

Client's challenge

A payer needed to update its aging legacy information technology (IT) system to keep up with its growing business requirements. This payer, which began as a health maintenance organization (HMO) and also became a licensed third-party administrator (TPA) and preferred provider organization (PPO), underwrites and administers a wide range of fully insured and self-funded managed care products.

During the past seven years, this company's membership numbers and profits have steadily increased. Senior management realized that the current IT platform could not support expanded product and service offerings needed to sustain this growth. Furthermore, the existing system vendor no longer supported the company's IT platform. To assess their alternatives, the payer needed to review not only vendor system options, but also whether the best solution would be an in-house or outsourced operation or one hosted by an application service provider (ASP).

The payer issued a request for proposal (RFP) for assistance with the vendor review and selection process.

PricewaterhouseCoopers' Advisory solution

The payer selected PricewaterhouseCoopers because of our previous experience and customer references. We focused on the complexity of the task itself, the decision process and the high degree of risk brought on by this significant project involving total core-system replacement.

The engagement team soon recognized that the real needs for replacing the current IT system were business-driven. Until our involvement with the project, the payer had focused exclusively on the technical aspects of system replacement and had not clearly defined business requirements, critical success factors and expectations. The payer also needed to gain a better understanding of the vendor capabilities.

Impact on the client's business

Following our advice, the payer's business leaders fully participated in the vendor and sourcing selection process, thereby avoiding the pitfall of the IT department making critical decisions in a vacuum.

The payer negotiated terms for the sourcing agreement and vendor software deal that met its financial goals established in a five-year retained cost model. Furthermore, the payer ensured a link between successful business operations and the new system by reaching an agreement with two selected IT vendors that tied payment to key business performance measures.

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