

## Best Practices for Upgrading Healthcare Payer Systems

The current healthcare business climate is challenging. To survive, healthcare payers depend on the flexibility of the IT infrastructure, the service capabilities of the IS organization, and/or outsourced vendors. IS organizations caught up in this new, speed-based reality typically realize they are attempting to address continuous demands for increasingly sophisticated IT solutions in an organizational context that is no longer viable. The complex and ever-changing regulatory environment requires innovative and out-of-the-box solutions and approaches to meet these challenges.

maxIT Healthcare consultants repeatedly confer with clients whose restructuring, reengineering, and upgrade efforts have fallen short in transforming the organization and realizing benefit and ROA on system replacement or upgrade projects. Payers continue to build organizations focused on technical platforms, skills, and activities rather than the ultimate purpose of effectively serving patients and customers.

So, where is the disconnect that keeps the proper transformation from occurring? The disconnect lies in how an organization defines itself - and defines the focus of its management efforts and the scope of its capabilities. How an organization defines itself determines its organizational flexibility and customer satisfaction. To accurately define a service, the service must be considered in the context of the client's value expectations. Failing to approach service design from this perspective of value or purpose will cause IT leaders to mistake processes for services, resulting in organizational misalignment.

maxIT Healthcare offers ***Best Practices for Upgrading Healthcare Payer Systems*** as a guideline to help prospects and customers understand the important elements needed for success in system upgrade projects.

## 1. Establish a Service Delivery Model and Recruit the Best Project Team(s)

Defining the services that the upgrade project team will be in charge of is a primary key to the success of the upgrade project. This definition should be a key focus for a Best Practice item - whether the service is sourced internally or outsourced. The size and scope of the upgrade project will also determine the size and levels of project managers and leaders.

First, we need to differentiate between the skill sets of different levels of project managers and consultants:

- *Apprentice* project managers and consultants are learning basic project skills such as devising a work breakdown structure (WBS), scheduling and tracking, and change control, especially if cost or resource constraints require business and technical consultants to perform multiple roles.
- *Journeyman* project managers/consultants are proficient in business, technical, and application skills as well as business and governmental requirement definition. They are also skilled at change control, estimating, risk assessment, building project teams, and communication plans.
- *Master* or senior project managers/consultants have additional skills and experience, especially in the areas of cost and contractor/outsourcer management, risk mitigation, and communicating with senior management regarding budgets and critical issues.

A new or centralized project office should actively and intentionally recruit and retain project managers or consultants at all three levels, rather than leaving recruitment to chance. Senior project managers should be actively involved in creating project policy and defining best practices. Project Managers must be proficient at contract and other negotiations (internal and external) and must be able to deal diplomatically with internal project sponsors, control suppliers, contractors, and consultants.

As a best practice, compensation should reflect the expertise of the Professional Project Manager (PPM) or Project Management Office (PMO) and Business or Technical Consultants. Often, the ability to assess project managers' or consultant skill levels is lacking in the organization; therefore, the use of third-party project managers and consultants may be necessary. In such cases, a third party may provide additional training, quality control, and ancillary services at a more cost-effective rate than internally sourced personnel.

What is a **service** and what are the elements required for **service fulfillment**? Below is a high-level view of the six primary elements involved in **Service Delivery**. Understanding the differences between the elements and their relationships in the project ultimately drives service design and organizational structure, process design, capability emphasis, sourcing, and funding strategies geared entirely around client expectations.

<b>Service</b>	Service identification is articulated in terms of explicit value to a client and addresses items, such as scope, depth, and breadth of services offered.
<b>Processes</b>	Collections of identifiable and repeatable activities performed directly in support of a service. Each service will typically have several supporting processes.
<b>Capabilities</b>	Organizational attributes required for process execution and service fulfillment. They represent the organization's collective intelligence, experience, judgment, and ability.

<b>Activities</b>	The myriad of tasks performed in the execution of a process. The better the process definition is, the more explicit and repeatable are the activities.
<b>Tools</b>	Implements that enhance the productivity and effectiveness of those who are performing activities. Together with capabilities and activities, tools drive the types of technical skills required.
<b>Technical Skills</b>	Attributes that individuals must possess to perform activities in support of a process. They involve gradations in skill level — such as master, journeyman, and apprentice.

**Another Best Practice for a project office is the creation and use of a full project management methodology.** Projects should make consistent use of the methodology, which will help integrate project management processes throughout the project and organization. The project management methodology should provide, at minimum:

- Common Terminology for Projects
- Project Charter
- Scope Statement
- Schedule Template
- Formal Client-Feedback/Reporting Procedure
- Defined Project Meeting Formats

Other elements should be included, as appropriate for the project size, in areas ranging from risk assessment, mitigation forms and procedures, communication plans, change requests, standard contracts, time sheets, and more.

**It is a Best Practice for the project management organization to have multifunctional authority and responsibility.** The PMO or PM should be able to plan and control the work of project team members from all areas involved in the project. It is also a best practice for project office management to report to a senior-level executive.

Expectations for business improvement are set early in the implementation process, and the expectations form the foundation for all measures of project success. It is easy for payers to get excited by the promise of a better future enabled by the upgrade, with market hype and glitzy demonstrations by overzealous salespeople, and consultants promising drastic business improvements. Healthcare payers often create inflated assumptions of the capabilities of applications, expecting them to correct all that is wrong with an IT system. In terms of the demonstrated ability of the applications to meet business needs, the expectations are often unsubstantiated by facts.

**The inflation of expectations is most significant during the sales or marketing cycle.** Salespeople often demonstrate what “sells”, instead of what the payer “needs”. For instance, a broker portal may look great in a demonstration and appear to have tremendous benefits, but it may require an enterprise-wide integrated back-office system. The payer is likely to require that the backbone be deployed before the full portal benefits can be realized. If that happens, the initial “go live”, without the broker portal, will not meet the expectations set during the sales or demo cycles.

### **Actions to Take:**

- Carefully set and manage realistic expectations throughout the implementation process, as project conditions evolve.
- Create a detailed statement of expectations that relate business process change and application functionality to specific business benefits (the business case) of the upgrade.
- Make improvement targets visible to the implementation team throughout the project, so the team can remain focused on business improvement.

## **2. Know Your Scope**

**The scope of the software upgrade project provides an overview of the degree of complexity involved.** The larger the project and the more risk that is involved, the more challenging the project is to manage and, ultimately, the more likely the project is to fail. The scope can have many dimensions including applications, processes, geographies, locations, users, and significant organizational and IT infrastructure changes. Often healthcare payers try to do more than is realistically possible when considering the scope of an application upgrade project. Consequently, some payers fail to deliver the project as planned, due to becoming mired down in complexity. Payer organizations must frequently revert to a reduced scope to make a planned deadline or extend the project deadline - and increase the budget.

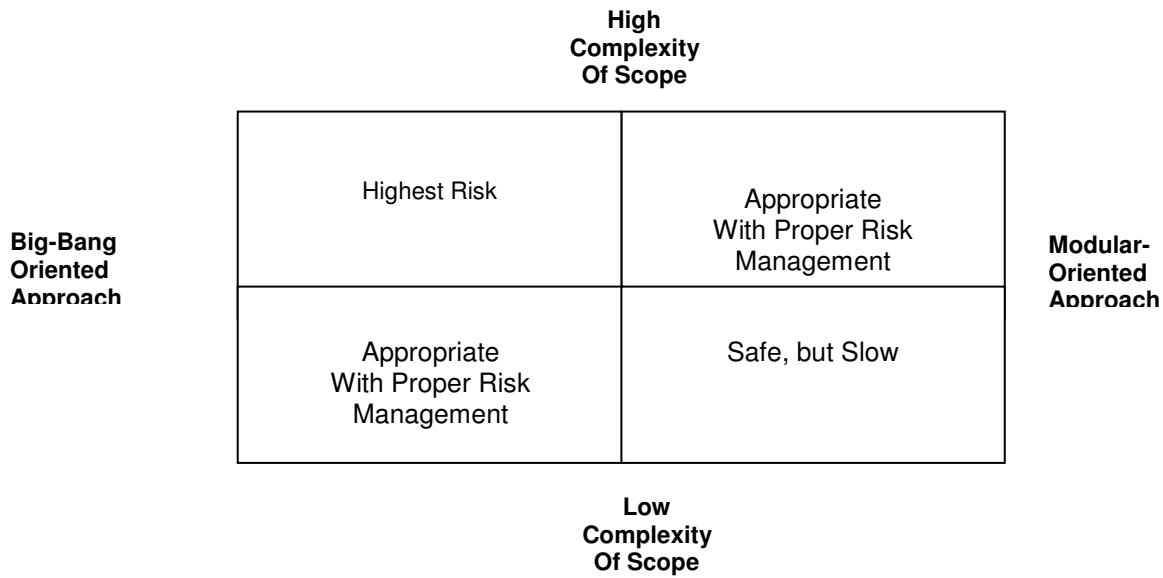
### **Actions to Take:**

- Healthcare payers should be realistic about what is achievable in the timeframe of the project. If benefits are not achievable with 18 months, the scope of the project should be adjusted to deliver benefits sooner.
- Healthcare payers should plan projects with the ideal future state in mind, but execute efforts that move the payer from the current state to the future via a few transition states.
- This incremental, coordinated program approach will enable a payer to derive value throughout the program and will enable it to respond to changes in the business environment.

## **3. Pick the Right Approach**

The answer to the scope question is only half the story, because the upgrade implementation approach is correlated with the scope. Healthcare payers with limited scope are often able to embrace a more aggressive implementation approach. Likewise, a more complex scope requires more measured implementation approaches. Unless absolutely necessary, healthcare payers should avoid the combination of high complexity and a “big bang” approach, because the amount of effort required for success is often more significant than anticipated.

**Approach to Upgrade Project Planning**



**Actions to Take:**

- Healthcare payers with high degrees of complexity should avoid big-bang implementations in favor of more modular implementations that address the varying dimensions of scope in realistic and implementable combinations.

**4. Have Committed Sponsors**

Healthcare industry research indicates that healthcare payer projects owned by a business unit (instead of the IS organization) with sustained executive involvement have a greater chance of success than those that place application upgrades solely in the hands of the IS organization. Executive involvement reinforces the importance of the project to line managers and other people who are tasked with project execution and eventual deployment to the business. As is the case with cultural issues, this area has little to do with the actual application selected, but can have a significant role in overall project success.

**Actions to Take:**

- Healthcare payers planning application upgrade projects should ensure business executive sponsorship, ownership, and commitment throughout the life of the project.
- Executives should be involved in steering committee meetings, quality reviews, issue escalation, and conflict resolution.

**5. Avoid Modifications to Package Software**

There are two dimensions related to the software package upgrade that must be clearly understood:

- The ability of the application upgrade to meet the needs of the business

- The willingness of the business to adapt to the capabilities of the application upgrades.

The combination of those dimensions is different for all processes within each payer. Payers may see a need to customize an application, whereas another may be able to embrace it as delivered. Although most application upgrade projects have a guiding principle to “use the package as delivered,” payers often find reasons to stray from that directive, and, in those decisions, they put their projects at greater risk for failure, because customization efforts often take longer and cost more than planned.

#### **Actions to Take:**

- Healthcare payers looking at other payer implementation experiences, especially in their industry verticals, should understand what customizations were required to meet industry-specific requirements and plan for similar efforts as part of their implementation effort.
- In addition, payers should perform their own gap analyses to determine where other customizations may be required and then analyze the specific business value associated with each gap to determine how the issue should be resolved.

## **6. Review or Finalize Software Supplier(s), Contract, Responsibilities, and Commitments**

Many times if the proposed upgrade is a major upgrade and anticipated to be costly, an organization will decide to re-negotiate their software license and maintenance agreement and incorporate improvements in the new agreement. In any case, it is a best practice to at least review and sometimes recast the software license and maintenance agreement terms more favorably before agreeing to move forward with the upgrade.

#### **Actions to Take:**

- Annual Software Releases and Updates
- Additional Hardware and Infrastructure Requirements
- Continued Quality Improvements
- Enhancements Endorsed by Customer User Groups
- Regulatory-Compliance Updates
- Customer-Sponsored Modifications
- Technology and Architectural Enhancements
- Performance and Operability Improvements
- Ease-of-Use Improvements

## **7. Rigorously Assess and Plan for the Impact of Each Functional Module with the Proposed Upgrades to the Payer System and the Integration of all Ancillary Modules**

The assessment of departmental and functional areas is essential to understand the complexity and impact of the proposed upgrade on the organization’s business processes, workflows and services. The table below is a sample of departmental and functional areas to be reviewed for a typical healthcare payer organization.

DEPARTMENT	FUNCTIONAL AREAS	INSTALLED SYSTEMS REVIEWED
<b>Sales and Marketing Administration</b>	Agent and Broker Management	
	Commission Management	
	Communication and Fulfillment	
<b>Underwriting Administration</b>	Quotes and Rate Maintenance	
<b>Actuarial Administration</b>	Rating and Quoting Integration	
	Financial Administration	
<b>Customer Administration</b>	Member Services	
	Eligibility	
	Health Risk Assessment	
	On-Line Enrollment	
	Member Demographics	
	Web-based Personal Health Record Modules	
	Call Center	
	Appeals and Grievances	
<b>Line of Business Responsibility</b>	Indemnity, Individual, Managed Care, Medicare, Medicaid	
	Unique Integration and Workflow Modules for LOBs	
<b>Group Administration</b>	Employer / Sponsor Management	
<b>Benefits Administration</b>	Unique Benefit Plans for Each Line of Business Administered	
	Underwriting and Medical Policy Rules Management	
	Limits and Incentives	
<b>Medical Policy Administration</b>	Line of Business Unique Policies	
	Regulatory Policies	
<b>Provider Administration</b>	Credentialing and Accreditation	
	Reimbursement Contract Management	
	Network Management	
	Out-Of Network Management	
	Contract Administration	
<b>Third Party Application Interfaces</b>	HIPAA Gateways	
	Codes & Reference Data	
	Workflow applications	
	Pharmacy Management	

DEPARTMENT	FUNCTIONAL AREAS	INSTALLED SYSTEMS REVIEWED
<b>Claims Processing and Adjudication</b>	Claims Intake and Acquisition, Rerouting, Denials	
	Enrollment, Benefits, Provider, Contract Pricing	
	Claims Pricing	
	Claims Editing	
	Pend Processing	
	Adjustment Processing	
	Payment Processing	
	Issue Resolution	
	Payment Processing	
	Recoupment	
<b>Reporting and Correspondence</b>	Report Tools	
	Correspondence and Fulfillment	
<b>Regulatory and Compliance</b>	Security	
	State Regulation	
	Federal Regulations	
	Accreditations	
<b>Business Intelligence</b>	Business Decision Support	
<b>Medical Management</b>	Referrals/Prior Authorization	
	Utilization Management	
	Disease Management	
	Case Management	
	Remote Care Management	
<b>Clinical Intelligence</b>	Clinical Decision Support	
<b>Financial Systems</b>	Premium Billing	
	Accounts Receivable	
	Accounts Payable	
	General Ledger	

Once the upgrade project team, scope, and complexity are planned and funded, it is important to review and update the data points if there is considerable latency since the original project plan data and assumptions were made.

### 8. Closely Monitor and Track the Performance of Project Teams

Performance is adhoc and changes with each new project. Without a standard foundation for execution, projects fall short. Failure to gather and maintain adequate requirements result in project teams rearranging delivery dates and missing deadlines. Organizational pressures, such as lean resource availability, produce continual resource constraints and force project managers to scramble to find adequate coverage. When the pressure to deliver becomes too great, common sense often dissipates, and crucial steps such as testing, are passed over - resulting in an inferior product. The rework required to repair the damage is far more expensive than diligently adhering to the planning standards.

In an uncertain economy, increased pressures to derive optimal value emphasize the need to properly deliver projects. Reduced budgets and leaner staff do not equal reduced expectations; companies with smaller staffs and/or increased reliance on outsourcing are realizing that a strong process is the key to better application development and eliminates expensive rework. Particularly in accelerated project life cycles, planning and management best practices should be utilized. In traditional projects, planning can be an exhaustive process; in accelerated cycles, successful planning concentrates on drawing boundaries to create a prioritized set of deliverables that are released in iterative phases. Process is not about reinventing the wheel, but finding what has worked in the past and applying it to the present. The ultimate challenge for project management is to find a repeatable process and communicate it clearly, so that multiple levels within an organization accept and support the benefits.

**Use audits:** To assess the health of the project, it is recommended to hold biweekly audit sessions, and check the status and progress of the project. Issues discussed during an audit are actual progress vs. work and cost estimates, requirements measurement for scope control, and overall quality measurements in productivity. The actual audit process is very flexible. Using the project charter as a guide, the team prepares criteria that measure the entire project, and then uses subsets of those criteria for assessment with each milestone. Short life-cycle projects can benefit from audit sessions that ensure precious time is not wasted. Audits should be short and to the point, avoiding personalization, and focused on project goals,

**Measure productivity:** Develop standard criteria for measurement, such as meeting deliverables, defect detection, resource utilization and rework to find out where you can optimize or where you need to devote extra attention. Without measurement, improvement cannot be verified.

## **9. Test, Test, Test, Re-Test Everything**

It is critical to test early and often to make certain the project is meeting deliverables and is production-ready. Walkthroughs, end-user style demonstrations, and information inspections, at various stages of the project ensure that quality is built-in and that certification time is reduced. Allot time for user acceptance testing and beta testing, whenever possible, to minimize postproduction problems.

Effective application testing enables validation of all implementation and configuration decisions. A proven testing approach allows key users to validate that the software performs as expected before the customers and user community experience issues and problems.

The upgrade project plan should also focus on knowledge transfer. This focus allows the project staff to completely understand and effectively test and validate the system including:

- Creation of the Testing Strategy and Approach
- Development of Test Scenarios and Use Cases
- Management of All Phases of Testing (Unit, Integration, User Acceptance, Release and Regression)
- Custom Application and Business Process Training
- Verify Claims Payment Accuracy (based on overall system configuration and where possible benchmark to current system)
- Assess and Identify Methods to Improve Application Performance
- Identify Needs and Perform Additional Training Prior to Go-Live

## **10. Meticulously Plan Go-Live**

As part of the go-live planning, the payer organization should determine what additional resources are required to support the activation of their upgraded system. The software supplier will normally provide some support during the go-live and this support should be outlined during the contract negotiation phase. In addition to the software vendor support, supplemental staff may be required to assist with training, resolve process issues, and amend any unexpected technical glitches. The go-live plan should include a schedule ensuring that resources are available throughout the following phases and initial go-live:

- Adoption Go-Live Plan and Timeline
- Technical Go-Live Capability Check
- Calculation of Go-Live Server and Storage
- Check Ancillary Software and Interfaces
- Education and Training During Go-Live Process
- Rehearsal, Internal Communication and External Stakeholder Communications
- Go – No-Go Decision Plan and Process
- Cut-over Process Timeline and Validation Determined
- Roll Back Plan and Decision Process

## **11. Acknowledge Lessons Learned for the Next Upgrade Project**

**Conduct a postmortem.** Discuss and resolve issues that will improve production support and improve processes for the next upgrade project. Determine project issues resulting in delays or restructuring of project focus, implementation issues, and/or “morning after” support problems. Similar to audits and walkthroughs, these discussions are used to analyze procedures for improvement and are not forums for personal criticism,

**Check temperature.** Assess project success at several intervals after implementation to measure how well the project met expectations. This important metric delivers the foundation for future upgrade projects. For example, if there are high levels of production support or rework, check the requirements and design processes; chances are, something critical missed during this phase when easy corrections were possible.

## **12. Celebrate the Success of the Project Team**

**It is important to recognize all upgrade project team members.** It is especially important to acknowledge and reward upgrade project team members that have shown extra-ordinary persistence and achievement. Doing so will promote loyalty and leadership within your organization. These extraordinary leaders will be essential to sustainability and repeatability for the future upgrade project.

### **Bottom Line**

Application upgrade implementations are risky endeavors and healthcare payers must take control of their own destinies and not allow others to hold them hostage in any circumstance.

Relying solely on lessons learned from similar implementations at other payer organizations and assuming that the merits of the selected application will ensure project success is not enough. Inattention to the fundamentals results in project failure. Instead, payers should define project management and implementation strategies tailored to the payer organization’s unique

circumstances, addressing the people aspects, and executing project strategies. Defining your strategies and adhering to them, with executive commitment and support throughout the project, will result in effective project execution and overall SUCCESS in your implementation.

**About the Author:**

Bruce Oliver, maxIT Healthcare's Payer Practice Director, has over twenty years Information Technology experience and fourteen years in the healthcare payer software market. Mr. Oliver was co-founder and a senior executive at QCSI, a leading payer software company. The Trizetto Group acquired QCSI in 2007.

**About maxIT Healthcare**

maxIT Healthcare has been completely focused on Healthcare Information Technology since its inception 8 years ago. maxIT Healthcare employs over 300 full-time consultants who have functional and technical implementation expertise deploying leading commercially available healthcare software solutions from major Healthcare Information Technology companies. maxIT's key goals are to contribute to our client's success and to provide a supportive culture for our professional consultants and associates.

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