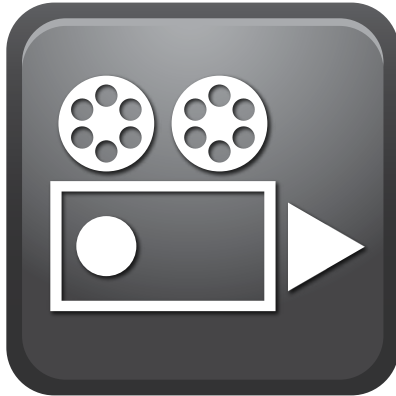


## CHAPTER 14 MANAGING PROJECTS

### CASE 1 **Blue Cross Blue Shield: Smarter Computing Project**



**SUMMARY** To balance customer needs, government mandates, and still provide quality affordable health insurance, Blue Cross and Blue Shield of North Carolina (BCBSNC) wanted to centralize access to information from multiple systems and applications. With InfoSphere solutions from IBM, BCBSNC consolidated 14 of its member systems into a single information hub. This centralized repository provides reliable and efficient access to data at a lower cost. The key benefit to this single source of truth is a consistent experience across different channels for both members and providers.

#### **Blue Cross Blue Shield of NC—IBM Smarter Computing Client Success Video**

**URL** <https://www.youtube.com/watch?v=m1ucvl9ByDQ; L=3:25>

**CASE** In the United States, Blue Cross Blue Shield Association (BCBSA) is synonymous with health insurance. Most people in the U.S. have little idea just who or what BCBSA is, or does, other than receiving payments from insured people, and paying out funds to cover doctor and hospital bills. BCBSA provides medical insurance in nearly every state. It covers over 100 million people in 2016. It is the largest private health insurance group in the U.S. (outside of Medicare and Medicaid). BCBSA is not a single company, but instead is a federation of 38 separate health insurance organizations and companies in the United States. Some of these insurance organizations are nonprofit corporations, often operating in a single state, while some of the large organizations are private (but not publicly traded firms), or private, publicly traded firms. The distinction is important: publicly traded firms are required to report revenues, costs, and profits every quarter,

whereas private nonprofits and private firms are not publicly traded, can keep their financial information private, preventing public or press scrutiny.

Most BCBSA organizations operate as monopolies within the states they serve. As with all insurance companies, private or public, BCBSA firms face no federal oversight or regulation, but instead are regulated at the state level by state insurance commissions. Like all medical insurance companies in the last two decades, BCBSA firms have raised their medical insurance rates far faster than the rate of inflation. In the 1970s, the United States looked a lot like other countries when it came to health-care spending. In 1980, the U.S. spent \$1,110 per person on health care, which worked out to about 9.2 percent of gross domestic product. But in the 1980s, health-care costs in the United States began growing much faster than in other countries, rising to \$8,402 per person in 2010. That amounts to a total of \$2.54 billion spent on health care, or 17.9 percent of our total economy! In the early 2000s, health insurance costs were rising at 10 percent annually although this has slowed down in 2010–2012 to 4 percent.

There's plenty of finger pointing when it comes to who is to blame for our rising health-care costs. Data from the Congressional Budget Office suggests that new technologies account for about half of increases in health care spending. Growth in personal income has given Americans more money to spend on their health care. And increases in the price of goods in health care also play a role. About 25 percent of all health costs are generated by paperwork: administration of a very complicated system composed of health care providers (doctors and hospitals), government agencies, insurance firms, pharmacies, and medical benefit managers.

Given the exceptional growth in health insurance costs, the health insurance industry routinely comes under fire as one of the main culprits driving up the costs of medical insurance. They are criticized for earning excessive profits, and hiding those profits from public view; building state monopolies to support their high prices; exercising excessive influence over state insurance boards, receiving approval of rate increases without challenge. North Carolina's BCBS is a case in point.

North Carolina's BCBS is a single-state private firm. It reportedly controls nearly 97 percent of the market for individual comprehensive policies in the state. The insurer has about 400,000 individual policies and 3.7 million members who are covered by group plans through employers.

Rate increases are driven by "the underlying experience of the population we're evaluating, and cost and utilization of certain services," said Blue Cross chief actuary Patrick Getzen. The company is seeing rising costs as more members get hip and knee replacements or use expensive technology such as CT scans and X-rays.

Obama has proposed creating a national agency that would supersede state regulators and could reject rate increases. Critics say adding a bureaucracy won't do anything to control costs.

In the past, Blue Cross Blue Shield has been sued and fined for denying due medical treatments to its customers and for underpaying doctors. BCBSNC has also come under fire for a failed attempt to convert to for-profit status in 2003, a year in which it posted a record profit of \$196 million and most customers saw their rates rise by more than 10 percent. The company opposed the Patient Protection and Affordable Care Act (referred to by political opponents as “Obamacare”) although it said it was in favor of reforming the current system. In 2011 the company increased monthly premiums 50 percent or more for some members, forcing them to drop coverage or switch to cheaper plans with fewer benefits and higher deductibles. Blue Cross blames the increases on surging costs and demand for expensive medical care and services. It sets specific rates based on age, medical history and other factors. However, on average, BCBS in North Carolina is limited to 12 percent annual increases.

Insurance companies of all kinds were among the early users of commercial computing technology. Most insurance firms today still rely on multiple mainframe computer systems to keep track of patients, providers, and others involved in care, including federal regulations. Insurance firms have grown in the past in large part by combining with other insurance companies. As a result, most insurance companies computer systems are composed of a hodge-podge of systems developed at different times and places, by people who are no longer employees. The video case describes how North Carolina’s BCBS firm is coping with multiple databases, and the pressures the firm faces to reduce costs and serve customers better.

#### VIDEO CASE QUESTIONS

1. How does BCBS say it wants to serve customers better?
2. What are the major obstacles to providing health described in the video?
3. What system difficulties did BCBS face?
4. What does the video mean by “multiple truths” or developing a system with a “single source of truth?”
5. What are the key benefits of using IBM’s WebSphere to build a single database? In terms of project management issues described in the book chapter, what did using IBM provide to the BCBS group in charge of building the system?

#### COPYRIGHT NOTICE

Copyright © 2017 Kenneth Laudon.

This work is protected by United States copyright laws and is provided solely for the use of instructors in teaching their courses and assessing student learning. Dissemination or sale of any part of this work (including on the World Wide Web) will destroy the integrity of the work and is not permitted. The work and materials from this site should not be made available to students except by instructors using the accompanying text in their classes. All recipients of this work are expected to abide by these restrictions and to honor the intended pedagogical purposes and the needs of other instructors who rely on these materials.