



\$7B Health Insurer

Senior Executives believe IT is bloated and contributing to higher costs. As it turns out, the company's entire business process portfolio is the culprit. IT can not lead the transformation to a lean and mean organization, however it can support changes required to increase competitiveness.

Situation: A global health insurance organization needed to reduce its IT budget to deliver promised financial targets to the board. The IT organization was perceived as bloated and inefficient. The company began the process by cutting its developer pool of several hundred programmers to save money. A decision was then reached to migrate off their legacy systems and onto a new package to support claims. Several years into the migration, the system was not operational and severely over budget.

Executive's: The entire company was falling behind the competition. While productivity was up, it wasn't maintaining pace with the competition. A new CEO felt he had to completely streamline the company's business processes. The CIO was under fire as IT was believed to be a major culprit, contributing to inefficiencies. Further budget cuts had been mandated by executives on top of two previous years of cost reduction. The executive staff wanted a way to demonstrate to the board the business impact of cuts, and believed business value should be a factor in any cost reduction decisions.

Solution: Software and services were delivered to build an application value portfolio to analyze the reasons behind the failed migration and generate recommendations to sort out the mess. The data collection, building of the portfolio and analysis took 2 months. The company wanted to develop a revised business case to evaluate the corporate impacts of the migration.

Outcome: Using the Value Management approach and industry benchmarks it was determined the company's IT budget was in line with other health insurance organizations. The key issue facing the company was the diversity of business processes being supported by the IT organization. What's more, since beginning the claims system migration, the functionality of the applications had fallen behind because the organization lacked resources to maintain the legacy systems. The new system as specified was actually less functional than the legacy system.

The CIO presented the analysis to the new CEO and it was determined the company's business process portfolio required a serious overhaul. IT was chartered with supporting, not leading the transformation. The company established a baseline of cost and value and now has a means of measuring progress through the transformation and thereafter. As well, the organization has a framework, as part of governance, to evaluate alternatives going forward for the claims migration.