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Maintaining status quo is not enough

How to position your payer organization for success

Why do large strategic initiatives fail?

The success of healthcare companies' large-scale transformations, such as system consolidation or market expansion, will define the long-term trajectory not only of those organizations but also their respective executive leadership teams. Given the high stakes, why do these initiatives fail more often than not?

This white paper evaluates the answer to that question and identifies key activities healthcare organizations need to undertake before a project commences to minimize risk and deliver expected results, whether those are reduced operational costs, an enhanced member experience or improved provider relations.

A corporate-wide challenge

The statistics are alarming considering the level of visibility and importance of these initiatives in achieving corporate goals and objectives.

- 66% of technology projects end in partial or total failure. Large projects are successful less than 10% of the time[1]
- Failed implementations cause $3.5B in churn[2]
- 73% of company transformations fail to deliver on growth and profitability[3]
- Large IT projects run 45% over budget and 7% over time while delivering 56% less value than predicted[4]
- 90% of strategic plans will fail[5]

These statistics are not tied to a singular industry or market. They cover the collective struggle of corporations, agnostic of the type of business or service provided. It's not unique to small start-ups or large mature organizations that have been in business for decades. The elimination of these common threads indicates the primary factor of failure isn't the technology or software being implemented at the heart of the transformation, but rather speaks to other factors at play.

This isn't to say software selection and functionality aren't important to meeting the business requirements and delivering business outcomes. However, solely focusing on technology and assuming this will be enough to achieve success is a flawed assumption. Unfortunately, this is the approach too many companies take, evidenced by the statistics above. The ramifications of such failures are severe and can extend well beyond real and opportunity costs. Research suggests that 17% of large IT projects go so badly they threaten the very existence of the company.[6]

If the odds of success are so heavily stacked against a corporation, why are health plans still electing to embark on a transformative journey? The answer is simple—there is no other alternative. With the pace of change driven by a volatile regulatory environment and steady M&A activity, maintaining the status quo is not a feasible alternative for businesses that need to continue to grow, stay competitive, attract top talent and avoid falling behind the competition.

What steps can an organization take to position it for success, achieve desired outcomes and differentiate itself from peers? Our analysis, based on helping hundreds of payers navigate these types of initiatives, points to critical practices and capabilities that need to be established before the project starts. Companies that take these early steps to navigate the rough waters ahead are well-positioned to succeed in the future.

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[1] **Standish Group's Annual Chaos Report**
[2] **Gartner (from TSIA conference deck)**
[3] **KPMG – The playbook for successful business transformation**
[4] **Mckinsey – Software projects run the highest risk of cost and schedule overrun**
[5] **TSIA Blog: 4 Reasons Why Most Strategic Plans Fail**
[6] **McKinsey & Compnay: Delivering large-scale IT projects on time, on budget, and on value**

What starts right, stays right

Organizations put a lot of rigor and formal processes into software selections, spending critical dollars on a formal RFP process, led by outside consultants, to evaluate a wide array of potential vendors. Research and experiences show us that software isn't typically the reason for program failure, rather, a lack of focus on other success factors early in the project. These five key factors are critical for every large-scale initiative, especially with the additional rigor required for the healthcare industry.

Key #1: Clearly define outcomes and objectives

Before a transformational initiative is started, identify the complex, quantifiable business challenge that requires a solution. All too often, the need for immediate action supersedes the need to define the final desired outcomes specifically, and how the health plan will quantify whether those objectives are obtained.

Defining the outcomes and measures is just a start. All stakeholders need to fully understand and align with them. An organization that has disparate expectations and differing views on the goals and objectives will struggle. Put simply, without alignment of what success means, an organization cannot succeed.

The obvious result of shortcutting this step is scope creep. We've all been part of projects that run long and overbudget due to changing requirements stemming from misaligned expectations. There are a few simple questions that can mitigate this risk when broadly understood:

1) What business problem are we trying to solve, or what opportunity are we looking to take advantage of?

2) What is driving the need for change?

3) Are the objectives clearly defined and understood throughout the payer organization?

4) How will we define success?

Key #2 Focus on the people side of change

The success of truly transformational initiatives in the payer space is dependent on getting a lot of people to change in a relatively short period of time – to think, act and execute their roles differently than before. However, there's a tendency to under-assume the breadth and depth of an initiative's reach, and to underestimate the degree to which individuals are resistant to change.

The impact manifests itself in different ways, with the organization either never adopting the new technology or processes, or not sustaining the change long-term. Regardless of which occurs, there can be negative consequences such as tarnishing the health plan's hard-earned reputation, incurring financial penalties, reducing top-line revenue and impacting the medical loss ratio. Either way, outcomes and value remain unrealized.

People-focused workstreams, such as employee communications, effective training programs and learning resources and clearly documented processes and procedures, help ensure the workforce is positioned for long-term success. Here are some upfront questions to consider:

1) Does the plan have experience and proven success at driving transformational change?

2) Are all stakeholders aware of the coming change and aligned with the need to change?

3) What is the strategy to upskill and train employees on the future-state processes and technology?

Key #3: Create capacity to change

The ability to successfully execute requires appropriately allocating key program resources. Organizations must do a thorough evaluation of what skills are available from their internal team and what skillsets they may need to hire to deliver a transformational program. The size of an organization can greatly affect a project's chance for success. While a small team may be experts in their current positions, they may not have the capabilities required to implement enterprise level solutions, especially in addition to their day-to-day tasks. On the other hand, larger companies tend to have more funding and resources to stand up dedicated project teams, allowing operations staff to continue focusing on running the business.

Health plans generally do a better job of understanding where specialized skillsets are required to augment the internal team and acting accordingly to fill those gaps. Often, the point of failure is underestimating how much support internal teams must provide for project activities like defining requirements and making decisions. When project work and operational responsibilities compete, the latter is given priority, resulting in project delays and cost overruns.

A hidden and more detrimental impact is holding onto old processes. Evaluating necessary changes to current operations and processes requires focus and commitment to secure the desired outcomes and value. This step is skipped when there are tight time constraints because it's easier to replicate current processes.

Your business can ask a couple of simple questions to avoid creating capacity challenges:

1. What Software Delivery Life Cycle (SDLC) methodology are we leveraging, and is there clarity around roles, responsibilities and new skillsets required to support ongoing operations and project execution?
2. Has the time required of all internal employees supporting the project been accurately captured? And has capacity been created by offloading operational responsibilities?

Key #4: Implement strong governance and executive support

The importance of strong governance and executive support cannot be understated. As the term suggests, organizational transformation affects the full organization and therefore requires governance and support from those overseeing the entire organization – the executive team. This is basic project management, yet a third of all projects fail due to a lack of senior management involvement. The outsized role business and IT leaders, such as the Chief Information Officer, Chief Medical Officer and Chief Operating Officer, play is a consistent stumbling block when defining outcomes and objectives, change management processes and creating the capacity to change. While executive support is often present when a program begins, it's frequently diminished or lost entirely once the transformation progresses and becomes another part of the day-to-day. Organizations should be continually asking these questions to ensure strong governance remains in place.

1) Do we have defined roles and responsibilities for the executive team, not just for when we formally launch and broadly communicate the transformation, but throughout the project?
2) Do we have a documented communication plan and process to manage decisions and changes to the project?
3) How will we track and measure outcomes?

Key #5: Technology still matters

Business transformation is the objective, but technology plays a crucial role because it's driving the change. Software selection is part of the technology discussion, but there are other necessary steps, too, such as evaluating overall architecture and data integrity. Focusing too much on replacing the software without understanding the impact on the broader technology ecosystem can result in unwelcome surprises and downstream ramifications.

Separate from the broader technological impacts, when a new system replaces legacy technology, the existing data must be migrated. Understanding what legacy data is needed, what can be translated across systems, and how compatible the data is with the new system is paramount and critical in a healthcare setting when dealing with HIPAA regulations and protected health information.

Cleaning up existing data can be a massive undertaking, often leading to significant delays and added costs. Getting an early start on data translation and remediation can help avoid negative implementation impacts while minimizing long-term operational issues. Key questions can help mitigate technology risks to a transformation initiative:

1) Do we have a current diagram of our existing architecture and software ecosystem?
2) Which surrounding systems and technologies, overall data flows and integrations will be impacted?
3) Is legacy technology compatible with or creating duplicate functionality with the new software?
4) What data is needed to deliver the outcomes of this transformation? Where does that data currently reside? And is that data "clean"?

About Cognizant

With decades of experience, Cognizant has successfully guided hundreds of the largest health plans through delivering large-scale organizational transformations. Whether evaluating a core system replacement, consolidating redundant technology or optimizing a corner of the organization, these five keys are vital to successfully navigating the complexities and mitigating the risks that frequently lead to failed transformation.

Cognizant is uniquely qualified to help you rethink your operating model and refine it in ways that allow you to become more relevant and impactful to members and providers. For more information on how Cognizant can help you, please contact your account team.

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