Technology purchases must be effective, not just efficient

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How much should a managed care organization invest in information technology? How can an MCO ensure that IT is making a worthwhile contribution to its business? The answers to these questions will be central to business success in the 21st century as MCOs must balance effectiveness (getting the business done well) with efficiency (getting it done at minimal cost). Current IT benchmarks and measurement systems are failing to demonstrate business value.

An MCO needs an IT measurement framework that encourages and helps deliver cost-efficient and business-effective information services. With pressure to reduce costs, CIOs must be able to articulate the contribution IT is making to business success.

Business focus

In the 1980s, healthcare IT investments were viewed as an expensive but necessary overhead; today, underinvesting in IT can put an MCO at risk. Traditional IT-measurement methods in healthcare, lacking proper metrics, are not business focused and must be replaced.

First, MCOs must stop thinking of projects involving IT as "IT projects." They are business-change projects that involve IT components. Next, an MCO's IS organization must measure, report and articulate the contribution IT is making to business effectiveness (such as improving eligibility-verification accuracy, reducing claim-processing time, offering self-service capabilities, or improving members' access to their claim information).

Most IS organizations are having difficulty expressing IT's contribution in business terms, which stifles the recognized contribution of IT.

Business Value

The lack of boardroom representation is rooted in the IS organization's inability to express performance and ideas in business terms. Today, 60% of the top 500 companies regularly benchmark their IT performance, but most of the measurement and benchmarking results are for internal IT consumption and do little to recognize or help business contribution.

However, more healthcare CIOs are being asked to demonstrate business value from IT investments. An adequate response requires a different measurement approach as well as collaboration across the MCO.

Until now, measurement consideration of business requirements has been limited to the need for systems availability, security or software functionality. Few IT-measurement systems have ventured beyond the confines of the service-level agreement.

This IT-centered view of the business world has precluded any notion of business contribution. Current measurement systems do little to help an MCO strike a balance between effectiveness (doing the right things) and efficiency (doing things right). The integration of IT priorities with corporate goals typically relies on indirect, after-the-fact communication channels.

For many years, IS organizations have missed the opportunity to make a direct link between resource investments and business effectiveness. Past efforts to address this area have simply looked at budget allocations, but budgets seldom reflect actual contribution.

For example, staff members who support business functions might report to IT, making the functional department costs lower and IT costs higher. But new measurement approaches based on combining business metrics with IT metrics will enable MCOs to quantify the business impact of IT investments, such as being able to say, "An investment of $750,000 reduced claims-processing time by 15%."

The communication of key business-IT performance metrics is essential. A series of technically focused charts will do little to inspire confidence and encourage additional IT investments. Instead, all IT impacts should be expressed in business terms to increase awareness both within and outside the IS organization.