



---

### **\$5B Health Insurance Firm**

**Situation:** A health insurer wanted to shift the mindset about IT from cost to value and develop a framework to make outsourcing and other business decisions based on business value, not just spending levels.

**Executive's:** The new CIO had no consistent, ongoing way to quantify value and the return of major applications to the business. There was a need to identify which applications should be outsourced and to understand of the value of major systems and the business case for outsourcing them.

**Solution:** software and services were delivered to build an application value portfolio organized by the major business processes of the company (e.g. Quotes, Claims, Underwriting, Medical Management, Dental, etc.). Initial data collection began in May and the analysis was completed by July. The value portfolio was analyzed by business process, line of business, constituency and outsource vs. in in-house solutions.

**Outcome:** The ROI of sales and marketing systems was shown to be lagging behind major operational systems such as claims. It was determined that because the company's claims capabilities were best-in-class (e.g. auto adjudication, first pass through claims rate, etc.) that Claims investments had hit the ceiling. The CIO now had a structured, objective way to make a case that investments needed to be shifted to emerging opportunities such as data warehousing and sales and marketing systems, at the expense of claims.

The company decided to outsource the management of its claims applications, freeing up the IT organization's highest skilled people and targeting them on these new opportunities. The company now has a consistent means to evaluate the return on application investments by department, business process and constituency. As well, the company can measure the effect outsourcing has on not only cost, but business value. This is perceived as crucial to maintaining the levels of service and value for the all-important claims system that continues to be a major strong suit of the company.

