



HealthStream's Competency Compass Launched, Introducing Innovative Workforce Development Solution to Healthcare Industry

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With four hospitals contracted, new "first to market" online solution empowers healthcare organizations to assess and develop competencies among their workforce, as required by new JCAHO accreditation mandates

HealthStream, Inc. (NASDAQ/NM: HSTM), a leading provider of learning solutions for the healthcare industry, today announced the launch of Competency Compass™, an online competency assessment solution for healthcare organizations. HealthStream is partnering with Exxceed, Inc. to deliver this software technology as part of an integrated workforce development solution for healthcare organizations, available exclusively through HealthStream's Internet-based learning platform. Since its marketing preview in June, Competency Compass has been contracted by four healthcare organizations: Oakwood Healthcare System, Scottsdale Healthcare, Arizona Spine & Joint Hospital, and Danbury Hospital.

"The addition of Competency Compass to the HealthStream Learning Center™ enhances our customers' ability to satisfy rigorous new JCAHO human resource requirements, retain and professionally develop their staff, and, ultimately, improve patient safety through improved staff training and education," said Catherine Garner, DrPH, RN, FAAN, vice-president, HealthStream. "HealthStream is working to become the gold standard in workforce development for hospitals with the launch of Competency Compass."

Competency assessment by hospitals and healthcare organizations will soon be a requisite for maintaining accreditation. New mandates by the Joint Commission for Accreditation in Healthcare Organizations (JCAHO) will become effective in January 2004 that require documented assessment and maintenance of core job-defined competencies for all healthcare professionals and staff employed in healthcare organizations. Moreover, JCAHO will begin using a new survey process at the same time that requires extensive competency documentation, including performance evaluations of clinical staff to demonstrate hands-on proficiency in the techniques and procedures required for their positions.

While there are multiple online assessment tools in the general marketplace, we believe Competency Compass represents the "first to market" as a comprehensive solution for healthcare organizations with the extensive and unique functions it provides. For the first time, an unabridged dictionary of job profiles used in healthcare organizations will be accessible that list corresponding competencies associated with each of those jobs. There will be 1,200 jobs in the dictionary: 900 will represent hospital leadership and clinical positions, while 300 will represent ancillary staff positions. Each of the 1,200 jobs will include, on average, 15-20 essential competencies that are assessed for that individual position within a healthcare organization. Hospital managers may opt to customize any of the job profiles and associated competencies to respond to their unique assessment and training needs.

Following the competency assessment, a custom training program is assigned that uniquely responds to the needs identified and strengths discovered of individual employees. Competency Compass provides recommended courses through the HealthStream Learning Center™, adding convenience for employees and their organizations. HealthStream's library of approximately 2,000 hours of premium content provides courses to hospitals from some of the industry's most acclaimed publishers and institutions, including, for example, Pearson Prentice Hall, the American Association of Critical Care Nurses, Delmar / Thomson, and The Cleveland Clinic Foundation. Using the HealthStream Learning Center, hospital managers can now track and report each step of the assessment and training process from one platform, saving substantial time and resources.

"We are excited about the added dimension that Competency Compass brings to the HealthStream Learning Center for our organization," said Barbara Medvec, RN, MSN, MSA, chief nursing officer, Oakwood Healthcare System. We are now better enabled to offer targeted orientation programs, cross-training, and "just-in-time" refresher courses to our nursing staff--as benefits that we can only receive through our partnership with HealthStream. And, our ability to document competencies, as required by the new JCAHO standards, will be significantly improved."

JCAHO's Guidebook, the Comprehensive Accreditation Manual for Hospitals: The Official Handbook (2004), has elevated the importance of tracking competencies to now be the primary function of human resources. The first sentence in the "Human Resources" chapter states, "The goal of the human resources function is to ensure that the hospital determines the

qualifications and competencies for all staff positions...". Standard HR.3.10 also explicitly states, "Competence to perform job responsibilities is assessed, demonstrated, and maintained." The prominent role of competency assessment now mandated for hospitals presents a workforce challenge that HealthStream's Competency Compass is specifically designed to address.

Exxceed, Inc., HealthStream's partner and the creator of the technology behind Competency Compass, has been a leader in providing competency management solutions for the past five years. "We're seeing a rapidly growing interest in competency management solutions in other industries as well, including financial services, technology, and the U.S. government," reports Dr. Michael Zwell, chairman of Exxceed and author of the book *Creating a Culture of Competence* (published by John Wiley & Sons, 2000). Exxceed has taken its robust and well-tested talent management solutions and customized them for the healthcare market, ensuring that their products will address the unique needs and requirements of this industry. Dr. Zwell adds, "With the introduction of the new healthcare competency dictionary, we now have a turnkey solution that allows healthcare organizations to manage performance, learning and training, hiring, and succession planning--all within a single application."

Competency Compass is the third product launched by HealthStream this year, signifying HealthStream's commitment to innovation, while leading the industry in research and development for its 700,000 healthcare subscribers. This product launch follows the introduction of the HealthStream Authoring Center™ in April and HospitalDirect™ in June of this year. "With our first four contracts, 1,755 healthcare professionals will begin using Competency Compass, which represents less than 1% of our existing customer base. Given the urgency of new JCAHO requirements and our first-to-market positioning, we are adding sales specialists to rapidly respond to our remaining 99% of existing customers, while also extending Competency Compass to new customers, further penetrating the market with HealthStream's learning solutions," said Robert A. Frist, chief executive officer, HealthStream.

Availability

HealthStream's Competency Compass™ is available now. This solution will be licensed to customers at approximately \$15 to \$30 per user, per year, based on organizational size and scope of services contracted, in conjunction with HealthStream's Internet-based learning platform. Courses recommended through HealthStream's Competency Compass are purchased by customers as needed. To learn more about HealthStream's Competency Compass, go to www.healthstream.com/competencycompass.

About HealthStream

HealthStream (NASDAQ: HSTM) is a leading provider of learning solutions for the healthcare industry. Approximately 700,000 healthcare professionals currently subscribe to the Internet-based Healthcare Learning Center™, HealthStream's learning platform. The Company's learning products and services are used by healthcare organizations to meet the full range of their training needs, while, concurrently, supporting business objectives. Once subscribed to the Healthcare Learning Center™, customers benefit from increased compliance, reduced risks, and improved learning effectiveness. In addition, HealthStream has pioneered a new collaboration with pharmaceutical and medical device companies to assist them in product launch and market education initiatives within the Company's nationwide network of hospital customers. Nine of the top ten medical device companies and eight of the top ten pharmaceutical companies are among the organizations in HealthStream's growing customer base. (www.healthstream.com)

This press release contains forward-looking statements that involve risks and uncertainties regarding HealthStream. Investors are cautioned that such results or events predicted in these statements may differ materially from actual future events or results. Factors that could cause actual events or results to differ from anticipated events or results include HealthStream's limited operating history, its ability to integrate the operations and realize the results of recently completed acquisitions, as well as other risks that are contained in HealthStream's Annual Report on Form 10-K, together with other reports and documents filed from time to time with the Securities and Exchange Commission. Some of these risks and uncertainties relate to HealthStream's ability to: attract and maintain a large base of end users; develop its infrastructure, including additional hardware and software, customer support, personnel and facilities, to support its business; develop and introduce desirable services and compelling content; establish and maintain strategic relationships with content and distribution partners; establish and maintain relationships with sponsors and advertisers; and respond effectively to competitive and technological developments.

CONTACT:

HealthStream, Nashville
Mollie Elizabeth Condra, 615-301-3237
mollie.condra@healthstream.com