



A disciplined outsourcing process

Dave Zink, CIO and senior vice-president of administration at Blue Cross Blue Shield Rhode Island tells *Chief Executive Officer* how his company, supported by EquaTerra, managed its relationship with Perot Systems, especially in the early stages.

Blue Cross & Blue Shield of Rhode Island (BCBSRI) recently outsourced multiple processes to Perot Systems Healthcare Services (Perot) including all of IT and claims processing. Dave Zink, currently CIO and senior vice-president of administration at BCBSRI, led the outsourcing decision process and leads the current outsourcing governance team responsible for ensuring success with Perot. EquaTerra is interviewing him one year later to gather insights and feedback on lessons learned. EquaTerra currently supports Zink and his outsourcing governance team in managing the complex relationship with Perot Systems.

Deciding to outsource

‘We wanted to focus on core competencies and reduce administrative costs,’ says Zink. ‘Although critical to our business, we determined that IT and claims processing weren’t core and we began to look outside our organisation for alternatives.’

Key goals included finding an integrated claims processing system to replace existing technology and a single service provider to manage IT and

claims processing and implement a state-of-the-art claims processing system.

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Challenges

Despite an excellent relationship between BCBSRI and Perot, the challenges associated with this complex transaction became apparent within the first six months. Zink explains: ‘We were transitioning to a new claims processing system, had numerous new service level objectives to monitor and we needed to stay focused on our financial benefits targets. Managing all of the moving parts at once eliminated the luxury of moving along the learning curve at a comfortable pace.’

When the relationship with Perot began, 600 BCBSRI employees transitioned to Perot Systems. ‘Our initial estimate to manage this relationship was ten

people,’ says Zink. ‘We made a conscious decision to underinvest in governance of the outsourcing transaction. Shortly thereafter, we saw the need for more people, more talent and automated systems.’

In hindsight

Realising that Perot and BCBSRI were new to this relationship, Zink believes that adding more knowledgeable outsourcing governance staff, prior to the transition, rather than relying heavily on the internal organisation, would have been a good idea. Also, careful review of provider reports and underlying data collection is critical.

‘The key is that you cannot assume that all governance monitoring and tracking mechanisms are fully functional at the outset of the transaction,’ he says, ‘even with the best of intentions on both sides. We assumed the performance data from Perot Systems was accurate and service levels were being met. Only after we audited some of the data, did we discover that some calculations were incorrect due to misinterpretation of service level

objective definitions, poor supporting data and/or data sources.

‘Working and maintaining that relationship has been essential to our success. When we have differences of opinion, we come to the table prepared to resolve the issues to avoid future challenges. Our built-in service levels are equal to, or better than, before and we have significant savings built into the contract.’

Future value

Of utmost importance to Zink is providing greater value to internal clients and members. ‘EquaTerra has brought discipline to our outsourcing governance processes,’ he states. ‘The tools we use allow us to automate the measurement data, which we now own. The work management tools will manage the workflow among the multiple parties involved. These technologies continue to support automation and reduce outsourcing governance costs. EquaTerra’s governance team continues to help us manage our service provider more effectively and improves service delivery to our internal and external clients.’ ■