT.
- 4) POLYCENTER will address the most critical customer needs by placing a specific focus on network management, storage management, and software distribution and asset management applications with a supporting framework. These products complemented by ISV products will provide complete POLYCENTER solutions for our customers.

SUPPORTING Q & A

- 1) Which of the ISV's is Digital working with?

Digital is talking with a broad range of ISV's about becoming part of the POLYCENTER portfolio. These include large system vendors as well as smaller software houses. Digital wants POLYCENTER solutions to be the best for both our customers, and our ISV's. Digital wants to make our ISV's very successful by providing easy low cost integration with other POLYCENTER applications. We will be announcing specific partnership details as negotiations are completed.

- 2) How is the POLYCENTER product portfolio evolving? Is it being impacted by the downsizing across Digital? Which products are being cut?

The POLYCENTER portfolio is evolving to become much more open in terms of relying more and more on ISV partnerships, and putting more emphasis on the UNIX and NT operating systems. POLYCENTER products are being impacted by downsizing activities across Digital, but no specific product plans have been finalized. POLYCENTER Solutions will continue to offer comprehensive management capabilities and customer's investments in POLYCENTER will be protected.

Overtime, some products may be combined or phased out as replacement products are made available. This includes using ISV's to maintain and enhance existing POLYCENTER management applications as well as replacing existing applications with those from ISV's.

3) What is the future of the POLYCENTER Framework?

The POLYCENTER Framework is incorporating both OSF DME and PC Client/Server technologies. The concept of an integrated solution continues to be central to the POLYCENTER strategy. Interoperability, based on object oriented technology, across other ISV frameworks and applications is a key component in this strategy. Therefore, the POLYCENTER Framework will incorporate these new technologies and interoperate with other frameworks and applications.

4) Does that mean that Digital will be moving away from the POLYCENTER Framework and adopting HP OpenView?

The POLYCENTER Framework is incorporating new technologies and will interoperate with other ISV frameworks and applications. We are having discussions with a wide range of potential partners which range from system vendors to small software houses. It would be premature to announce who we are talking with at this time.

5) It is rumored that Digital's Software Engineering Group is being substantially downsized, how will this impact Digital's ability to deliver POLYCENTER solutions?

Digital is already delivering a strong portfolio of POLYCENTER products and services. These are available for customers today and continue to be enhanced. POLYCENTER engineering is participating in Digital's overall downsizing, but the anticipated impact on delivering customer solutions should be minimal. We plan on increasing our emphasis on ISV partners to deliver on our vision of a totally automated system and network environment. Digital will focus on combining these POLYCENTER products into integrated solutions through System Integration services and system engineering. This will insure best-in-class solutions for our customers.

From: BLUMON::KEYWORTH "Bill Keyworth, NSM Bus Mgmt, DTN: 381-1322 16-Jul-1993 15:21:58.23"
To: CALDEC::DEPERALTA
CC: @BKSTAFF
Subj: R: AIREEN, EXCELLENT MEMO! WE HAVE SOME MORE MESSAGES TO DELIVER SOON AND THE ASSISTANCE OF FMS ORGANIZATION IN GETTING THE RIGHT PERCEPTION ACROSS (LIKE THIS MEMO) IS INVALUABLE. THANKS, BILL.

From: CALDEC::DEPERALTA "aireen - new e-mail address!" 14-JUL-1993 19:17:23.91
To: BLUMON::KEYWORTH
CC:
Subj: fyi: My territory letter on POLYCENTER--care to add more?

From: CALDEC::DEPERALTA "aireen - new e-mail address!" 12-JUL-1993 14:03:47.40
To: PEGGY,MTS\$"wro::guy calkins",MTS\$"szo::bryan broadbent",MTS\$"szo::tom do ll",MTS\$"szo::jane louie",MTS\$"szo::jill brennan",YO
CC: AIREEN
Subj: POLYCENTER Product Status - No need for alarm

Hi, all...

"Death" rumors of the POLYCENTER products have been spreading rapidly. Some of your customers have called me directly to get the scoop, and some of you have hounded me with phone calls and e-mail to get the latest news. Below is a status of the POLYCENTER portfolio.

Please remember that it takes a very, very long time for a product to die at DEC. When you hear that a product is DEAD, it probably is not as fatal as it sounds (as you can see below). Please don't be disheartened; customer satisfaction is a high priority (really!). However, if you have a major deal that is being impacted by some of the decisions made, I encourage you to write to your CBU manager. Engineering REALLY listens to CBU responses (please CC me so I can follow it up for you).

POLYCENTER product status (please communicate to your customers appropriately):

FACT: DEC cannot continue to develop all products in the POLYCENTER umbrella. To be a leader in the system management market, we will be depending on many 3rd party vendors to develop future products.

REALITY: Every product in the POLYCENTER portfolio is SELLABLE TODAY. Future developments may not be done by DEC, but they certainly will be done by other vendors. Oh, and don't forget about the migration plans we tend to introduce to protect customer investment and to smooth the transition.

DEC is very committed to providing the tools necessary to manage client/server environments and to manage Alpha VMS and OSF/1 systems; we will find appropriate third party vendors to partner with to achieve this goal (your customers will not be left high and dry).

FACT: The DECalert team in Colorado Springs has been laid off. DECalert is being retired (Phase 5 of the Phase Review process), and will no longer be in the Price Book.

REALITY: Although the original DECalert people are no longer with the company, the following "customer satisfaction" steps have been taken:

1. DECalert Phase 5 support will be continued by an MKO engineering

group (Gerry Campkin). Starting July 6, all phone calls to Colorado Springs will be transferred to this group.

2. Existing DECalert customers will be able to buy additional licenses, although it no longer will be in the price book (Gerry Campkin).
3. For future enhancements and active marketing of DECalert, outsourcing alternatives are being reviewed. As you know, Digital is streamlining its products down to its core competencies, so DECalert futures most likely will come from another company.

Notification is an important component of Fault Management, and of Digital's POLYCENTER story. This function WILL be filled--in the previous years it was with a DEC product (DECalert), in future years it will be with an external vendor's product. So, if your customer has DECalert today, or is considering purchasing DECalert, there is a future--it's just that it may not come from DEC. However, DEC will work with a 3rd party vendor to provide a leading price-competitive notification tool.

FACT: Future development of System Watchdog will be outsourced. The System Watchdog engineers and product management people have been laid off.

REALITY: System Watchdog as it stands today is still a very viable product to sell. This product monitors VMS clients from a VMS server and ULTRIX clients from an ULTRIX server.

The engineering work to produce future versions of System Watchdog should be transparent to customers. In past years, Digital has done the engineering work; in future years, an external vendor will do this work, and we will partner with them to market the product under the POLYCENTER umbrella.

Very confidential talks are currently happening to sign on an external vendor.

For those customers who have yet to migrate from DCM to Watchdog, they should do so by July 30. I'm not sure if DCM will be supported by the new vendor.

Please don't hesitate to contact me if you:

- hear of other rumors
- are interested in the status of other products
- want to be kept in the loop of what's happening in POLYCENTER

You and your customers will probably continue to hear all kinds of rumors about the POLYCENTER portfolio. You'll all want to know the future direction, support, etc. Please remember that products don't die overnight. We will continue to provide support (whether from DEC or outsourced) for your customer's investment. It should be transparent to customers where their support comes from; we are committed to investment protection and customer satisfaction.

Thanks for championing POLYCENTER in your customer accounts this year. The U.S. took in about \$64 million of POLYCENTER revenues thanks to your efforts. Ed Lucente had 3 goals for all of us in FY94:

1. Client/Server Leadership
2. Alpha Acceptance

3. Make our numbers

POLYCENTER products can help you meet those three worldwide Sales/Mktng. goals.

i'll keep you posted,

-aireen.

DIGITAL EQUIPMENT CORPORATION

U.S. AREA

MERRIMACK, NEW HAMPSHIRE

MKO2-2/A14

FAX COVER SHEET

FROM: Russ Gullotti
LOC: MKO2-2/C12
EXT: 264-6209
FAX: 264-0864

TO: Fritz Aumann

LOC/EXTENSION: 264-3274

FAX PHONE: 264-3163

Fritz - note from Russ -

If this is a CSS effort - he wants
you to respond within 2 days -

CC: Russ
Lucente

BCC - Paget
Kochan
Rose Ann

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 058591
Date: 13-Jul-1993 01:23pm DST
From: Rose Ann Giordano
GIORDANO.ROSE.ANN AT A1 at MCI
Dept: U.S. MARKETING
Tel No: DTN 297-4049

TO: JOHN PAGET

(PAPER MAIL AT A1 at MCIS2 at MRO)

CC: RUSS GULLOTTI @MKO
CC: LEN BIZZARRO

(PAPER MAIL AT A1 at MCIS2 at MRO)

Subject: DECalert

Russ asked me to respond to this customer letter and copy him and Lucente. I believe the response to this letter is more appropriately handled by MCS. DECalert is a service that was eliminated from the price book several weeks ago.

I understand that DECalert has been sold to 90 of our largest customers. The field was also surprised by this decision.

The author of the letter appeared on the cover of a collateral piece only days before DECalert was pulled from the price book.

I understand that there is a possibility that MCS will sell this to a start-up company??

Please copy me on your response. If I can be of any help, please feel free to call.

Regards,

Rose Ann

RAG/dac
Attachment

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 058775
Date: 15-Jul-1993 08:34am DST
From: Matt Kochan @MRO
KOCHAN.MATT AT A1 AT USCTR1 AT
Dept: USMCS
Tel No: (508) 467-9626

TO: Rose Ann Giordano @MRO
TO: Russ Gullotti @MKO
TO: Ed Lucente @MLO

CC: John Paget @MRO

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Regards,

Matt

*I guess we still
need a note back
to customer - Paget?*