

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 3, 1998

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File Number 0-15386

CERNER CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	43-1196944
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2800 Rockcreek Parkway, Suite 601
Kansas City, Missouri 64117
(816) 221-1024

(Address of principal executive offices, including zip code;
Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

At March 1, 1998, there were 32,649,710 shares of Common Stock outstanding, of which 7,595,967 shares were owned by affiliates. The aggregate market value of the outstanding Common Stock of the Registrant held by non-affiliates, based on the average of bid and asked prices of such stock on March 1, 1998, was \$516,733,449.

Documents incorporated by reference: portions of the

Registrant's Proxy Statement for the 1998 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

PART I

Item 1. Business

General

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Cerner Corporation ("Cerner" or the "Company") is a Delaware corporation incorporated in 1980. The Company's principal offices are located at 2800 Rockcreek Parkway, Kansas City, Missouri 64117, and its telephone number is (816) 221-1024.

Cerner designs, develops, markets, installs and supports person/member/patient-focused clinical and management information systems that are capable of being implemented on an individual, combined or enterprise-wide basis. Cerner systems are designed to automate the process of healthcare by accumulating data on care provided to members/patients, maintaining such data in a database repository and providing access to such data for users of clinical information across a healthcare system, including in the home, at physician's offices and at ambulatory, inpatient and intensive care settings. Cerner's systems are designed and developed using the Health Network Architecture ('HNA'), a single information architecture. HNA is a unified system for combining clinical and management information applications. HNA allows each participating facility within an integrated healthcare enterprise to access an individual's clinical record at the point of care, to organize it for the specific needs of the physician, nurse, laboratory technician or other care provider on a real-time basis, and to use the information in management decisions to improve the efficiency and productivity of the location and the entire enterprise. Cerner is developing its newest generation of HNA products known as "Millennium". See "Cerner's HNA Approach and HNA Millennium" for a discussion of Millennium.

Healthcare Industry

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The dramatic increase in healthcare costs in the United States, which historically were based on a fee-for-service model, has caused significant changes in the healthcare industry. Managed care organizations and other payers have developed alternative payment models to control costs, including procedure-based cost limits, contractually approved providers and capitation (a fixed monthly fee per member in payment for all required services). The result has been a continuing shift of financial risk from the payer to both the physician provider and the institutional provider (hospitals, clinics, long-term care, subacute providers and rehabilitative care centers). In response, institutional providers are aligning with one another and with physician groups to form Integrated Delivery Systems ('IDS's'), and IDS's are aligning with payer organizations to form Integrated Health Organizations ('IHO's'), in each case to reduce costs in an effort to compete more effectively in the changing healthcare environment.

The changes occurring in the healthcare industry have resulted in changes in the needs for clinical and management information systems by hospitals, physicians, managed care organizations and Integrated Delivery Systems. Hospitals' information requirements have become more complex as cost containment pressures have driven the needs for efficiency and

process automation while the increasing number of relationships they have with other providers requires additional sophistication. As physicians combine into a variety of provider configurations, management structures and incentive plans, they are increasingly utilizing member/patient focused information systems to improve quality and efficiency for their growing practices and physician networks, to develop the data necessary to compete for contracts with payers and to be able to share the financial risks of healthcare delivery. Managed care organizations are increasingly recognizing the value of process-oriented and clinically-driven information as it relates to understanding and improving the health of their members. Information system requirements for IDS's and IHO's encompass many of the same needs as hospitals, physicians and managed care organizations. Many IDS's and IHO's are becoming aggressively involved with institutional providers and physicians in various relationships where information sharing and process automation are paramount. Many of these larger, more complex organizations are seeking closer relationships with suppliers that can provide comprehensive information systems solutions. Information system requirements for IDS's and IHO's

include integrated process-based systems for clinical domains, data repositories and applications for physicians and management teams. Cerner is responding to the changing and increasing needs of the healthcare industry for better information systems by developing HNA Millennium, its latest generation of products. See "Cerner's HNA Approach and HNA Millennium" for a discussion of Millennium.

Healthcare Information Systems Industry - - - - -

Healthcare information systems are evolving to meet the needs of a changing marketplace. Initially, computer systems developed for use in healthcare were financially oriented, with a focus on the ability to capture charges and generate patient bills. Beginning in the mid-1960s, institutional provider organizations began to use clinical information systems, which automate the activities within clinical departments, such as laboratory, pharmacy, radiology and surgery departments, to improve the productivity of resources and automate the production and use of significant amounts of clinical information. Individual departments selected systems based upon specific features on a 'best of breed' basis resulting in disparate information systems within the institutional provider.

More recently, there has been a shift from the purchase of disparate clinical systems on a 'best of breed' basis to systems which are able to integrate communication effectively throughout the healthcare enterprise. The two principal approaches to meet this need are a common architecture, in which systems communicate through inherent design, and point-to-point interfaces, in which systems with different architectures communicate through interface linkages. This infrastructure trend also affects the relationship between the health system and the suppliers of information technology. The approach of interfacing disparate systems typically involves multiple system suppliers and the health system must act as the intermediary and integrator. The common architecture approach relies more on a strategic relationship with one or very few suppliers dedicated to implementing a shared vision for the role of information in the operation of the health system.

The same forces that are causing other healthcare providers

to join together are causing physicians to combine into larger organizations, including Independent Practice Associations ('IPA's') and Preferred Provider Organizations ('PPO's'), and are increasingly supported administratively through Management Services Organizations ("MSO's") which offer management and administrative services to physicians. In some cases, such organizations align with IDS's and IHO's. Cerner believes that such physician groups require clinical and management information systems that allow them to participate in the community-wide clinical and management information systems employed by the IDS's and IHO's.

The Cerner Vision

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As a result of the rapid transformation of the healthcare industry, Cerner believes that a new center of healthcare will emerge-the IHO, which is a combination of payers, physicians and institutional providers affiliated to service a community or defined member population. The focus of the IHO is to be accountable for the health status of a defined population, with strong financial incentives to manage health on a preventive or wellness basis and reduce costs.

Cerner believes that many large IHO's will emerge in the United States in the next decade. These IHO's will need to implement information systems that manage the delivery of care across an entire community while simultaneously managing the business side of health management. Only through automating the core process of healthcare delivery from member enrollment through the ordering and delivery of care will IHO's be able to actually manage and measure care. Process automation will enable healthcare systems interactively to affect the care that is delivered throughout the entire system at each point of delivery. Cerner believes that managing these integrated healthcare systems will require the accumulation and refining of enormous amounts of process-related data in order to monitor performance against plans and to make informed business decisions. This process-oriented approach will also provide

the information basis to measure health system performance, in values known as outcomes, from clinical, functional, process, member satisfaction and economic perspectives.

When all of the complex clinical processes that comprise care delivery in IHO's are automated using fully integrated information systems, it becomes possible to extend automation to the management processes of healthcare.

Cerner's HNA Approach and HNA Millennium

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The cornerstone of Cerner's information systems strategy is HNA, the single architecture around which each of Cerner's products is developed. This highly scaleable architecture allows Cerner to meet the clinical, management, and business information requirements of a healthcare delivery system across the continuum of care from the physician practice to the IHO and to integrate the information requirements of clinical operations and business functions. The value of HNA is the creation of systems that 'intrarelate' as opposed to being integrated. Most healthcare organizations are using some form of information technology to manage their clinical, financial and administrative operations. Typically, a multitude of systems, operating on differing technology platforms from various suppliers, are used within a single organization. These systems rely on a series of

interfaces to transmit information to one another which may inhibit real-time access to comprehensive patient information. In addition, the data collected by disparate systems is usually maintained in a variety of formats, and is indexed or codified using different approaches, which dilutes the data's usefulness.

Cerner's newest HNA platform, HNA Millennium, utilizes three-tiered client/server technology to optimize distributed computing performance and functionality advantages. Millennium's breadth of focus and functionality are well suited for large-scale and enterprise application technologies for healthcare organizations. HNA Classic, Cerner's existing technology, was able to serve eight clinical markets. Millennium will be able to address the needs of approximately twenty major market segments. Development of HNA Millennium began in the summer of 1993 and at the end of 1997 approximately 440 engineering and engineering support personnel were engaged in the project. Cerner intends, over time, to reengineer all of its software products to the HNA Millennium platform. Installation of Alpha and Beta versions of certain HNA Millennium applications began during 1996 and continued through 1997. At the end of 1997 forty systems, including versions of Open Clinical Foundation Data Repository, PathNet Laboratory Information System, RadNet Radiology Information System, SurgiNet Surgery Information System, Open Management Foundation Data Repository System, PowerChart and Open Engine Application Gateway System were being used by Cerner clients. Cerner expects to have more than one hundred fifty Millennium systems in use by the end of 1998. Implementation of Millennium at client sites is a much more complex process than implementation of HNA Classic due to the greater range of capability of the Millennium products and its complexity. Substantial project management, process redesign, technology integration and training are all required in order for clients to achieve the full benefits offered by Millennium and require Cerner to significantly increase its project related capabilities. Continuing the Millennium development, implementing Millennium at client sites and increasing Cerner's project related capabilities will be significant challenges during 1998.

Cerner's approach to system design is to first understand the intricate processes of providing care and then to design systems that support and streamline those processes. Cerner's system architecture allows its applications to work together as one system. Cerner's systems are 'intrarelated', which means that they are designed around a single architecture that automatically organizes and presents information in a manner relevant to a clinician's decision process. With 'intrarelated' systems, all caregivers are kept apprised of each patient's condition, allowing the activities of the care team to be more carefully and efficiently orchestrated in an effort to deliver the highest possible quality of care.

Cerner's systems also allow the use of other vendors products in conjunction with Cerner's system through the use of Cerner's Open Engine Gateway System that allows the exchange of data with the foreign system.

Strategy

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Key elements of the Company's business strategy include:

To penetrate the integrated healthcare market. The

transformation of healthcare delivery must deal with the changing

financial model from fee-for-service to fixed or controlled fee payments for services provided. In order to accomplish the transition, integrated healthcare systems must decrease costs generally, utilize fewer resources per patient or member encounter, decrease the amount of care required by focusing on preventative measures and increase member populations by attracting additional members through better quality healthcare and services. Cerner's process-based, clinical and management systems provide the technology to enable an integrated system to manage healthcare to significantly reduce costs, improve the efficiency of healthcare delivery and maintain and improve the quality of healthcare.

To penetrate the physician market. As physicians combine to

form organizations such as IPA's and PPO's, and then participate in MSO's, they require clinical and process-based systems to manage the member/patient care processes within their own practices. As such groups align with IDS's and IHO's, they further require clinical and management information systems that allow them to share clinical and management processes with these community-wide systems. Healthcare organizations are developing strategies for connecting community-based physicians to the information resources of the health system using the internet. Cerner's systems provide the member/patient data repositories, clinical, management tools and connectivity required by physicians in order for them to participate effectively in the changing healthcare marketplace.

To expand its core business. Cerner expects continued

growth in core business areas, including clinical domain systems for specific markets such as PathNet, RadNet and PharmNet, as institutional providers look to restructure and reengineer these high cost centers within their IDS's and IHO's. The Company also intends to market aggressively Cerner clinical and management information systems and services to its existing client base.

To remain committed to a unified architecture. Because

Cerner believes that the constituents in health management need to work together to benefit defined populations in a community, the Company has made a commitment to a single unified architecture as the platform for fully "intrarelated" health information and management systems. This platform enables Cerner's process-based HNA system to be scaleable on a linear basis, using either Cerner compatible modules for process-oriented applications or competitive systems interfaced using open system protocols. In addition, the HNA system can be accessed throughout the enterprise at the point of care, which improves data integrity, allows for coordination of procedures at multiple locations and enables reliable communication without delay.

To expand its products and services. Using its HNA

platform, Cerner intends to expand the range of products and services offered to providers, including IDS's and IHO's, either through internal development or by acquisitions or joint ventures. These new products and services will complement the systems currently offered, address the emerging information needs of clients or employ technological advances. Cerner believes that major opportunities exist as IHO's begin to include service organizations and on-line services to the home, particularly because the member/patient focus of Cerner's architecture provides the basis for individual electronic medical records which can be used throughout a member-focused health system. In addition, Cerner recognizes the value of the aggregate database

being developed by its broad client base as a potential means to enable comparative or normative procedure evaluations as a powerful new tool in the healthcare industry. The substantial project management process redesign, technology integration, and training involved in healthcare systems taking advantage of the opportunities provided by clinical and management information technology represent a significant market for the Company's consulting services.

Products

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The Company's products include Enterprise Systems, which automate processes across and throughout the health system enterprise; Enterprise Repositories, which capture, sort, present and analyze clinical and business information; Clinical Systems for Direct Care, which automate the clinical processes within hospitals and the physicians practice; Clinical Systems for Care Centers, which automate the clinical processes within specific departments or domains; Decision Support and Executable Knowledge Systems, which enhance clinical and business processes with information and actions; Financial and Operational Management Systems, which automate the business operations; population health management systems for managing health; Demand Management Systems and services for managing the need for care; Personal Health Systems for individuals to manage their own health; and Interface Technologies for connecting other technologies to HNA Millennium. These systems can be acquired individually or as a fully intrarelated health information system. The individual systems perform together even if installed at different times. Cerner also markets over 200 product options that complement Cerner's major information systems.

Enterprise Systems

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Cerner's Enterprise Systems automate processes across the entire health system. Capstone automates the identification, eligibility, registration and scheduling processes across hospitals, clinics, physician practices and other care delivery organizations, integrating the health system and incorporating existing systems. Powerlink connects community-based physicians to health systems for referrals, authorizations, claims, eligibility, and reporting. PowerChart is the enterprise clinician's desktop solution for viewing, ordering and documenting the electronic medical record.

Enterprise Repositories

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Open Agreement Foundation Data Repository is a structured repository for the storage and viewing of health plan information, records, contracts, eligibility and coverage data.

Open Clinical Foundation Data Repository is a structured repository for the storage of member/patient orders; discrete results; clinical reports and other documents; indexes to document images from foreign document imaging systems; and indexes to third-party dictation systems.

Open Management Foundation Data Repository is a structured repository for process- and activity-related information useful for management of a healthcare organization. Information can originate from numerous sources and can be maintained in an easily accessible, standardized format. OMF can be integrated

into an architecture containing products from different suppliers.

Open Health Foundation Data Repository is a structured repository for the storage and viewing of health information related to populations, in support of applications and services designed to manage the health status of those populations.

Open Outcome Foundation Data Repository is a structured repository for the storage and viewing of the data that supports the reporting and management of outcomes in the areas of clinical, medical, process, economic and satisfaction.

Clinical Systems for Direct Care - -----

Cerner's CareNet Acute Care Management System is designed to automate the entire care process in acute or institutional settings. It collects, refines, organizes, and evaluates detailed clinical and management data. It enables the entire care team to plan and manage individual activities and plans, as

well as measure outcomes and goals. CareNet consists of five major solutions - patient registration, scheduling, orders, documentation, care planning and diagnostic and therapeutic care.

The INet Intensive Care Management System is designed to automate the entire care process in intensive care settings. It supports patient management, chart review and browsing, order management, documentation management, scheduling, and automatic data acquisition. It automatically acquires patient data from bedside medical devices, manages information flow and presentation at the bedside, supports care management through care planning and critical pathways, and encourages timely decisions based on comprehensive data availability; information tailored to the practitioner and the patient; and rule-based decision support.

The ProVide Physician Office Management System supports the broad range of clinical and business activities that occur within a physician office, clinic, or large physician organization (such as a multi-site clinic or management service organization) and ties the office together with others in the community. It automates key activities of the care team in both primary and specialty care settings. ProVide offers clinicians and staff a variety of functional capabilities, including patient/member tracking, clinical records access and navigation, eligibility checking, order and referral processing, and reference library access and navigation.

The ProCall Home Care Management System automates the clinical and business processes of home health organizations, such as visiting nurse associations and hospices. It is appropriate for Medicare-certified or noncertified agencies providing skilled nursing, specialized care, supervisory activities, assessments, and unskilled attendant or medical delivery services. ProCall facilitates the documentation of care activities in the home and provides access to the electronic medical record. It automates the referral, scheduling, and management reporting processes performed by office personnel in home care agencies, and supports their business and administrative processes. Financial and management reporting capabilities provide needed information to directors and managers in home care agencies to allow them to compete in a prospective-pay environment.

Clinical Systems for Care Centers

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The PathNet Laboratory Information System addresses the information management needs of six clinical areas: general laboratory, microbiology, blood bank transfusion services, blood bank donor services, anatomic pathology, and HLA. PathNet automates the ordering and reporting of procedures, the production of accurate and timely reports, and the maintenance of accessible clinical records.

The RadNet Radiology Information System addresses the operational and management requirements of diagnostic radiology departments or services. It allows a department to replace its manual, paper-based system of record-keeping with an efficient computer-based system

The PharmNet Pharmacy Information System provides intrarelation in an HNA environment for rapid pharmacy order entry and support of the clinical pharmacy in either an inpatient or outpatient setting. PharmNet streamlines medication order entry, enabling the pharmacist or technician to place all types of pharmaceutical orders on one easy-to-use screen. Dispensing functions also are fully automated. Medication fill lists, intravenous fill lists and medication administration records are produced automatically or on demand.

The SurgiNet Surgery Information System is designed to address the needs of the surgical department, including automating the functions of resource and equipment scheduling, inventory management, and operating room management.

The FirstNet Emergency Department Information System offers patient and provider tracking and an intuitive presentation of patient diagnoses and clinical events for the emergency department. FirstNet

provides basic emergency department functionality, including quick admits, tracking, triage, and patient history, as well as a graphical reference to patient location and order status.

The CVNet Cardiology Department Information System automates the processes within the department of cardiology, supporting the scheduling, ordering, documentation and data capture required by professionals in the cardiology domain.

Decision Support and Executable Knowledge

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Discern Structured Care Design is clinical pathways and protocols that automate the specific plans of care for an individual, and operates within Cerner's clinical systems.

Discern Dialogue is a real-time decision support software application that incorporates executable knowledge and provides order advice to clinicians. It manages the display of clinical alerts through Discern Insights, which are licensed separately. Discern Dialogue provides specific recommendations to change, cancel, or create orders.

Discern Expert and Alerts are an event-driven, rule-based, decision support software application that allows users to define clinical and management rules that are applied to events accessing data that is captured or generated by other HNA applications.

Discern Explorer is a decision support software application integrated with other Cerner HNA clinical and management information systems that allows users to execute predetermined or ad hoc queries and reports regarding process-related data that is generated by the other HNA applications.

Health Facts is Cerner's comparative data warehouse for benchmarking information and services for subscribers to support their own improvement processes.

Financial and Operational Management Systems

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ProFit is Cerner's application for revenue accounting, billing and accounts receivables for the entire health system as well as each individual domain or organization.

ProRate is an application to automate the managed care processes around membership, eligibility tracking, claims processing and contract management.

The ProLogue Enterprise Management System includes a suite of management applications specifically designed to assemble and use the information to help an organization complete its strategic plans, including clinical metrics, case profiling, and performance profiling of individuals and organizations.

The ProFile Health Information Management System helps meet the operations management needs of the health information management (medical records) department and includes functionality for the various chart tracking and completion tasks commonly associated with maintaining medical records.

ProCure and ProTrack automates the business operations around materials and equipment management for the organization.

Population Health Management

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IQ Health produces personal health risk assessments and analyzes those to create interventions that promote self care and improve health.

Demand Management

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Health Connections includes applications and services to automate and manage the operations of telecare, including protocol-based triage and person information.

Personal Health

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Vitality is Cerner's home software product designed to extend medical care to the consumer's home. It provides a way for the consumer to interact on a regular basis with a healthcare provider. Vitality can store health and medical records for easy access. By providing health appraisals and personalized health plans, Vitality takes the first step toward improving health education for members in a community.

Interface Technologies

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The Open Engine Application Gateway System facilitates the exchange of data and assists in the management of point-to-point

interfaces between foreign systems. It serves as a toolkit to help write interface code.

Software Development - -----

Cerner commits significant resources to developing new health information system products. As of January 3, 1998, 837 employees were engaged full-time in product development activities. Total expenditures for the development and enhancement of the Company's products were approximately \$33,957,000, \$43,133,000 and \$54,524,00 during the 1995, 1996 and 1997 fiscal years respectively. These figures include both capitalized and noncapitalized portions and exclude amounts amortized for financial reporting purposes.

The Company expects to continue investment and development efforts for its current and future product offerings. As new clinical and management information needs emerge, Cerner intends to enhance its current product lines with new versions released to clients on a periodic basis. In addition, Cerner plans to expand its current product lines by developing additional information systems for use in clinical departments and to continue to support simultaneous use of Cerner's products across multiple facilities. All Cerner systems are developed under HNA using a proprietary systems development methodology. This methodology defines and controls each task throughout the product development cycle and ensures that current and future products can be fully intrarelated.

The Company is committed to maintaining open attributes in its system architecture through operability in a diverse set of technical and application environments. The Company strives to design its systems to co-exist with disparate applications developed and supported by other suppliers. This effort is exemplified by Cerner's Open Engine, OCF and OMF product lines.

See "Cerner's HNA Approach and HNA Millennium" for a discussion of the development of Cerner's latest generation of software products.

Sales and Marketing - -----

The markets for Cerner's information system products include IHO's, IDS's, physician groups and networks and their MSO's, managed care organizations, hospitals, medical centers, free-standing reference laboratories, blood banks, imaging centers, pharmacies, employer coalitions, and public health organizations. To date, a substantial portion of system sales have been in clinical applications in hospital-based provider organizations. Cerner's HNA architecture is highly scaleable, with applications being used in hospitals ranging from under 50 beds to over 2,000 beds and managed care settings with over

2,000,000 members. All Cerner systems are designed to operate on computers manufactured by Digital Equipment Corporation ('Digital'). In addition, many Cerner applications are available on IBM's RISC System/6000 AIX (UNIX) platform. All HNA Millennium applications are designed to operate on either Digital or IBM platforms, thereby allowing Cerner to be price competitive across the full range of size and organizational structure of healthcare providers. The sale of a health information system usually takes approximately nine to eighteen months, from the time of initial contact to the signing of a contract.

The Company's executive marketing management is located in its Kansas City, Missouri, headquarters, while its account representatives are deployed through regional offices across the United States. The Company, through subsidiaries, and joint ventures has offices and sales staff in Australia, Singapore and Saudi Arabia. The Company has a nonexclusive distribution agreement with Siemens Nixdorf by which its products are marketed, implemented and supported in Europe and elsewhere. Cerner's consolidated revenues include foreign sales of \$8,823,000, \$15,874,000 and \$16,272,000 for the 1995, 1996 and 1997 fiscal years, respectively. The Company supports its sales force with technical personnel who perform demonstrations of Cerner's products and assist clients in determining the proper hardware and software configurations. The Company has developed a demonstration and presentation facility at its headquarters in Kansas City, Missouri, called the Cerner Vision Center. This facility enables the Company to actually demonstrate the processes automated through HNA and adapt the presentations to the clients' environments. The Company's primary direct marketing strategy is to generate sales contacts from its existing client base and through presentations at industry seminars and tradeshow. Cerner attends a number of major tradeshow each year and has begun to sponsor executive conferences, which feature industry experts who address the information system needs of large healthcare organizations.

Client Services

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Cerner uses a regional strategy to provide the full range of product and service capabilities to its clients from eight locations throughout the United States. Each regional center reflects Cerner's corporate culture and interfaces with the Company's clients on a regular and highly accessible basis. In this way, Cerner can provide on-site personnel for the development and management of systems projects, learn the evolving information needs of clients based on geographical trends in the healthcare industry, work with clients in the development of new products and services and share with clients Cerner's vision of the changing healthcare delivery market and the role of information systems in that transformation. The Company has regional offices in Atlanta, Boston, Dallas, Detroit, Kansas City, Los Angeles, Seattle and Washington, D.C. Each regional office is focused on long-term marketplace development, product marketing, client project management, long-term client service and client satisfaction for a group of clients within a specific geographical region.

All of Cerner's clients enter into software maintenance agreements with Cerner for support of their Cerner systems. In addition to immediate software support in the event of problems, these agreements allow these clients the use of new releases of the Cerner products covered by these agreements. Each client has 24-hour access to the client support staff located at Cerner's corporate headquarters. Most of Cerner's clients also enter into hardware maintenance agreements with Cerner. These arrangements normally provide for a fixed monthly fee for specified services. In the majority of cases, Cerner subcontracts hardware maintenance to the hardware manufacturer.

Backlog

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At January 3, 1998, Cerner had contract backlog of \$198,274,000. Such backlog represents system sales from signed contracts which had not yet been recognized as revenue. The Company recognizes revenue on a percent of completion basis,

based on certain milestone conditions, for its software products. At January 3, 1998, the Company had \$70,608,000 of contracts receivable, which represents revenues recognized under the percent of completion method but not yet billable under the terms of the contract. At January 3, 1998, Cerner had a software support and maintenance backlog of

\$132,842,000. Such backlog represents contracted software support and hardware maintenance services for a period of twelve months.

Competition - -----

The market for healthcare information systems is intensely competitive and rapidly changing. The Company believes that the principal competitive factors in this market include the breadth and quality of system and product offerings, the stability of the information systems provider, the features and capabilities of the information systems, the ongoing support for the system, the potential for enhancements and future compatible products, and technical resources. Many of the Company's competitors have greater financial, technical, product development and marketing resources than the Company, and some of these competitors offer products, such as financial, billing and collection systems, not offered by the Company. The past several years have been marked by consolidation among many of the Company's competitors. In addition, other companies with significant technological and other resources may enter the market in the Company competes.

Government Regulation - -----

The healthcare industry is subject to extensive federal and state regulation governing, among other things, the addition of new services, certain capital expenditures and reimbursement. The effect of future legislation and regulation upon prospective clients is impossible to predict. In addition, the United States Food and Drug Administration (the "FDA") has declared that software products that are intended for the maintenance of data used in making decisions regarding the suitability of blood donors and the release of blood or blood components for transfusion are medical devices under the 1976. Medical Device Amendments to the federal Food, Drug and Cosmetic Act and the Safe Medical Devices Act of 1990. As a consequence, the Company is subject to extensive regulation by the FDA with regard to its blood bank software. To the extent that the other Company products are deemed by the FDA to be medical devices, the Company could be subject, depending on the product, to extensive requirements governing pre- and post-marketing conditions, such as device investigation, approval, labeling and manufacturing.

Item 2. Properties

The Company's offices are located in a Company-owned office park in North Kansas City, Missouri, containing approximately 500,000 square feet of useable space. As of January 3, 1998, the Company was using approximately 361,000 square feet and substantially all of the remainder was leased to tenants. The Company also leases office space for its branch offices in Atlanta, Boston, Dallas, Detroit, Los Angeles, Seattle and Washington D.C.

Item 3. Legal Proceedings

The Company is not involved in any material pending litigation.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the stockholders of the Company during the fourth quarter of the fiscal year ended January 3, 1998.

Item 4A. Executive Officers of the Company

The following table sets forth the names, ages, positions and certain other information regarding the Company's executive officers as of March 30, 1998. Officers are elected annually and serve at the discretion of the board of directors.

Name - ----	Age ---	Positions -----
Neal L. Patterson	48	Chairman of the Board of Directors and Chief Executive Officer
Clifford W. Illig	47	President and Chief Operating Officer
Jeffrey C. Reese	43	Executive Vice President
Jack A. Newman, Jr.	50	Executive Vice President
Thomas C. Tinstman, M.D.	52	Senior Vice President
Alan D. Dietrich	35	Senior Vice President
Marc G. Naughton	43	Vice President and Chief Financial Officer
Jeffrey A. Townsend	34	Vice President
Stephen M. Goodrich	46	Vice President
Francois W. Sauer, M.D.	53	Chief Executive Officer of Cerner International

Neal L. Patterson has been Chairman of the Board of Directors and Chief Executive Officer of the Company for more than five years.

Clifford W. Illig has been a Director, President and Chief Operating Officer of the Company for more than five years.

Jeffrey C. Reese joined the Company in September 1991 as Group Vice President of Client Services. He was promoted to Executive Vice President in June of 1994.

Jack A. Newman, Jr. joined the Company in January 1996 as Executive Vice President. Prior to joining the Company, he was with KPMG Peat Marwick LLP for 22 years. Most recently he was National Partner-in-Charge of KPMG's Health Care Strategy Practice, leading more than 200 professional and administrative staff members who provided strategy consulting services to healthcare clients nationwide, including healthcare systems, physician groups, managed care plans, and other provider and payor organizations.

Thomas C. Tinstman, M.D. joined the Company in November 1995 as Senior Vice President and has been a Director of the Company since May 1989. Prior to joining the Company, Dr. Tinstman was Director of Medical Informatics with University of Texas Medical

Branch in Galveston, Texas. Prior to that he was a physician in private practice with Internal Medicine Associates, P.C. in Omaha, Nebraska. From 1977 to January, 1994, Dr. Tinstman served as Associate Medical Director of Pulmonary Medical Services at Bishop Clarkson Memorial Hospital and as Medical Director of the Respiratory Therapy Department of Midland Hospital, both in Omaha, Nebraska. Dr. Tinstman has served as a director of Smith-Haynes Trust, Inc. since 1988.

Alan D. Dietrich joined the Company in 1990 as Director of Business, Planning and Development. In January 1994 he was promoted to Senior Vice President.

Marc G. Naughton joined the Company in November 1992 as Manager of Taxes. In November 1995 he was elected Chief Financial Officer and in February 1996 he was promoted to Vice President. Prior to joining the Company, he spent nine years with The Marley Company, a multinational manufacturing company, in a variety of financial management positions.

Jeffrey A. Townsend joined the Company in June 1985. Since that time he has held several positions in the product organization and was promoted to Vice President in February 1997.

Stephen M. Goodrich joined the Company in October 1987 as a project leader in the product organization. In 1992 he was promoted to Vice President.

Francois W. Sauer, M.D., joined the Company as Chief Executive Officer of Cerner International in July 1997. Prior to joining the Company, he was Director of Strategic Growth at Transquest, Inc. from April 1996 to April 1997. Prior to that he was a Managing Partner of the Enterprise Development Group in the Global Information Solution at AT&T, Inc. from October 1994 to April 1996. Prior April 1994 he was with Digital Equipment in several roles including Consultant and Practice Director.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's common stock trades on The Nasdaq Stock Market SM under the symbol CERN. The following table sets forth the high, low, and last sales prices for the fiscal quarters of 1997 and 1996 as reported by The Nasdaq National Market System. These quotations represent prices between dealers and do not include retail mark-up, mark-down, or commissions, and do not necessarily represent actual transactions.

	1997						1996					
	High		Low		Last		High		Low		Last	
	-----		---		----		----		---		-----	
First quarter	16	1/4	13	1/4	13	1/4	26	1/8	18	1/8	23	1/4
Second quarter	22	1/8	11	7/8	21	3/8	25	1/4	19	3/4	21	3/8
Third quarter	32	7/8	20	3/4	25		21		11	3/4	15	5/8
Fourth quarter	30	1/2	20	1/4	22		15	1/2	10	3/4	15	31/64

At February 6, 1998, there were approximately 1,300 owners of record. To date, the Company has paid no dividends and it does not intend to pay dividends in the foreseeable future. Management believes it is in the stockholders' best interest to reinvest funds in the operation of the business.

Item 6. Selected Financial Data

	1997	1996	1995	1994	1993
	----	----	----	----	----
(In thousands, except per share data)					
Statement of earnings data:					
Revenues	\$ 245,057	189,107	186,901	155,917	120,572
Operating earnings	22,170	10,601	37,265	33,779	24,330
Earnings before income taxes	24,484	12,902	37,220	32,451	24,120
Net earnings	15,148	8,251	22,521	19,501	14,558
Earnings per share:					
Basic	.46	.25	.75	.71	.55
Diluted	.45	.25	.72	.66	.50
Weighted average shares outstanding:					
Basic	32,881	32,729	29,845	27,651	26,287
Diluted	33,668	33,620	31,448	29,762	29,158
Balance sheet data:					
Working capital	\$ 156,808	171,204	174,064	52,370	42,603
Total assets	331,781	314,753	303,945	156,410	104,910
Long-term debt, net	30,026	30,000	30,104	30,235	10,354
Stockholders' equity	233,747	230,735	221,374	85,777	64,230

In 1997, the Company retroactively adopted FAS No. 128, "Earnings per Share", which revised the calculation and presentation of earnings per share. Previously reported earnings per share has been computed based upon the new accounting standard

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a more thorough understanding of management's analysis of results of operations and financial conditions, the following discussion should be read in conjunction with the Letter to Shareholders and the discussion of the Company's business operations.

Year Ended January 3, 1998, Compared to Year Ended December 28, 1996

Results of Operations - The Company's revenues increased 30% to \$245,057,000 in 1997 from \$189,107,000 in 1996. Net earnings increased 84% to \$15,148,000 in 1997 from \$8,251,000 in 1996. Net earnings from the Company's foreign operations decreased to \$2,389,000 in 1997 from \$2,897,000 in 1996.

Revenues - In 1997, revenues increased due to an increase in system sales and support of installed systems. System sales increased 39% to \$170,906,000 in 1997 from \$122,836,000 in 1996. This increase in system sales resulted primarily from an increase in installations under Health Network Architecture (HNA) contracts. HNA contracts were 57% of total systems sales in 1997, compared to 43% in 1996. The sale of additional hardware and software products to the installed client base decreased 8% in 1997 as compared to 1996.

Total sales to the installed base in 1997, including new systems, incremental hardware and software, support and maintenance services, and discrete services, were 73% of total revenues in 1997 compared to 79% in 1996. The lower percentage was primarily due to the increase in system sales to new clients.

At January 3, 1998, the Company had \$198,274,000 in contract backlog and \$132,842,000 in support and maintenance backlog, compared to \$110,330,000 in contract backlog and \$107,255,000 in support and maintenance backlog at the end of 1996.

Support and maintenance revenues increased 20% in 1997 compared to 16% in 1996. This increase was due primarily to the increase in the Company's installed and converted client base. These revenues represented 28% of 1997 total revenues and 30% of 1996 total revenues.

Other revenues decreased 38% to \$5,438,000 in 1997 from \$8,841,000 in 1996. This decrease was due primarily to a decrease in real estate lease revenues from the rental to outside tenants, as the Company utilizes more office space, and the reporting of certain services revenue as system sales in 1997.

Cost of Revenues - The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to the manufacturers. The cost of revenues was 29% of total revenues in 1997 and 31% of total revenues in 1996. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, services and support) components carrying different margin rates changes from period to period. The decrease in the cost of revenue as a percent of total revenues resulted principally from a decrease in the percent of revenue from computer hardware and sublicensed software, which carry a higher cost of revenue percentage.

Sales and Client Service - Sales and client service expenses include salaries of client service personnel, communications expenses, and unreimbursed travel expenses. Also included are sales and marketing salaries, travel expenses, trade show costs, and advertising costs. These expenses as a percent of total revenues were 34% in 1997 and 1996. The increase in total sales and client service expenses is attributable to the cost of a larger field sales and services organization and marketing of new products.

Software Development - Software development expenses include salaries, documentation, and other direct expenses incurred in product development and amortization of software development costs. Total expenditures for software development, including both capitalized and noncapitalized portions, for 1997 and 1996 were \$54,524,000 and \$43,133,000, respectively. These amounts exclude amortization. Capitalized software costs were

\$18,373,000 and \$13,240,000 for 1997 and 1996, respectively. The increase in aggregate expenditures for software development in 1997 is due to development of HNA Millennium products and development of community care products.

General and Administrative - General and administrative expenses include salaries for corporate, financial, and administrative staffs, utilities, communications expenses, and professional fees. These expenses as a percent of total revenues were 9% in 1997 and 10% in 1996.

Interest Income, Net - Net interest income was \$2,314,000 in 1997 compared to \$2,301,000 in 1996.

Income Taxes - The Company's effective tax rates were 38% and 36% for 1997 and 1996, respectively. The lower 1996 tax rate is due to the utilization of foreign net operating losses.

Year Ended December 28, 1996, Compared to Year Ended December 30, 1995

Results of Operations - The Company's revenues increased 1% to \$189,107,000 in 1996, from \$186,901,000 in 1995. Net earnings decreased 63% to \$8,251,000 in 1996 from \$22,521,000 in 1995. Net earnings from the Company's foreign operations increased to \$2,897,000 in 1996 from a loss of \$1,867,000 in 1995.

Revenues - In 1996, revenues increased due to an increase in support of installed systems. System sales decreased 5% to \$122,836,000 in 1996, from \$129,917,000 in 1995. This decrease was primarily due to the Company's failure to achieve planned levels of new system bookings. New system bookings were adversely impacted by an overall lengthening of the time required by clients to finalize clinical information system acquisition decisions and increased competition exacerbated by the Company's transition to HNA Millennium (formerly known as HNA 500), its next-generation, three-tiered client-server application architecture. HNA contracts were 43% of total system sales in 1996, compared to 42% in 1995. The sale of additional hardware and software products to the installed client base increased 10% in 1996 as compared to 1995.

Total sales to the installed base in 1996, including new systems, incremental hardware and software, support and maintenance services, and discrete services, were 79% of total revenues in 1996 compared to 71% in 1995. The higher percentage was primarily due to the decrease in system sales.

At December 28, 1996, the Company had \$110,330,000 in contract backlog and \$107,255,000 in support and maintenance backlog, compared to \$77,495,000 in contract backlog and \$94,538,000 in support and maintenance backlog at the end of 1995.

Support and maintenance revenues increased 16% in 1996 compared to 19% in 1995. These revenues represented 30% of 1996 total revenues and 26% of 1995 total revenues. This increase was primarily due to the decrease in system sales.

Other revenues increased 16% to \$8,841,000 in 1996, from \$7,633,000 in 1995. This increase was due primarily to services performed above contracted requirements for existing clients.

Cost of Revenues - The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to the manufacturers. The cost of

revenues was 31% of total revenues in 1996 and 28% of total revenues in 1995. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, and support) components carrying different margin rates changes from period to period. The increase in the cost of revenue as a percent of total revenues resulted principally from an increase in the percent of revenue from computer hardware and sublicensed software, which carry a higher cost of revenue percentage.

Sales and Client Service - Sales and client service expenses include salaries of client service personnel, communications expenses, and unreimbursed travel expenses. Also included are sales and marketing salaries, travel expenses, trade show costs, and advertising costs. These expenses as a percent of total revenues were 34% in 1996 compared to 27% in 1995. The increase in total sales and client service expenses is attributable to the cost of a larger field sales and services organization and marketing of new products.

Software Development - Software development expenses include salaries, documentation, and other direct expenses incurred in product development and amortization of software development costs. Total expenditures for software development, including both capitalized and noncapitalized portions, for 1996 and 1995 were \$43,133,000 and \$33,957,000, respectively. These amounts exclude amortization. Capitalized software costs were \$13,240,000 and \$9,210,000 for 1996 and 1995, respectively. The increase in aggregate expenditures for software development in 1996 is due to development of HNA Millennium products and development of community care products.

General and Administrative - General and administrative expenses include salaries for corporate, financial, and administrative staffs, utilities, communications expenses, and professional fees. These expenses as a percent of total revenues were 10% in 1996 and 9% in 1995.

Interest Income, Net - Net interest income (expense) was \$2,301,000 in 1996 compared to (\$45,000) in 1995. This increase was due primarily to interest income from investment of the proceeds from the sale of 3,716,000 shares of common stock from the August 1995 public offering.

Income Taxes - The Company's effective tax rates were 36% and 39% for 1996 and 1995, respectively. The decrease in effective tax rates is due to the utilization of foreign net operating losses during 1996.

Quarterly Results

Quarterly Results - The Company's quarterly revenues and net earnings historically have been variable and cyclical. The variability is attributable primarily to the number and size of project milestone events in any fiscal quarter. The Company expects the fluctuation in quarterly financial results to continue.

Liquidity and Capital Resources

Liquidity and Capital Resources - The Company's liquidity position remains strong, with total cash and cash equivalents of \$7,541,000 and short-term investments of \$70,002,000 at the end of 1997 and working capital of \$156,808,000, compared to cash and cash equivalents of \$6,905,000 and short-term investments of \$103,997,000 at the end of 1996, and working capital of \$171,204,000. The decrease in working capital resulted primarily from the Company's purchase of 688,500 shares of its common stock for \$15,103,000 during 1997.

The Company generated cash of \$18,692,000, \$28,262,000, and \$15,359,000 from operations in 1997, 1996, and 1995, respectively. Cash flow from operations decreased in 1997, due primarily to an increase in receivables from record level-revenues, and increased in 1996, due primarily to improved collection of receivables.

Revenues provided under support and maintenance agreements of the Company represent recurring cash flows. Support and maintenance revenues increased 20%, 16%, and 19%, in 1997, 1996, and 1995, respectively, and the Company expects these revenues to continue to grow as the base of installed systems grows.

The Company believes its present cash and short-term investment position, together with cash generated from operations and the current bank borrowing facility, will be sufficient to meet anticipated cash requirements.

Inflation - The effects of inflation were minimal on the Company's business.

New Accounting Pronouncements and Other - In 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income". This statement expands disclosures and, accordingly, will have no impact on the Company's reported financial position, results of operations or cash flows. The Company will adopt SFAS No. 130 during its first quarter of 1998. FASB also issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" in 1997. This statement will have no impact on the Company.

The Company has considered the impact of Year 2000 issues on its internal computer systems and applications and developed a remediation plan. Conversion activities are in process and the Company expects conversion and testing to be completed by the end of the first quarter of 1999. The Company currently believes that the costs to address these issues will not be material to the Company's consolidated financial statements. Such expenditures will be charged to expense as incurred.

The Company has considered the impact of Year 2000 issues on its clinical information system products. The current versions of these products are Year 2000 compliant.

Item 8. Financial Statements and Supplementary Data

The Financial Statements and Notes required by this Item are submitted as a separate part of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 22, 1998, contains under the caption "Election of Directors" certain information required by Item 10 of Form 10-K and such information is incorporated herein by this reference. The information

required by Item 10 of Form 10-K as to executive officers is set forth in Item 4A of Part I hereof.

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 22, 1998, contains under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" certain information required by Item 10 of Form 10-K and such information is incorporated herein by this reference.

Item 11. Executive Compensation

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 22, 1998, contains under the caption "Executive Compensation" the information required by Item 11 of Form 10-K and such information is incorporated herein by this reference (except that the information set forth under the following sub captions is expressly excluded from such incorporation: "Executive Compensation and Stock Option Committee Report" and "Company Performance").

Item 12. Security Ownership of Certain Beneficial Owners and Management

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 22, 1998, contains under the caption "Voting Securities and Principal Holders Thereof" the information required by Item 12 of Form 10-K and such information is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 22, 1998, contains under the caption "Certain Transactions" the information required by Item 13 of Form 10-K and such information is incorporated herein by this reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Financial Statements.

(1) Consolidated Financial Statements:

Independent Auditors' Report on Consolidated Financial Statements

Consolidated Balance Sheets -
January 3, 1998 and December 28, 1996

Consolidated Statements of Earnings -
Years Ended January 3, 1998, December 28, 1996 and
December 30, 1995

Consolidated Statements of Stockholders' Equity
Years Ended January 3, 1998, December 28, 1996,
and December 30, 1995

Consolidated Statements of Cash Flows
Years Ended January 3, 1998, December 28, 1996
and December 30, 1995

Notes to Consolidated Financial Statements

- (2) The following financial statement, schedule and independent auditors' report on financial statement schedule of the Registrant for the three-year period ended January 3, 1998 are included herein:

Schedule II - Valuation and Qualifying Accounts,

Independent Auditors' Report on Consolidated Financial Statement Schedule.

All other schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

- (3) The exhibits required to be filed by this item are set forth below:

Number	Description
- - - - -	- - - - -
3(a)	Restated Certificate of Incorporation of the Registrant, (filed as Exhibit 3(i) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).
3(b)	Bylaws, as amended (filed as Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the six months ended June 30, 1995, and hereby incorporated by reference).
4(a)	Rights Agreement, dated as of November 21, 1996, between Cerner Corporation and UMB Bank, n.a., as Rights Agents, which includes the Form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock of Cerner Corporation, as Exhibit A, the Form of Rights Certificate, as Exhibit B, and the Summary of Rights to Purchase Preferred Stock, as Exhibit C (filed as Exhibit 4.1 to Registrant's current report on Form 8-K dated November 21, 1996 and incorporated herein by reference).
4(b)	Specimen stock certificate (filed as Exhibit 4(a) to Registrant's Registration Statement on Form S-8 (File No. 33-15156) and hereby incorporated herein by reference).
4(c)	Note Agreement between Cerner Corporation, Principal Mutual Life Insurance Company, and Principal National Life Insurance Company dated July 1, 1994, (filed as Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, and hereby incorporated by reference).
4(d)	Credit Agreement between Cerner Corporation, Cerner Properties, Inc. Mark Twain Kansas Bank, and Harris Trust & Savings Bank dated April 18, 1994, (filed as Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, and hereby incorporated by reference).
10(a)	Standard Volume Agreement, dated July 6, 1989, between Digital Equipment Corporation and Registrant

(filed as Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989, and hereby incorporated herein by reference).

- 10(b) Incentive Stock Option Plan C of Registrant (filed as Exhibit 10(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, and hereby incorporated herein by reference).*
- 10(c) Indemnification Agreements between the Registrant and Neal L. Patterson, Clifford W. Illig, Gerald E. Bisbee, Jr. and Thomas C. Tinstman, (filed as Exhibit 10(i) to Registrant's Annual report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference).*
- 10(d) Indemnification Agreement between Michael E. Herman and Registrant (filed as Exhibit 10(i)(a) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).*
- 10(e) Indemnification Agreement between John C. Danforth, and Registrant (filed as Exhibit 10(i)(b) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).*
- 10(f) Indemnification Agreement between Thomas A. McDonnell and Registrant (filed as Exhibit 10(i)(c) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).*
- 10(g) Amended Stock Option Plan D of Registrant.*
- 10(h) Stock Option Plan E of Registrant.*
- 10(i) Agreement for Cerner Corporation Consulting Services with Gerald E. Bisbee, Ph.D.*
- 10(j) Cerner Performance Plan for Neal L. Patterson.*
- 10(k) Cerner Performance Plan for Clifford W. Illig.*
- 10(l) Cerner Performance Plan for Jeffrey C. Reene.*
- 10(m) Cerner Performance Plan for Jack A. Newman, Jr.*
- 10(n) Cerner Performance Plan for Thomas C. Tinstman, M.D.*
- 10(o) Cerner Performance Plan for Alan D. Dietrich.*
- 10(p) Cerner Performance Plan for Marc G. Naughton.*
- 10(q) Cerner Performance Plan for Jeffrey A. Townsend.*
- 10(r) Cerner Performance Plan for Stephen M. Goodrich.*
- 10(s) Cerner Performance Plan for Francois W. Sauer, M.D.*
- 11 Computation of Registrant's Earnings Per Share.
(Exhibit omitted. Information contained in notes to consolidated financial statements.)
- 22 Subsidiaries of Registrant.

23 Consent of Independent Auditors.

27 Financial Data Schedule.

* Management contracts or compensatory plans or arrangements required to be identified by Item 14(a)(3).

(b) Reports on Form 8-K

None

(c) Exhibits.

The response to this portion of Item 14 is submitted as a separate section of this report.

(d) Financial Statement Schedules.

The response to this portion of Item 14 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CERNER CORPORATION

Dated: March 31, 1998

By: /s/ Neal L. Patterson

Neal L. Patterson
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Signature and Title

Date

/s/ Neal L. Patterson

March 31, 1998

Neal L. Patterson, Chairman of the Board
and Chief Executive Officer (Principal Executive Officer)

/s/ Clifford W. Illig

March 31, 1998

Clifford W. Illig, President, Chief
Operating Officer and Director

/s/ Marc G. Naughton

March 31, 1998

Marc G. Naughton, Vice President and
Chief Financial Officer

/s/Michael E. Herman March 31, 1998

Michael E. Herman, Director

/s/Gerald E. Bisbee, Jr. March 31, 1998

Gerald E. Bisbee, Jr., Director

/s/Thomas C. Tinstman March 31, 1998

Thomas C. Tinstman, M.D., Director

/s/John C. Danforth March 31, 1998

John C. Danforth, Director

/s/Thomas A. McDonnell March 31, 1998

Thomas A. McDonnell, Director

Independent Auditors' Report

The Board of Directors and Stockholders
Cerner Corporation:

We have audited the accompanying consolidated balance sheets of Cerner Corporation and subsidiaries as of January 3, 1998 and December 28, 1996 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended January 3, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial

position of Cerner Corporation and subsidiaries as of January 3, 1998 and December 28, 1996 and the results of their operations and their cash flows for each of the years in the three-year period ended January 3, 1998 in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Kansas City, Missouri
February 6, 1998

Management's Report

The management of Cerner Corporation is responsible for the consolidated financial statements and all other information presented in this report. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate to the circumstances, and, therefore, included in the financial statements are certain amounts based on management's informed estimates and judgments. Other financial information in this report is consistent with that in the consolidated financial statements. The consolidated financial statements have been audited by Cerner Corporation's independent certified public accountants and have been reviewed by the audit committee of the Board of Directors.

Consolidated Balance Sheets

January 3, 1998 and December 28, 1998

	1997	1996
	-----	-----
(Dollars in thousands)		
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,541	6,905
Short-term investments	70,002	103,997
Receivables	125,516	96,238
Inventory	1,743	1,616
Prepaid expenses and other	3,553	3,660
	-----	-----
Total current assets	208,355	212,416
Property and equipment, net	65,724	60,047
Software development costs, net	40,566	30,128
Intangible assets, net	6,402	3,973
Noncurrent receivables	2,290	3,637
Other assets	8,444	4,552
	-----	-----
	\$ 331,781	314,753
	=====	=====

Liabilities and Stockholders' Equity

Current Liabilities:		
Accounts payable	\$ 11,330	9,346
Current installments of long-term debt	35	104
Advanced billings	8,290	7,811

Deferred income taxes	18,245	13,654
Accrued payroll and tax withholdings	11,610	6,755
Other accrued expenses	2,037	3,542
	-----	-----
Total current liabilities	51,547	41,212
Long-term debt, net	30,026	30,000
Deferred income taxes	16,461	12,806
Stockholders' Equity:		
Common stock, \$.01 par value, 150,000,000 shares authorized, 33,816,829 shares issued in 1997 and 33,403,727 shares in 1996	338	334
Additional paid-in capital	148,074	144,941
Retained earnings	106,273	91,125
Treasury stock, at cost (1,201,518 shares in 1997 and 513,018 shares in 1996)	(20,796)	(5,693)
Foreign currency translation adjustment	(142)	28
	-----	-----
Total stockholders' equity	233,747	230,735
	-----	-----
Commitments (Note 10)	\$ 331,781	314,753
	=====	=====

<FN>

See notes to consolidated financial statements.

Consolidated Statements of Earnings

For the years ended January 3, 1998, December 28, 1996 and December 30, 1995

	1997	1996	1995
	-----	-----	-----
(In thousands, except per share data)			
Revenues			
System sales	\$ 170,906	122,836	129,917
Support and maintenance	68,713	57,430	49,351
Other	5,438	8,841	7,633
	-----	-----	-----
Total revenues	245,057	189,107	186,901
	-----	-----	-----
Costs and expenses			
Cost of revenues	71,943	58,892	52,270
Sales and client service	83,788	65,005	49,889
Software development	44,086	35,890	30,193
General and administrative	23,070	18,719	17,284
	-----	-----	-----
Total costs and expenses	222,887	178,506	149,636
	-----	-----	-----
Operating earnings	22,170	10,601	37,265
Interest income (expense), net	2,314	2,301	(45)
	-----	-----	-----

Earnings before income taxes	24,484	12,902	37,220
Income taxes	9,336	4,651	14,699
	-----	-----	-----
Net earnings	\$ 15,148	8,251	22,521
	=====	=====	=====
Basic earnings per share	\$.46	.25	.75
	=====	=====	=====
Diluted earnings per share	\$.45	.25	.72
	=====	=====	=====

<FN>

See notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

For the years ended January 3, 1998, December 28, 1996 and December 30, 1995

	Common Shares	Stock Amount	Addi- tional paid-in capital	Retained earnings	Treasury stock amount	Foregin currency translation adjustment	Total
(In thousands)							
Balance at December 31, 1994	28,509	\$ 285	30,807	60,353	(5,693)	25	85,777
Exercise of options	777	8	1,484	-	-	-	1,492
Issuance of stock grants	-	-	10	-	-	-	10
Common shares sold in public offering, net of issuance costs	3,716	37	108,250	-	-	-	108,287
Tax benefit from disqualifying dispositions of stock options	-	-	3,325	-	-	-	3,325
Foreign currency translation adjustment	-	-	-	-	-	(38)	(38)
Net earnings	-	-	-	22,521	-	-	22,521
Balance at December 30, 1995	33,002	330	143,876	82,874	(5,693)	(13)	221,374
Exercise of options	402	4	805	-	-	-	809
Tax benefit from disqualifying dispositions of stock options	-	-	260	-	-	-	260
Foreign currency translation adjustment	-	-	-	-	-	41	41
Net earnings	-	-	-	8,251	-	-	8,251
Balance at December 28, 1996	33,404	334	144,941	91,125	(5,693)	28	230,735
Exercise of options	311	3	978	-	-	-	981
Issuance of stock grants	2	-	48	-	-	-	48
Issuance of restricted common stock	100	1	1,586	-	-	-	1,587
Tax benefit from disqualifying dispositions of stock options	-	-	521	-	-	-	521
Purchase of 688,500 shares of treasury stock	-	-	-	-	(15,103)	-	(15,103)
Foreign currency translation adjustment	-	-	-	-	-	(170)	(170)
Net earnings	-	-	-	15,148	-	-	15,148
Balance at January 3, 1998	33,817	\$ 338	148,074	106,273	(20,796)	(142)	233,747

<FN>

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended January 3, 1998, December 28, 1996 and December 30, 1995

	1997	1996	1995
(In thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$ 15,148	8,251	22,521
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	18,075	15,498	12,218

Issuance of stock as compensation	48	-	10
Equity in (income) losses of investee companies	864	(89)	(40)
Provision for deferred income taxes	8,246	2,894	7,796
Tax benefit from disqualifying dispositions of stock options	521	260	3,325
Loss on disposal of capital equipment	110	99	42
Changes in assets and liabilities:			
Receivables	(27,931)	2,376	(32,595)
Inventory	(127)	630	(28)
Prepaid expenses and other	(2,075)	(340)	(2,193)
Accounts payable	1,984	(5,586)	1,447
Other current liabilities	3,829	4,269	2,856
Total adjustments	3,544	20,011	(7,162)
Net cash provided by operating activities	18,692	28,262	15,359
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital equipment	(14,896)	(14,962)	(10,620)
Purchase of land, buildings, and improvements	(86)	(379)	(8,266)
Investment in investee companies	(4,500)	(1,650)	(30)
Proceeds on disposal of capital equipment	212	33	-
Capitalized software development costs	(18,373)	(13,240)	(9,210)
Net cash used in investing activities	(37,643)	(30,198)	(28,126)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	-	-	6,745
Repayment of long-term debt	(116)	(130)	(6,906)
Proceeds from public offering, net of expenses	-	-	108,287
Proceeds from exercise of options	981	809	1,492
Purchase of treasury stock	(15,103)	-	-
Net cash provided by (used in) financing activities	(14,238)	679	109,618
Foreign currency translation adjustment	(170)	41	(38)
Net increase (decrease) in cash, cash equivalents, and short-term investments	(33,359)	(1,216)	96,813
Cash, cash equivalents, and short-term investments at beginning of year	110,902	112,118	15,305
Cash, cash equivalents, and short-term investments at end of year	\$ 77,543	110,902	112,118
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 2,473	2,517	2,607
Income taxes, net of refund	1,024	685	4,016
Noncash investing and financing activities:			
Acquisition of equipment through capital leases \$	73	-	-
Issuance of restricted common stock and grants	1,635	-	10

<FN>

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(a) Principles of Consolidation - The consolidated financial statements include the accounts of Cerner Corporation and its wholly owned subsidiaries (the Company). All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Revenue Recognition - Revenues are derived primarily from the sale of clinical information systems. The Company also provides project implementation and consulting services. In addition, revenue is generated from servicing installed clinical information systems, which generally includes support of software and maintenance of hardware. The Company also derives revenue from the sale of computer hardware.

Clinical information system sales contracts are negotiated separately and generally include the licensing of the Company's clinical information system software, project-related services associated with the installation of the systems, and the sale of computer hardware. Clinical information system sales contracts are noncancelable and provide for a right of return only in the event the system fails to meet the performance criteria set forth in the contracts. The Company recognizes revenue from sales of clinical information systems using a percentage-of-completion method based on meeting key milestone events over the term of the contracts in accordance with Statement of Position 97-2, "Software Revenue Recognition".

Revenue associated with project implementation and consulting services is recognized as the services are performed. Revenue from the licensing of additional software is recognized upon installation at the client's site. Revenue from the sale of computer hardware is recognized upon shipment. Revenue from ongoing software support and equipment maintenance is recognized as the services are rendered.

(c) Fiscal Year - The Company's fiscal year ends on the Saturday closest to December 31. Fiscal year 1997, ended January 3, 1998, consisted of 53 weeks, and fiscal years 1996 and 1995 consisted of 52 weeks each. All references to years in these notes to consolidated financial statements represent fiscal years unless otherwise noted.

(d) Software Development Costs - Costs incurred internally in creating computer software products are expensed until technological feasibility has been established upon completion of a detail program design. Thereafter, all software development costs are capitalized and subsequently reported at the lower of amortized cost or net realizable value. Capitalized costs are amortized based on current and future revenue for each product with minimum annual amortization equal to the straight-line amortization over the estimated economic life of the product. The Company is amortizing capitalized costs on a straight-line basis over five years. During 1997, 1996, and 1995, the Company capitalized \$18,373,000, \$13,240,000, and \$9,210,000, respectively, of total software development costs of \$54,524,000, \$43,133,000, and \$33,957,000, respectively. Amortization expense of capitalized software development costs in 1997, 1996, and 1995 was \$7,935,000, \$5,997,000, and \$5,109,000, respectively, and accumulated amortization was \$32,895,000, \$24,960,000, and \$18,963,000, respectively.

(e) Inventory - Inventory consists primarily of computer hardware held for resale and is recorded at the lower of cost (first-in, first-out) or market.

(f) Property and Equipment - Property, equipment, and leasehold improvements are stated at cost. Depreciation of property and equipment is computed using the straight-line method over periods

of 5 to 39 years. Amortization of leasehold improvements is computed using a straight-line method over the lease terms, which range from periods of two to five years.

(g) Earnings per Common Share - Prior to January 3, 1998 the Company computed earnings per share (EPS) in accordance with the provisions of Accounting Principles Board Opinion No. 15, "Earnings per Share and related interpretations". As such, primary earnings per common share was based

on the weighted average number of common shares outstanding, giving effect to common stock equivalents (stock options), if dilutive. On January 3, 1998 the Company retroactively adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share," which replaces the presentation of primary and fully diluted EPS with a presentation of basic and diluted EPS.

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. A reconciliation of the numerators and the denominators of the basic and diluted per-share computations is as follows:

(in thousand, except per share data)

	1997			1996			1995		
	Earnings (Numerator)	Shares (Denominator)	Per- Share Amount	Earnings (Numerator)	Shares (Denominator)	Per- Share Amount	Earnings (Numerator)	Shares (Denominator)	Per- Share Amount
Basic earnings per share									
Income available to common stockholders	\$ 15,148	32,881	.46 =====	8,251	32,729	.25 =====	22,521	29,845	.75 =====
Effect of dilutive securities									
Stock options	-	787		-	891		-	1,603	
Diluted earnings per share									
Income available to common stockholders									
+assumed conversions	\$ 15,148	33,668	.45	8,251	33,620	.25	22,521	31,448	.72

Options to purchase 1,149,000 shares of common stock at prices ranging from \$21.50 to \$31.00 per share were outstanding at the end of 1997 but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

(h) Foreign Currency - Assets and liabilities in foreign currencies are translated into dollars at rates prevailing at the balance sheet date. Revenues and expenses are translated at average rates for the year. The net exchange differences resulting from these translations are reported in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of earnings. The net gain (loss) resulting from foreign currency transactions was (\$762,000), (\$274,000), and \$33,000 in 1997, 1996, and 1995, respectively.

(i) Income Taxes - Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of

existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(j) Goodwill - Excess of cost over net assets acquired (goodwill) is being amortized on a straight-line basis over eight years. Accumulated amortization was \$2,733,000 and \$1,862,000 at the end of 1997 and 1996, respectively. The Company assesses the recoverability of goodwill based on forecasted undiscounted future operating cash flows.

(k) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 Cash and Investments

Cash, cash equivalents, and short-term investments consist of the following:

	1997	1996
	-----	-----
	(In thousands)	
Cash and cash equivalents	\$ 7,541	6,905
Repurchase agreements	463	656
Variable rate securities	500	500
Fixed rate securities	69,039	101,991
Certificates of deposit	-	850
	-----	-----
Total cash, cash equivalents, and short-term investmenst	\$ 77,543	110,902
	=====	=====

The Company classifies all of its debt investment securities as held-to-maturity. Held-to-maturity securities are those securities in which the Company has the positive intent and ability to hold until maturity and are recorded at cost, adjusted for the amortization or accretion of premiums or discounts.

All cash equivalents and short-term investments held at January 3, 1998 mature within 90 days. The amortized cost of cash equivalents and short-term investments approximates fair value.

3 Receivables

Receivables consist of accounts receivable and contracts receivable. Accounts receivable represent recorded revenues that have been billed. Contracts receivable represent recorded revenues that are billable by the Company at future dates under the terms of a contract with a client. Contract receivables that are not expected to be collected within one year are classified as noncurrent. Billings on contracts in excess of related revenues recognized under the percentage-of-completion method are

recorded as advanced billings. A summary of current receivables is as follows:

(In thousands)	1997	1996

Current receivables:		
Accounts receivable	\$ 54,908	47,762
Contracts receivable	70,608	48,476
	-----	-----
Total current receivables	\$ 125,516	96,238
	=====	=====

Substantially all receivables are derived from sales and related support and maintenance of the Company's clinical information systems to healthcare providers located throughout the United States and in certain foreign countries. Included in receivables at the end of 1997 and 1996 are amounts due from healthcare providers located in foreign countries of \$9,950,000 and \$9,682,000, respectively. Consolidated revenues include foreign sales of \$16,272,000, \$15,874,000, and \$8,823,000, during 1997, 1996, and 1995, respectively.

The Company provides an allowance for estimated uncollectible accounts based upon historical experience and management's judgment. At the end of 1997 and 1996 the estimated allowance for uncollectible accounts was \$1,490,000 and \$1,121,000, respectively.

The fair value of the Company's noncurrent receivables is estimated to be \$2,130,000, based on current interest rates offered to the Company for debt of the same maturities.

4 Property and Equipment

A summary of property, equipment, and leasehold improvements stated at cost, less accumulated depreciation and amortization, is as follows:

(In thousands)	1997	1996

Furniture and fixtures	\$ 17,496	16,023
Computer and communications equipment	41,898	33,384
Marketing equipment	1,222	1,222
Leasehold improvements	10,803	8,630
Capital lease equipment	673	600
Land, buildings, and improvements	29,669	29,593
	-----	-----
	101,761	89,452
Less accumulated depreciation and amortization	36,037	29,405
	-----	-----
Total property and equipment, net	\$ 65,724	60,047
	=====	=====

5 Indebtedness

The Company has a loan agreement with two banks that provides for a long-term revolving line of credit for working capital purposes. The long-term revolving line of credit is unsecured and requires monthly payments of interest only. Interest is payable at the Company's option at a rate based on prime (8.5% at January 3, 1998) or LIBOR plus 1.75% (7.72% at January 3, 1998). The interest rate may be reduced by up to .5% if certain net worth ratios are maintained. At January 3, 1998, the Company had no outstanding borrowings under this agreement and had \$18,000,000 available for working capital purposes. The agreement contains certain net worth, current ratio, and fixed charge coverage covenants and provides certain restrictions on the Company's ability to borrow, incur liens, sell assets, and pay dividends. A commitment fee of 3/16% is payable quarterly on the unused portion of the revolving line of credit.

The Company has \$30,000,000 of Senior Notes. The Senior Notes are payable in five equal annual installments beginning in August 2000. Interest is payable on February 1 and August 1 at a rate of 8.3%. The note agreement contains certain net worth, current ratio, and fixed charge coverage covenants and provides certain restrictions on the Company's ability to borrow, incur liens, sell assets, and pay dividends.

The Company also has an obligation under a capital lease agreement, which is secured by the related equipment, for \$61,000 (\$104,000 at December 28, 1996) with interest at 8.5%, payable in monthly installments through September 1999.

The fair value of the Company's Senior Notes is estimated to be \$30,960,000 based on the quoted market prices for similar issues offered to the Company for debt of the same remaining maturities.

6 Interest Income and Expense

A summary of interest income and expense is as follows:

(In thousands)	1997	1996	1995
	-----	-----	-----
Interest income	\$ 4,755	4,839	2,380
Interest expense	(2,441)	(2,538)	(2,425)
	-----	-----	-----
Interest income (expense), net	\$ 2,314	2,301	(45)
	=====	=====	=====

7 Stock Options

At January 3, 1998, the Company had four fixed stock option plans. Under Stock Option Plan B, the Company could grant to associates options to purchase up to 5,600,000 shares of common stock through November 30, 1993. The options are exercisable at the fair market value on the date of grant for a period determined by the Board of Directors (not more than ten years from the date granted). The options contain restrictions as to transferability and exercisability after termination of

employment.

Under Stock Option Plan C, the Company may grant to associates options to purchase up to 95,000 shares of common stock through May 18, 2003. The options are exercisable at the fair market value on the date of grant for a period determined by the Board of Directors (not more than ten years from the date granted). The options contain restrictions as to transferability and exercisability after termination of employment. The Company has committed not to issue any more stock options under Stock Option Plan C.

Under Stock Option Plan D, the Company may grant to associates, directors, consultants, or advisors to the Company options to purchase up to 2,600,000 shares of common stock through January 1, 2000. The options are exercisable at a price and during a period determined by the Stock Option Committee. Options under this plan currently vest over periods of up to ten years and are exercisable for periods up to 25 years.

Under Stock Option Plan E, the Company may grant to associates who are not officers subject to the provisions of Section 16(a) of the Securities and Exchange Act of 1934, consultants, or advisors to the Company options to purchase up to 2,000,000 shares of common stock through January 1, 2005. The options are exercisable at a price and during a period determined by the Stock Option Committee. Options under this plan currently vest over periods of up to ten years and are exercisable for periods of up to 25 years.

The Company has also granted 120,362 other non-qualified stock options under separate agreements to certain third parties. These options are exercisable at a price equal to or greater than the fair market value on the date of grant. These options vest over periods of up to six years and are exercisable for periods of up to eight years.

The Company accounts for stock options in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. On December 31, 1995, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123), which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, FAS 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net earnings and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in FAS 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of FAS 123.

A combined summary of the status of the Company's four fixed stock option plans and other stock options at the end of 1997, 1996, and 1995, and changes during these years ended is presented below:

Fixed Options	Number of shares	average exercise price	Number of shares	average exercise price	Number of shares	average exercise price
Outstanding at beginning of year	3,196,072	\$ 16.50	2,730,786	\$ 15.95	2,369,286	\$ 4.26
Granted	1,592,363	18.22	941,130	15.97	1,198,616	28.00
Exercised	(310,531)	3.12	(401,754)	2.02	(776,916)	1.98
Forfeited	(298,646)	17.50	(74,090)	12.52	(60,200)	2.70
Outstanding at end of year	4,179,258	\$ 17.74	3,196,072	\$ 16.50	2,730,786	\$ 15.95
Options exercisable at year-end	876,376		838,143		909,178	

The following table summarizes information about fixed and other stock options outstanding at January 3, 1998.

Options outstanding				Options exercisable	
Range of Exercise Prices	Number Outstanding at 01/03/98	Weighted- average Remaining contractual life	Weighted- average exercise price	Number exercisable at 01/03/98	Weighted-average exercise price
\$ 1.25-10.69	377,125	2.3 years	\$ 1.79	366,725	\$ 1.74
11.13-15.00	1,860,462	21.7	14.55	202,825	13.68
15.25-23.00	992,180	20.3	19.63	162,100	19.00
23.19-31.00	949,491	21.4	28.34	144,726	28.62
\$ 1.25-31.00	4,179,258	19.6	\$ 17.74	876,376	\$ 12.14

The per share weighted-average fair value of stock options granted during 1997, 1996 and 1995 was \$10.99, \$7.89 and \$17.75, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions:

	1997	1996	1995
Expected years until exercise	8	8	8
Risk-free interest rate	6.2%	6.3%	6.3%
Expected stock volatility	56.9%	49.2%	49.2%
Expected dividend yield	0%	0%	0%

Since the Company applies APB Opinion No. 25 in accounting for its plans, no compensation cost has been recognized for its stock options issued to employees in the financial statements. Had the Company recorded compensation expense based on the fair value at the grant date for its stock options under FAS 123, the Company's net earnings and earnings per share on a diluted basis would have been reduced by approximately \$3,965,000 or \$.12 per share in 1997, approximately \$3,023,000 or \$.09 per share in 1996 and approximately \$1,187,000 or \$.04 per share in 1995.

Pro forma net earnings reflects only options granted since January 1, 1995. Therefore, the full impact of calculating compensation expense for stock options under FAS 123 is not

reflected in the pro forma net earnings amounts presented above, because compensation cost is reflected over the options' vesting period of ten years for these options. Compensation expense for options granted prior to January 1, 1995 is not considered.

8 Income Taxes

Income taxes for the years ended 1997, 1996, and 1995, consist of the following:

(In thousands)	1997	1996	1995
	-----	-----	-----
Current:			
Federal	\$ 916	1,403	6,272
State	80	136	798
Foreign	94	218	(167)
	-----	-----	-----
Total current	1,090	1,757	6,903
	-----	-----	-----
Deferred:			
Federal	7,338	2,553	6,850
State	908	341	946
	-----	-----	-----
Total deferred	8,246	2,894	7,796
	-----	-----	-----
Total income tax expense	\$ 9,336	4,651	14,699
	=====	=====	=====

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of deferred income taxes at the end of 1997 and 1996 relate to the following:

	1997	1996
	-----	-----
(In thousands)		
Deferred tax assets		
Accrued expenses	\$ 2,028	1,649
Separate return net operating losses	1,577	1,200
Other	2,190	37
	-----	-----
Total deferred tax assets	5,795	2,886
	-----	-----
Deferred tax liabilities		
Software development costs	(15,205)	(11,245)
Contract and service revenue and costs	(23,316)	(16,205)
Depreciation and amortization	(1,577)	(1,208)
Other	(403)	(688)
	-----	-----
Total deferred tax liabilities	(40,501)	(29,346)
	-----	-----
Net deferred tax liability	\$ (34,706)	(26,460)
	=====	=====

The effective income tax rates for 1997, 1996, and 1995 were 38%, 36%, and 39%, respectively. These effective rates differ from

the federal statutory rate of 35% as follows:

	1997	1996	1995
	-----	-----	-----
	(In thousands)		
Tax expense at statutory rates	\$ 8,569	4,516	13,027
State income tax, net of federal benefit	632	310	1,352
Other, net	135	(175)	320
	-----	-----	-----
Total income tax expense	\$ 9,336	4,651	14,699
	=====	=====	=====

Income taxes payable are reduced by the tax benefit resulting from disqualifying dispositions of stock acquired under the Company's stock option plans. The 1997, 1996, and 1995 benefits of \$521,000, \$260,000, and \$3,325,000, respectively, are treated as increases to additional paid-in capital.

9 Associate Stock Purchase Retirement Plan

The Cerner Corporation Associate Stock Purchase Retirement Plan (the Plan) is established under Section 401(k) of the Internal Revenue Code. All full-time associates are eligible to participate. Participants may elect to make pretax contributions from 1% to 15% of compensation to the Plan, subject to annual limitations determined by the Internal Revenue Service. Participants may direct contributions into mutual funds, a money market fund, or a Company stock fund. The Company makes matching contributions to the Plan, on behalf of participants, in an amount equal to 20% of the participant's contribution, limited to a maximum of \$600 per participant. The Company's expense for the plan amounted to \$761,000, \$560,000, and \$431,000 for 1997, 1996, and 1995, respectively.

10 Commitments

The Company is committed under operating leases for office space through December 2003. Rent expense for office and warehouse space for the Company's regional and international offices for 1997, 1996, and 1995 was \$1,759,000, \$1,580,000, and \$1,192,000, respectively. Lease expense for computer equipment was \$0, \$27,000, and \$68,000 in 1997, 1996, and 1995, respectively. Aggregate minimum future payments (in thousands) under these noncancelable leases are as follows:

Years	

1998	\$ 1,768
1999	1,067
2000	581
2001	264
2002	264
2003	66

11 Real Estate Lease Revenue

The Company leases space to unrelated parties in its Kansas City headquarters complex under noncancelable operating leases. Included in other revenues is rental income of \$1,694,000, \$2,383,000, and \$2,577,000 in 1997, 1996, and 1995, respectively. Future minimum lease revenues (in thousands) under these noncancelable operating leases expiring through 2001 are as follows:

Years	

1998	\$ 1,549
1999	1,326
2000	1,092
2001	817

12 Stockholders' Equity

At the end of 1997 and 1996, the Company had 1,000,000 shares of authorized but unissued preferred stock, \$.01 par value.

13 Quarterly Results (unaudited)

Selected quarterly financial data for 1997 and 1996 is set forth below:

	Revenues	Earnings before income taxes	Net earnings	Basic earnings per share	Diluted earnings per share
	-----	-----	-----	-----	-----
(In thousands, except per share data)					
1997 quarterly results:					
March 29	\$ 51,129	3,123	1,936	.06	.06
June 28	63,320	5,478	3,324	.10	.10
September 27	60,777	7,203	4,445	.13	.13
January 3	69,831	8,680	5,443	.17	.16

Total	\$ 245,057	24,484	15,148	.46	.45
	=====	=====	=====	=====	=====
1996 quarterly results:					
March 30	\$ 52,582	6,956	4,222	.13	.13
June 29	46,709	2,828	1,689	.05	.05
September 28	43,401	914	770	.02	.02
December 28	46,415	2,204	1,570	.05	.05

Total	\$ 189,107	12,902	8,251	.25	.25
	=====	=====	=====	=====	=====

In the fourth quarter of 1997, the Company retroactively adopted FAS No.128, "Earnings per Share". Previously reported earnings

per share has been computed based upon the new accounting standard.

Schedule II

Cerner Corporation Valuation and Qualifying Accounts

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period

For Year Ended December 28, 1996				
Doubtful Accounts	\$ 1,109,018	\$ 11,982	\$ 0	\$ 1,121,000
Sales Allowances	\$ 0	\$ 0	\$ 0	\$ 0

Description	Balance at Beginning of Period	Additions Charged to Costs and Expense	Deductions	Balance at End of Period

For Year Ended January 3, 1998				
Doubtful Accounts	\$ 1,121,000	\$ 369,000	\$ 0	\$ 1,490,000
Sales Allowances	\$ 0	\$ 0	\$ 0	\$ 0

Independent Auditors' Report on Financial Statement Schedule

The Board of Directors
Cerner Corporation:

Under date of February 6, 1998, we reported on the consolidated balance sheets of Cerner Corporation and subsidiaries as of January 3, 1998 and December 28, 1996 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended January 3, 1998. These consolidated financial statements and our report thereon are included in the Company's annual report on Form 10-K for the year 1997. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed under item 14(a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, this financial statement schedule, when

considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG Peat Marwick LLP

Kansas City, Missouri
February 6, 1998

CERNER CORPORATION
NONQUALIFIED STOCK OPTION PLAN D
AS AMENDED THROUGH ON MARCH 23, 1998

1. Purpose of Plan. The purpose of the Plan is to encourage the employees and directors of Cerner Corporation (the "Company") and its subsidiaries and consultants and advisors to the Company and its subsidiaries to participate in the ownership of the Company, and to provide additional incentive for such persons to promote the success of its business through sharing in the future growth of such business.

2. Effectiveness of Plan. The provisions of this Plan shall become effective on the date the Plan is adopted by the Board of Directors of the Company (the "Board of Directors"), and shall govern all options granted hereunder. Nothing in this Plan shall be construed as a modification of any provision of the Cerner Corporation Incentive Stock Option Plan A, the Cerner Corporation Incentive Stock Option Plan B or the Cerner Corporation Incentive Stock Option Plan C.

3. Administration. This Plan shall be administered by a committee of the Board of Directors consisting of not less than two nor more than five members of the Board of Directors (the "Committee") appointed by the members of the Board of Directors. Subject to the terms, provisions and conditions of the Plan, the Committee shall have exclusive authority (i) to select the persons to whom options shall be granted, (ii) to determine the number of shares subject to each option, (iii) to determine the time or times when options will be granted, (iv) to determine the option price of the shares subject to each option, (v) to determine the time when each option may be exercised, (vi) to fix such other provisions of each option agreement as the Committee may deem necessary or desirable, consistent with the terms of this Plan, and (vii) to determine all other questions relating to the administration of this Plan; provided however, that any grant of an option to one individual in excess of 100,000 shares shall required approval of the Board of Directors.

4. Eligibility. Options to purchase shares of common stock of the Company ("Cerner Common Stock") shall be granted under this Plan only to directors and employees of the Company or of any of its subsidiaries and to advisors and consultants to the Company and any of its subsidiaries.

5. Shares Subject to the Plan. Options granted under this Plan shall be granted solely with respect to shares of Cerner Common Stock. Subject to any adjustments made pursuant to the provisions of paragraph 10, the aggregate number of shares of Cerner Common Stock which may be issued upon exercise of all the options which may be granted under this Plan shall not exceed 1,300,000. If any option granted under this Plan shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject to such option shall be added to the number of shares otherwise available for options which may be granted in accordance with the terms of this Plan. The shares to be delivered upon exercise of the options granted under this Plan shall be made available, at the discretion of the Committee, from either the authorized but unissued shares of Cerner Common Stock or any treasury shares of Cerner Common Stock held by the Company.

6. Option Agreement. Each option granted under this Plan shall be evidenced by a nonqualified stock option agreement, which shall be signed by an officer of the Company and by the employee

to whom the option is granted (the "optionee"). The terms of said nonqualified stock option agreement shall be in accordance with the provisions of this Plan, but it may include such other provisions as may be approved by the Committee. The granting of an option under this Plan shall be deemed to occur on the date on which the nonqualified stock option agreement evidencing such option is executed by the Company and the optionee. Each nonqualified stock option agreement shall constitute a binding contract between the Company and the optionee, and every optionee, upon the execution of a nonqualified stock option agreement, shall be bound by the terms and restrictions of this Plan and such nonqualified stock option agreement.

7. Option Price. The price at which shares of Cerner Common Stock may be purchased under an option granted pursuant to this Plan shall be determined by the Committee.

8. Period and Exercise of Option.

(a) Period--The period during which each option granted under this Plan may be exercised shall be fixed by the Committee at the time such option is granted.

(b) Exercise--Any option granted under this Plan may be exercised by the optionee (or such other person as the Committee may determine), subject to designation by the Committee in the stock option agreement, only by (i) delivering to the Company written notice of the number of shares with respect to which he is exercising his option right, (ii) paying in full the option price of the purchased shares in cash or (iii) by delivery to the Company of that number of shares of Cerner Common Stock having a fair market value on the date of exercise equal to the sum of the exercise price of the options to be exercised or (iv) surrendering on the date of exercise that number of options which, when multiplied by the excess of the fair market value of the stock which is subject to the surrendered options on the date of exercise over the exercise price for said options, results in a product that is equal to the sum of the exercise price of the remaining options being exercised. Subject to the limitations of this Plan and the terms and conditions of the respective stock option agreement, each option granted under this Plan shall be exercisable in whole or in part at such time or times as the Committee may specify in such stock option agreement.

(c) Delivery of certificates--As soon as practicable after receipt by the Company of the notice described in subsection (b), and of payment in full of the option price for all of the shares being purchased pursuant to an option granted under this Plan, a certificate or certificates representing such shares of stock shall be registered in the name of the optionee and shall be delivered to the optionee. However, no certificate for fractional shares of stock shall be issued by the Company notwithstanding any request therefor. Neither any optionee, nor the legal representative, legatee or distributee of any optionee, shall be deemed to be a holder of any shares of stock subject to an option granted under this Plan unless and until the certificate or certificates for such shares have been issued.

(d) Limitations on exercise--The Committee may impose such limitations on the exercise of any specific nonqualified stock option agreement as it deems appropriate.

9. Nontransferability of Options. No option granted under this Plan shall be transferable or assignable by the optionee, other than by will or by the laws of descent and distribution.

10. Adjustments Upon Changes in Capitalization. In the event of any change in the capital structure of the Company, including but

not limited to a change resulting from a stock dividend, stock split, reorganization, merger, consolidation, liquidation or any combination or exchange of shares, the number of shares of Cerner Common Stock subject to this Plan and the number of such shares subject to each option granted hereunder shall be correspondingly adjusted by the Committee. The option price for which shares of Cerner Common Stock may be purchased pursuant to an option granted under this Plan shall also be adjusted so that there will be no change in the aggregate purchase price payable upon the exercise of any option.

11. Amendment and Termination of Plan. No option shall be granted pursuant to this Plan after January 1, 2005, on which date this Plan will expire except as to options then outstanding, which options shall remain in effect until they have been exercised or have expired. The Committee may at any time before such date amend, modify or terminate the Plan; provided, however, that the Committee may not, without approval of the Shareholders of the Company (i) increase the maximum number of shares of Cerner Common Stock as to which options may be granted pursuant to the Plan, (ii) alter the eligibility requirements for optionees under the Plan or (iii) extend the duration of the Nonqualified Plan. No amendment, modification or termination of this Plan may adversely affect the rights of any optionee under any then outstanding option granted hereunder without the consent of such optionee.

12. Governing Law. This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Missouri.

CERNER CORPORATION
STOCK OPTION PLAN E
(May 14, 1996)

1. Purpose of Plan. The purpose of the Plan is to encourage the employees (other than officers who are at the time of grant subject to the provisions of Section 16(a) of the Securities and Exchange Act of 1934) of, and consultants and advisors to, Cerner Corporation (the "Company") and its subsidiaries to participate in the ownership of the Company, and to provide additional incentive for such persons to promote the success of its business through sharing in the future growth of such business.

2. Effectiveness of Plan. The provisions of this Plan shall become effective on the date the Plan is adopted by the Board of Directors of the Company (the "Board of Directors"), and shall govern all options granted hereunder.

3. Administration. This Plan shall be administered by a committee of the Board of Directors consisting of not less than two nor more than five members of the Board of Directors (the "Committee") appointed by the members of the Board of Directors. The Committee shall have full power and authority to construe, interpret and administer the Plan, and may from time to time adopt such rules and regulations for carrying out this Plan as it may deem proper and in the best interests of the Company. Subject to the terms, provisions and conditions of the Plan, the Committee shall have exclusive authority (i) to select the persons to whom options shall be granted, (ii) to determine the number of shares subject to each option, (iii) to determine the time or times when options will be granted, (iv) to determine the option price of the shares subject to each option, (v) to determine the time when each option may be exercised, (vi) to fix such other provisions of each option agreement as the Committee may deem necessary or desirable, consistent with the terms of this Plan, and (vii) to determine all other questions relating to the administration of this Plan.

4. Eligibility. Options to purchase shares of common stock of the Company ("Cerner Common Stock") shall be granted under this Plan only to employees of the Company or of any of its subsidiaries who are not officers subject to the provisions of Section 16(a) of the Securities and Exchange Act of 1934 at the time of grant and consultants and advisors to the Company.

5. Shares Subject to the Plan. Options granted under this Plan shall be granted solely with respect to shares of Cerner Common Stock. Subject to any adjustments made pursuant to the provisions of paragraph 10, the aggregate number of shares of Cerner Common Stock which may be issued upon exercise of all the options which may be granted under this Plan shall not exceed 2,000,000. If any option granted under this Plan shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject to such option shall be added to the number of shares otherwise available for options which may be granted in accordance with the terms of this Plan. The shares to be delivered upon exercise of the options granted under this Plan shall be made available, at the discretion of the Committee, from either the authorized but unissued shares of Cerner Common Stock or any treasury shares of Cerner Common Stock held by the Company.

6. Option Agreement. Each option granted under this Plan shall be evidenced by a stock option agreement, which shall be signed by an officer of the Company and by the optionee to whom the

option is granted (the "optionee"). The terms of said stock option agreement shall be in accordance with the provisions of this Plan, but it may include such other provisions as may be approved by the Committee. The granting of an option under this Plan shall be deemed to occur on the date on which the stock option agreement evidencing such option is executed by the Company and the optionee. Each stock option agreement shall constitute a binding contract between the Company and the optionee, and every optionee, upon the execution of a stock option agreement, shall be bound by the terms and restrictions of this Plan and such stock option agreement.

7. Option Price. The price at which shares of Cerner Common Stock may be purchased under an option granted pursuant to this Plan shall be determined by the Committee.

8. Period and Exercise of Option.

(a) Period--The period during which each option granted under this Plan may be exercised shall be fixed by the Committee at the time such option is granted.

(b) Exercise--Any option granted under this Plan may be exercised by the optionee (or such other person as the Committee may determine), subject to designation by the Committee in the stock option agreement, only by (i) delivering to the Company written notice of the number of shares with respect to which he is exercising his option right, (ii) paying in full the option price of the purchased shares in cash or (iii) by delivery to the Company of that number of shares of Cerner Common Stock having a fair market value on the date of exercise equal to the sum of the exercise price of the options to be exercised or (iv) surrendering on the date of exercise that number of options which, when multiplied by the excess of the fair market value of the stock which is subject to the surrendered options on the date of exercise over the exercise price for said options, results in a product that is equal to the sum of the exercise price of the remaining options being exercised. Subject to the limitations of this Plan and the terms and conditions of the respective stock option agreement, each option granted under this Plan shall be exercisable in whole or in part at such time or times as the Committee may specify in such stock option agreement.

(c) Delivery of certificates--As soon as practicable after receipt by the Company of the notice described in subsection (b), and of payment in full of the option price for all of the shares being purchased pursuant to an option granted under this Plan, a certificate or certificates representing such shares of stock shall be registered in the name of the optionee and shall be delivered to the optionee. However, no certificate for fractional shares of stock shall be issued by the Company notwithstanding any request therefor. Neither any optionee, nor the legal representative, legatee or distributee of any optionee, shall be deemed to be a holder of any shares of stock subject to an option granted under this Plan unless and until the certificate or certificates for such shares have been issued.

(d) The Committee shall determine the amount necessary to satisfy and Federal, state and local withholding obligation due on the exercise of all or any part of the options granted hereunder, but in no event shall such amount exceed the amount determined by application of the maximum marginal tax rate in effect under applicable Federal, state and local law. In lieu of providing to the Company cash to satisfy such withholding, the Committee may instruct the Company to withhold said amount from the optionee's compensation or may allow the optionee to elect to satisfy such withholding by directing the Company to retain a number of shares of Cerner Common Stock from the shares of Cerner

Common Stock being purchased pursuant to such exercise having a fair market value at the time of exercise equal to the amount to be withheld.

(e) Limitations on exercise--The Committee may impose such limitations on the exercise of any specific stock option agreement as it deems appropriate.

9. Nontransferability of Options. No option granted under this Plan shall be transferable or assignable by the optionee.

10. Adjustments Upon Changes in Capitalization. In the event of any change in the capital structure of the Company, including but not limited to a change resulting from a stock dividend, stock split, reorganization, merger, consolidation, liquidation or any combination or exchange of shares, the number of shares of Cerner Common Stock subject to this Plan and the number of such shares subject to each option granted hereunder shall be correspondingly adjusted by the Committee. The option price for which shares of Cerner Common Stock may be purchased pursuant to an option granted under this Plan shall also be adjusted so that there will be no change in the aggregate purchase price payable upon the exercise of any option.

11. Amendment and Termination of Plan. No option shall be granted pursuant to this Plan after January 1, 2005, on which date this Plan will expire except as to options then outstanding, which options shall remain in effect until they have been exercised or have expired. The Board of Directors may at any time before such date amend, modify or terminate the Plan.

12. Governing Law. This Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Missouri.

AGREEMENT FOR CERNER CORPORATION
CONSULTING SERVICES

CONSULTANT NAME: Gerald E. Bisbee, Ph.D.
110 Wellseley Drive
New Canaan, CT 06840
SSN 471-46-1639

(herein referred to as "Consultant") agrees to provide Cerner Corporation (hereinafter referred to as "Cerner") the consulting services as specified in Exhibit A in accordance with the terms and conditions contained in this Agreement.

1. TERM. The Consultant shall coordinate work efforts and maintain a liaison with the Cerner Monitor named in Exhibit A, or with a duly appointed representative. Unless terminated in accordance with provisions of Article 9 hereof, these services shall be performed during the period shown in Exhibit A, or up to the completion of the project as defined in Exhibit A. At its option, Cerner may extend the term.
2. PAYMENT FOR SERVICES RENDERED. For providing services as defined herein, Cerner shall pay the Consultant in accordance with the schedule specified in Exhibit A. In no event shall Cerner be obligated to pay Consultant for services and travel and related expenses in excess of the authorized Ceiling Dollar Amount specified in Exhibit A.
3. CONSULTANT'S WARRANTIES. The Consultant hereby warrants that no other party has exclusive rights to services in the specific areas described herein and that Consultant is in no way compromising any rights or trust relationships between any other party and Consultant, or creating a conflict of interest, or any possibility thereof, for Consultant or for Cerner. The Consultant further warrants that all services provided hereunder will be performed in accordance with all applicable Federal, State, or local laws and executive orders. Consultant agrees to indemnify and hold Cerner harmless from any and all claims of other parties for breach of these warranties.
4. INDEMNITY AND INSURANCE. The Consultant shall indemnify and hold Cerner harmless from any liability for injury or damage caused by the Consultant to persons or property during the performance of this Agreement. Neither the existence of nor the assent of Cerner to the types of limits of insurance carried by the Consultant shall be deemed a waiver or release of the Consultant's liability or responsibility under this Agreement. Consultant shall carry the following minimum insurance coverage in a form acceptable to Cerner during the term of this Agreement: Comprehensive Automobile Liability Insurance with coverage limits of

\$500,000 per occurrence for any and all injury, death or property damage.

5. NATURE OF RELATIONSHIP. Consultant herein is an independent contractor and will not act as a Cerner agent nor shall be deemed an employee of Cerner for the purposes of any employee benefit programs. The Consultant shall not enter into any agreement or incur any obligations on Cerner's behalf, or commit Cerner in any manner without Cerner's prior written consent. As an independent contractor, the Consultant understands and agrees that Consultant is solely responsible for the control and supervision of the means by which the project defined in Exhibit A is completed. Such means, by which the project's goal is accomplished, are subject to the Consultant's discretion, which discretion must be exercised consistent with the goal of completing the project on schedule and in accordance with the terms of this Agreement. The Consultant also understands that no training is required, nor will any training be provided by Cerner. Any supplies, which in the opinion of the Consultant may be necessary to perform the services required, shall be the responsibility of Consultant, except as noted in the Additional Provisions section of Exhibit A.
6. INVENTIONS, PATENTS, AND TECHNOLOGY. Consultant shall promptly and fully disclose to Cerner any and all inventions, improvements, discoveries, or any intellectual property conceived, developed, or reduced to practice by Consultant in connection with, or as a result of, consulting services performed for Cerner and shall treat all such information as if it were proprietary information furnished to Consultant by Cerner. Consultant agrees to assign, and does hereby assign, to Cerner and its heirs, successors and assigns, without further consideration, the entire right, title and interest, or such lesser interest as Cerner may in any particular case choose to accept, in and to each of the inventions, improvements, discoveries, or ideas set forth above, whether or not patentable or copyrightable. Consultant further agrees to execute all applications for patents and/or copyrights, domestic and foreign, assignments and other papers necessary to secure and enforce rights related to any and all of the inventions, improvements, discoveries, or ideas as set forth above assignable to Cerner.
7. SAFEGUARDING CERNER TRADE SECRETS AND DATA. Consultant agrees that Consultant shall not divulge to anyone, either during the term of this Agreement or at any time thereafter, any of Cerner's trade secrets or other proprietary data or information of any kind whatsoever acquired by Consultant (including but not limited to Cerner's source codes, if Consultant receives access to same) in carrying out the terms of this Agreement. Consultant further agrees that, upon completion or termination of this Agreement, Consultant will turn over to

Cerner (or make such disposition thereof as may be directed or approved by Cerner) any notebook, data, information or other material acquired or compiled by Consultant in carrying out the terms of this Agreement.

8. MISCELLANEOUS. a) Waivers - No failure on the part of either party to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right or remedy granted hereby or by any related document or by law.

b) Governing Law - This Agreement shall be deemed to be a contract made under the law of the State of Missouri and for all purposes it, plus any related or supplemental documents and notices, shall be construed in accordance with and governed by the law of such state.

c) Amendments - This Agreement may not be and shall not be deemed or construed to have been modified, amended, rescinded, canceled or waived in whole or in part, except by written instruments signed by the parties hereto.

d) Entire Agreement - This Agreement, including Exhibit A attached hereto and made a part hereof, constitutes and expresses the entire agreement and understanding between the parties. All previous discussions, promises, representations and understandings between the parties relative to this Agreement, if any, have been merged into this document.

9. TERMINATION. Without limiting any rights which Cerner may have for reason of any default by Consultant, Cerner reserves the right to terminate this Agreement in whole or in part at its convenience by written notice. Such termination shall be effective in the manner and upon the date specified in said notice and shall be without prejudice to any claims which Cerner may have against Consultant. Aside from any continuing work, Cerner's sole obligation in the event of such termination shall be to reimburse Consultant for services actually performed by Consultant up to the effective date of such termination.

Termination shall not relieve Consultant of continuing obligations under this Agreement, particularly the requirements of Articles 6 and 7 above.

10. INVOICING AND PAYMENT. Consultant shall use a Cerner time sheet form to keep track of hours worked, and Consultant shall also submit invoices to the Cerner Monitor based on the payment schedule in Exhibit A. Invoices shall reference this Agreement number and the time period of authorized performance involved and shall have attached thereto receipts for all travel expenses claimed by Consultant and authorized in advance by Cerner. Provided that

such travel has been authorized in advance by Cerner in Exhibit A, Cerner will reimburse Consultant for reasonable travel and related expenses incurred by Consultant away from Consultant's home in connection with the services defined in Exhibit A. Invoices submitted by the Consultant must be approved by the Cerner Monitor or his/her appointed representative.

11. CONFLICT OF INTEREST. Consultant agrees that Consultant will not, while performing under this Agreement create a conflict of interest which may prove to be detrimental to the interests of Cerner. The responsibility to notify Cerner of any potential conflict of interest rests with the Consultant. Cerner agrees to promptly evaluate and notify the Consultant of its decision.
12. SUBCONTRACTING AND ASSIGNMENTS. It is understood and agreed that this Agreement is for the rendering of consulting services by Consultant who is acting as an independent contractor. Consultant may not subcontract any part or all of the services to be provided without the prior written consent of Cerner (which Cerner is under no obligation to give); however, Consultant may, at own expense, use assistants to accomplish the services required by this Agreement. Consultant shall cause all such assistants to be bound by the confidentiality obligations set out elsewhere herein.
13. DISCLOSURE. Consultant acknowledges and agrees that it may be necessary for Cerner to disclose the fact of the Consultant's retention, the duties performed and the compensation paid, should there be proper inquiry from such a source as an authorized U.S. Government agency or should Cerner believe it has a legal obligation to disclose such information, and Consultant hereby authorize any such disclosures.
14. ACCESSING CERNER CLIENT ENVIRONMENTS. During the course of Consultant's work, it may become necessary for Consultant to access one or more Cerner client environments. Consultant acknowledges that Cerner client environments contain both proprietary and private information. Consultant further acknowledges that access to these environments is governed by Cerner policy, client policy and, in some cases, State, Federal or International law. Consultant agrees to strictly follow all Cerner client access practices for both on-site and remote access. By accessing client sites, Consultant acknowledges that Consultant will follow and be bound by each client's individual access policy. Some access of client environments requires the use of certain third-party software products. If the use of such third-party products is required, Consultant agrees to purchase the appropriate licenses for use of the products.
15. ACCESSING CERNER'S INTERNAL NETWORK. As a part of servicing a client, it may become necessary for Consultant to access Cerner's internal network. Consultant agrees to abide by Cerner's internal network policy as outlined in exhibit B.

CONSULTANT HAS READ THIS AGREEMENT, AND ACKNOWLEDGES
THAT IT UNDERSTANDS THIS AGREEMENT AND IS BOUND
THEREBY.

CONSULTANT

CERNER CORPORATION

BY: /s/Gerald E. Bisbee, Jr.

BY: /s/Clifford W. Illig

TITLE: President, The Bisbee Group

TITLE: President and Chief Operating Officer

DATE: 1/12/98

DATE: 1/12/98

SOCIAL SECURITY NO. 471-46-1639

CERNER AUTHORIZATION

BY

TITLE

DATE

CERNER EXECUTIVE

BY

TITLE

DATE

EXHIBIT A
AGREEMENT FOR CONSULTING SERVICES

CONSULTANT NAME: Gerald E. Bisbee, Ph.D.

CONSULTANT ADDRESS: 110 Wellseley Drive
New Canaan, CT 06840
SSN 471-46-1639

CERNER MONITOR: Clifford W. Illig

TERM OF AGREEMENT:

I. SERVICES TO BE RENDERED:

II. COMPENSATION AND PAYMENT SCHEDULE

A. COMPENSATION FOR CONSULTING SERVICES:

\$1,200 a day plus normal business expenses

B. TRAVEL AND RELATED EXPENSES:

Consultant will be reimbursed for all travel expenses including airfare, hotel and car rental or mileage on personal car use. Reimbursement includes standard per diem. All arrangements must be made through Executive Travel using Cerner approved accommodations. Ceiling travel expenses: \$100,000

III. CEILING DOLLAR AMOUNT

In no event shall Cerner be obligated to pay Consultant for services and travel and related expenses in excess of the authorized Ceiling Dollar amount of \$100,000

IV. ADDITIONAL TERMS AND CONDITIONS

EXHIBIT B

Cerner's Network "Rules of the Road":

Rule 1 The confidentiality of Usernames and Passwords is the front line defense against unauthorized access to Cerner's intellectual assets. They must be kept confidential and changed on a periodic basis to be effective.

Rule 2 Password guidelines:

Desktop PC's should not utilize any start-up password protection, including ROM based startup passwords. Notebook PC's should use start-up passwords to discourage theft. Screen-saver passwords are acceptable, and encouraged, to promote confidentiality.

Rule 3 PC Network login processes, which are used for inventory, software distribution, etc., will be allowed to run to completion.

Rule 4 Do not alter security settings or sign-ons on any server, host or network system.

Rule 5 All files and electronic media accessed on the Cerner's computer resources must be scanned for viruses. This includes files on diskettes, CD-ROM, and files that are downloaded from external sources or services.

Rule 6 All electronic information and products thereof are the property of Cerner. Use of any Cerner system (including, but not limited to VMS hosts, UNIX hosts, the PC network and Cerner's Internet connection) may be monitored at any time, without prior announcement, for the purposes of system management and security auditing. Use of Cerner's computing resources implies knowledge of

these policies and consent with them.

Rule 7 Contact the Help Desk prior to introducing new multi-user or database applications to the production systems so that volume and capacity benchmarking can be performed.

Rule 8 Software cannot be loaded on PC servers, desktop PCs, VMS, and AIX hosts without the consent of the responsible system manager, as referenced on Athena. Contact the Help Desk before loading additional software applications.

Rule 9 Computing and network devices other than those provided by CBS may not be connected to the production data network without consent of Cerner Business Systems. To add devices to the network, contact the Help Desk.

Rule 10 IP addresses cannot be altered without prior approval from the Help Desk.

Rule 11 Do not physically or logically connect Cerner's network to any other public or private network.

Rule 12 The Internet may not be used for client support services or product demonstrations, because of the risks inherent in public networks. This includes, but is not restricted to, using telnet, rlogin, FTP, or any variants of these services over the Internet to access client systems.

Rule 13 Documents that are normally considered confidential will not be sent or posted electronically to destinations outside of Cerner's internal systems. This includes posting on services such as Compuserve and America OnLine, as well as the Internet.

Rule 14 Messages sent or posted from Cerner systems are specifically identified to others as "Cerner" messages. Messages subject to this rule include, but are not limited to, any electronic mail message as well as postings to Internet news groups and bulletin boards. These messages should be treated with the same regard as messages sent on Cerner's letterhead, and should reflect the values and policies of Cerner. As referenced on Athena, business communications sent on Cerner's electronic "stationary" should include an Autosignature.

Rule 15 The use of Exchange Public Folders to store list server messages minimizes the number of duplicate messages sent to Cerner and utilizes Internet bandwidth and disk space more efficiently. To establish a Public Folder, send list server subscription requests to the Help Desk, including interested associates, list name, and business purpose.

MEMORANDUM

FOR Neal L. Patterson

FROM Neal Patterson, Cliff Illig

DATE May 27, 1997

SUBJECT CPP Participation

REQUIRED

ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q2-Q4 of 1997. Details regarding your CPP for Q1 of 1997 can be found in your compensation letter dated February 26, 1997. As a reminder, your annual CPP opportunity is \$225,000.

Effective 4/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - Corporate EPS Growth
- - Long Term EPS Growth

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to Corporate Earnings Per Share (EPS) Growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS Growth	Q1	Q2	Q3	Q4

75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

Long Term EPS Growth is based on growing long term shareholder value. This metric will be phased in over a three year period. For 1997, Long Term EPS Growth targets will be equal to the Corporate EPS targets above. Beginning in January of 1998, Long Term Growth targets will be established and published.

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if

participation is terminated before the end of the quarter,
no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide
with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief
Executive Officer

/s/Clifford W. Illig
Clifford W. Illig
President and Chief
Operating Officer

MEMORANDUM

FOR Cliff Illig

FROM Neal Patterson

DATE May 27, 1997

SUBJECT CPP Participation

REQUIRED

ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q2-Q4 of 1997. Details regarding your CPP for Q1 of 1997 can be found in your compensation letter dated February 26, 1997. As a reminder, your annual CPP opportunity is \$200,000.

Effective 4/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - Corporate EPS Growth
- - Long Term EPS Growth

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to Corporate Earnings Per Share (EPS) Growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

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130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

Long Term EPS Growth is based on growing long term shareholder value. This metric will be phased in over a three year period. For 1997, Long Term EPS Growth targets will be equal to the Corporate EPS targets above. Beginning in January of 1998, Long Term Growth targets will be established and published.

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if

participation is terminated before the end of the quarter,
no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide
with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief Executive Officer

MEMORANDUM

FOR Jeff Reene
 FROM Neal Patterson, Cliff Illig
 DATE May 27, 1997
 SUBJECT CPP Participation
 REQUIRED
 ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q2-Q4 of 1997. Details regarding your CPP for Q1 of 1997 can be found in your compensation letter dated February 26, 1997. As a reminder, your annual Cerner Performance Plan (CPP) opportunity is \$200,000. This annual opportunity will be paid based on your 1997 pro-forma APE of a B+ (100%). As always, in Q4 of 1997, payments made throughout the year will be adjusted by your actual performance rating for 1997, set in late January, 1998.

Effective 4/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - Professional Services Operating Earnings Growth (50%)
- - Accounts Receivable Over 90 Days (30%)
- - Corporate EPS Growth (20%)

Two of these CPP metrics, Professional Services OE Growth and Corporate EPS Growth, carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

The Professional Services Operating Earnings Growth metric has cumulative year-to-date operating earnings targets as follows:

Prof. Services OE Growth	Q1	Q2	Q3	Q4

75% Payout	(\$2,380,000)	(\$4,525,000)	(\$6,057,000)	(\$6,605,000)
100% Payout	(\$1,950,000)	(\$3,550,000)	(\$4,600,000)	(\$5,350,000)
120% Payout	(\$1,600,000)	(\$2,700,000)	(\$3,450,000)	(\$4,000,000)
130% Payout	(\$1,200,000)	(\$2,100,000)	(\$2,600,000)	(\$3,000,000)

The Accounts Receivable Over 90 Days metric has the targets as follows:

A/R Over 90 Days	Q1	Q2	Q3	Q4

100% Payout	\$11,000,000	\$10,500,000	\$10,000,000	\$ 9,500,000

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to corporate Earnings Per Share (EPS) growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS Growth	Q1	Q2	Q3	Q4

75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if participation is terminated before the end of the quarter, no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief
Executive Officer

/s/Clifford W. Illig
Clifford W. Illig
President and Chief
Operating Officer

MEMORANDUM

FOR Jack Newman

FROM Neal Patterson, Cliff Illig

DATE May 27, 1997

SUBJECT CPP Participation

REQUIRED

ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q1-Q4 of 1997. As a reminder, your annual Cerner Performance Plan (CPP) opportunity is \$125,000 (with an additional \$75,000 not tied to metrics). This annual opportunity will be paid based on your 1997 pro-forma APE of a B+ (100%). As always, in Q4 of 1997, payments made throughout the year will be adjusted by your actual performance rating for 1997, set in late January, 1998.

Effective 1/1/97, your 1997 Cerner Performance Plan is comprised of the following metrics:

- - Corporate EPS Growth (65%)
- - NAFTA Bookings (35%)

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to corporate Earnings Per Share (EPS) growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS

Growth	Q1	Q2	Q3	Q4

75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

NAFTA Sales incentives are earned based upon the level of actual attainment, measured in terms of Bookings Margin, against sales plan objectives, which is a percentage called Attainment Percentage. The Bookings Margin is the margin to Cerner for all applications, products and services marketed to a client as a part of an agreement.. See the CPP glossary in Athena for more information

(<http://athena/assoc/compensa/cppframeset.htm>).

Incentives will be paid quarterly based on the North American region's performance against quarterly year-to-date objectives. This quarterly performance is measured by dividing the quarter's year-to-date Bookings Margin attainment by the quarter's year-to-date loyalty sales plan objective, resulting in a percentage called Attainment Percentage. The Attainment Percentage is then multiplied by the incentive amount to determine the incentive earned. Because this is a year-to-date incentive and measurement, year-to-date total incentive earned is measured and prior payments are subtracted to compute the quarterly payment. The NAFTA annual sales objective is \$153,000,000.

Marketing Incentive Example: With \$43,750 on the NAFTA bookings incentive and a \$150,000,000 annual NAFTA sales objective, you would receive the following compensation if the area's total Bookings Margin attainment was \$30,000,000 in Q1, \$45,000,000 in Q2, \$26,000,000 in Q3 and \$64,000,000 in Q4:

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if participation is terminated before the end of the quarter, no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief
Executive Officer

/s/Clifford W. Illig
Clifford W. Illig
President and Chief
Operating Officer

MEMORANDUM

FOR Tom Tinstman
 FROM Neal Patterson, Cliff Illig
 DATE May 27, 1997
 SUBJECT CPP Participation
 REQUIRED
 ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q2-Q4 of 1997. Even though you do not currently have a variable portion to your cash compensation package, utilizing the CPP construct will provide us with one objective piece of data from which to assess your performance during 1997.

Effective 4/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - Health Facts Bookings Growth (65%)
- - Corporate EPS Growth (35%)

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

The Health Facts Bookings Growth metric has cumulative year-to-date targets as follows:

Health Facts Bookings Growth	Q1	Q2	Q3	Q4*

75% Payout	\$ 25,000	\$ 75,000	\$ 250,000	\$1,000,000
100% Payout	\$ 50,000	\$ 100,000	\$ 350,000	\$1,250,000
120% Payout	\$ 75,000	\$ 350,000	\$ 550,000	\$1,500,000
130% Payout	\$ 100,000	\$ 500,000	\$ 850,000	\$1,750,000

* Includes \$400,000 Quorum bookings in Q4.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to corporate Earnings Per Share (EPS) growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS Growth	Q1	Q2	Q3	Q4
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75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

This plan may be modified during the plan year to coincide with corporate objectives.

/s/Neal L. Patterson
 Neal L. Patterson
 Chairman and Chief
 Executive Officer

/s/Clifford W. Illig
 Clifford W. Illig
 President and Chief
 Operating Officer

MEMORANDUM

FOR Alan Dietrich

FROM Neal Patterson, Cliff Illig

DATE May 27, 1997

SUBJECT CPP Participation

REQUIRED

ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q1-Q4 of 1997. As a reminder, your annual Cerner Performance Plan (CPP) opportunity is \$175,000. This annual opportunity will be paid based on your 1997 pro-forma APE of a B+ (100%). As always, in Q4 of 1997, payments made throughout the year will be adjusted by your actual performance rating for 1997, set in late January, 1998.

Effective 1/1/97, your 1997 Cerner Performance Plan is comprised of the following metrics:

- - Corporate EPS Growth (65%)
- - NAFTA Bookings (35%)

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to corporate Earnings Per Share (EPS) growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS

Growth	Q1	Q2	Q3	Q4

75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

NAFTA Sales incentives are earned based upon the level of actual attainment, measured in terms of Bookings Margin, against sales plan objectives, which is a percentage called Attainment Percentage. The Bookings Margin is the margin to Cerner for all applications, products and services marketed to a client as a part of an agreement.. See the CPP glossary in Athena for more information (<http://athena/assoc/compensa/cppframeset.htm>).

Incentives will be paid quarterly based on the North American region's performance against quarterly year-to-date objectives. This quarterly performance is measured by dividing the quarter's year-to-date Bookings Margin attainment by the quarter's year-to-date loyalty sales plan objective, resulting in a percentage called Attainment Percentage. The Attainment Percentage is then multiplied by the incentive amount to determine the incentive earned. Because this is a year-to-date incentive and measurement, year-to-date total incentive earned is measured and prior payments are subtracted to compute the quarterly payment. The NAFTA annual sales objective is \$153,000,000.

Marketing Incentive Example: With \$61,250 on the NAFTA bookings incentive and a \$150,000,000 annual NAFTA sales objective, you would receive the following compensation if the area's total Bookings Margin attainment was \$30,000,000 in Q1, \$45,000,000 in Q2, \$26,000,000 in Q3 and \$64,000,000 in Q4:

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if participation is terminated before the end of the quarter, no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief
Executive Officer

/s/Clifford W. Illig
Clifford W. Illig
President and Chief
Operating Officer

MEMORANDUM

FOR Marc G. Naughton

FROM Neal Patterson, Cliff Illig

DATE May 27, 1997

SUBJECT CPP Participation

REQUIRED

ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q2-Q4 of 1997. Details regarding your CPP for Q1 of 1997 can be found in your compensation letter dated February 26, 1997. As a reminder, your annual CPP opportunity is \$100,000. This annual opportunity will be paid based on your 1997 pro-forma APE of a B+ (100%). As always, in Q4 of 1997, payments made throughout the year will be adjusted by your actual performance rating for 1997, set in late January, 1998.

Effective 4/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - Corporate EPS Growth
- - Long Term EPS Growth

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to Corporate Earnings Per Share (EPS) Growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS

Growth	Q1	Q2	Q3	Q4

75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

Long Term EPS Growth is based on growing long term shareholder value. This metric will be phased in over a three year period. For 1997, Long Term EPS Growth targets will be equal to the Corporate EPS targets above. Beginning in January of 1998, Long Term Growth targets will be established and published.

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if participation is terminated before the end of the quarter, no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief
Executive Officer

/s/Clifford W. Illig
Clifford W. Illig
President and Chief
Operating Officer

MEMORANDUM

FOR Jeff Townsend

FROM Charlie Whitcraft

DATE September 29, 1997

SUBJECT CPP Participation

REQUIRED

ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q3-Q4 of 1997. Details regarding your CPP for Q1 and Q2 of 1997 can be found in your compensation letter dated February 26, 1997. As a reminder, your annual Cerner Performance Plan (CPP) opportunity is \$80,000. This annual opportunity will be paid based on your 1997 pro-forma APE of a B+ (100%). As always, in Q4 of 1997, payments made throughout the year will be adjusted by your actual performance rating for 1997, set in late January, 1998.

Effective 7/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - NAFTA Bookings Growth (50%)
- - Software Delivery "On-Time" for OMF (10%)
- - Software Delivery "On-Time" for OPF/OPI (10%)
- - Corporate EPS Growth (30%)

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

The NAFTA Bookings Growth metric has cumulative year-to-date targets as follows:

NAFTA Bookings Growth (000's)	Q1	Q2	Q3	Q4

75% Payout	34,425	68,850	103,275	137,700
100% Payout				
	38,250	76,500	114,750	153,000
120% Payout	43,988	87,975	131,963	175,950
130% Payout	48,386	96,773	145,159	193,545

Note: Bookings attainment calculations include license software revenues only.

The Software Delivery "On Time" metric has been designed to create a financial measurement that reflects the timeliness of software delivery by product line. These targets are set based on current forecast for the Confirmation of Software Installation revenue milestone. This milestone is recognized when the software has been demonstrated to the

client in their environment and a supporting CSR has been written.

The Software Delivery "on-time" revenue targets will be set quarterly and communicated by Finance at the beginning of each quarter. The targets for Q3 are as follows:

OMF On Time	Q3	Q4

	<C)	
75% Payout	\$ 8,148	tba
100% Payout	\$11,640	tba
120% Payout	\$13,968	tba
130% Payout	\$15,132	tba

OPF/OPI On Time	Q3	Q4

75% Payout	*	tba
100% Payout	*	tba
120% Payout	*	tba
130% Payout	*	tba

* Payout deferred until Q4, since \$0 is currently targeted for these products.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation is tied directly to corporate Earnings Per Share (EPS) growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS Growth	Q1	Q2	Q3	Q4

75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if participation is terminated before the end of the quarter, no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide

with corporate objectives.

Approved

Date:

By:

/s/Charlie Whitcraft

09/29/97

Executive Board

/s/Rene' L. Whitcraft

09/29/97

Plan Administrator-HR

/s/Marc G. Naughton

09/29/97

Plan Administrator-Finance

MEMORANDUM

FOR Steve Goodrich

FROM Neal Patterson, Cliff Illig

DATE May 27, 1997

SUBJECT CPP Participation

REQUIRED

ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q2-Q4 of 1997. Details regarding your CPP for Q1 of 1997 can be found in your compensation letter dated February 26, 1997. As a reminder, your annual Cerner Performance Plan (CPP) opportunity is \$100,000. This annual opportunity will be paid based on your 1997 pro-forma APE of a B+ (100%). As always, in Q4 of 1997, payments made throughout the year will be adjusted by your actual performance rating for 1997, set in late January, 1998.

Effective 4/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - Client Services Operating Earnings Growth (55%)
- - Corporate EPS Growth (45%)

Both of these CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

The Client Services Operating Earnings Growth metric has cumulative year-to-date operating earnings targets as follows:

Client Services OE Growth	Q1	Q2	Q3	Q4

75% Payout 100%	\$ 8,300,000	\$16,600,000	\$25,000,000	\$33,700,000
Payout	\$ 8,642,000	\$17,220,000	\$25,926,000	\$34,902,000
120% Payout	\$ 9,300,000	\$18,600,000	\$28,000,000	\$37,200,000
130% Payout	\$10,000,000	\$20,000,000	\$30,000,000	\$40,000,000

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to corporate Earnings Per Share (EPS) growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS

Growth	Q1	Q2	Q3	Q4

75% Payout	N/A	\$0.15	\$0.28	\$0.42
100% Payout	\$0.06	\$0.16	\$0.32	\$0.50
120% Payout	\$0.08	\$0.20	\$0.39	\$0.60
130% Payout	\$0.10	\$0.24	\$0.46	\$0.70

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if participation is terminated before the end of the quarter, no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief
Executive Officer

/s/Clifford W. Illig
Clifford W. Illig
President and Chief
Operating Officer

MEMORANDUM

FOR Francois W. Sauer, M.D.
FROM Neal Patterson
DATE August 1, 1997
SUBJECT CPP Participation
REQUIRED
ACTION Review Documentation

This memo serves as formal documentation for your Cerner Performance Plan (CPP) for Q4 of 1997. As a reminder, your annual CPP opportunity is \$100,000.

Effective 4/1/97, your 1997 Cerner Performance Plan will be comprised of the following metrics:

- - Corporate EPS Growth
- - International EPS Growth

These CPP metrics carry an opportunity for "over achievement", with the potential to earn up to 130% of the target bonus level when actual attainment surpasses objectives.

Relative to your specific Cerner Performance Plan, in your role as an executive of this company, we feel strongly that a portion of your variable cash compensation be tied directly to Corporate Earnings Per Share (EPS) Growth. The EPS targets that we have established are tied directly to the financial plan for the company, set somewhat higher than current street expectations but squarely reflective of the bookings and spending plans (at control plan level) created by the broad management team. The Corporate EPS Growth metric has cumulative year-to-date targets as follows:

Corporate EPS
Growth

Q4

- - - - -

75%

Payout	\$0.42
100% Payout	\$0.50
120% Payout	\$0.60
130% Payout	\$0.70

The International EPS Growth metric has cumulative year-to-date targets as follows:

International EPS
Growth

Q4

- - - - -

75% Payout \$0.10

100% Payout	\$0.11
120% Payout	\$0.13
130% Payout	\$0.15

Your participation in CPP is terminated immediately in the event of termination of employment. You will be entitled to payment for any earned but not paid amounts. Payments are considered earned only for completed quarters; i.e., if participation is terminated before the end of the quarter, no incentives will be paid for that quarter.

This plan may be modified during the plan year to coincide with corporate objectives.

/s/Neal L. Patterson
Neal L. Patterson
Chairman and Chief Executive Officer

SUBSIDIARIES OF REGISTRANT

Cerner Corporation PTY Limited

Cerner Deutschland GmbH

Cerner FSC, Inc.

Cerner Health Connections, Inc.

Cerner Health Facts, Inc.

Cerner Health Resources, Inc.

Cerner HealthWise, Inc.

Cerner International, Inc.

Cerner Limited

Cerner Performance Logistics, Inc.

Cerner Properties, Inc.

Cerner Singapore Limited

Cerner Malaysia Sdn. Bhd

Cerner Canada Limited

Multum Information Services, Inc.

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Cerner Corporation:

We consent to incorporation by reference in the Registration Statements (No. 33-56868, No. 33-55082, No. 33-41580, No. 33-39777, No. 33-39776, No. 33-20155 and No. 33-15156) on Form S-8 and Registration Statement No. 33-72756 on Form S-3 of Cerner Corporation or our reports dated February 6, 1998, relating to the consolidated balance sheets of Cerner Corporation as of January 3, 1998 and December 28, 1996, and the related consolidated statements of earnings, stockholders' equity and cash flows and related schedule for each of the years in the three-year period ended January 3, 1998, which reports appear herein in the 1997 annual report on Form 10-K of Cerner Corporation.

KPMG Peat Marwick LLP

Kansas City, Missouri
April 2, 1998

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