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### **\$7B Health Insurer**

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

**Executive's:** The entire company was falling behind the competition. While productivity was up, it wasn't nearly keeping pace with the competition. The 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-cutting. The executive staff wanted a way to show the board what the business impact of cuts would be, so they could factor business value into their cost-cutting decisions.

**Solution:** Software and services were delivered to build an application value portfolio and analyze the failed migration to make recommendations. The data collection, building of the portfolio and analysis took 2 months.

**Outcome:** Using the Value Management approach and industry benchmarks it was determined that 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 the migration of the claims system began, the functionality of the applications had fallen woefully behind because the organization lacked the 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 that the company's business process portfolio was in need of a serious overhaul. IT was chartered with supporting, not leading the transformation. The company has 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.

