

Information Technology in Business and Society

- IT Management: IT Outsourcing

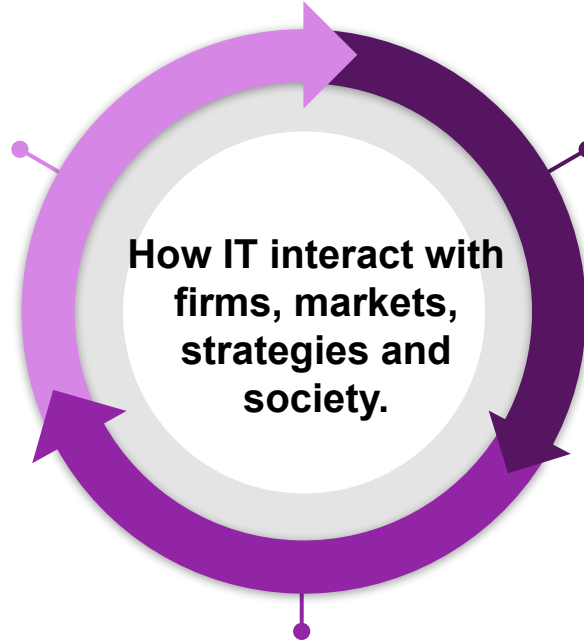
Pearl Yu



Information Technology

Module II: IT Disruption

- Emerging techs.
- How does IT changes the business and social world?



Introduction: Value of IT

- Conceptualizing IT's roles in organizations.

Module I: IT Management

- How to properly developing and managing IT projects or vendors?

Healthcare.gov


 NPR

They thought they bought Obamacare. But they didn't get ...

Health care sharing ministries are faith-based organizations whose ... "When CMS sees an ad we think is misrepresenting HealthCare.gov,...

2 weeks ago



 WIS-TV

Bill allowing S.C. healthcare providers to deny services based on beliefs becomes law

COLUMBIA, S.C. (WMBF) - Gov. Henry McMaster has officially signed a bill into law that would allow healthcare professionals to deny service...

11 hours ago



 | Washington State Department of Health

State revokes, suspends licenses, certifications, registrations ...

Information about health care providers is on the agency's website. ... Do I?" section of the Department of Health home page (doh.wa.gov).

7 hours ago

 The Washington Post

Analysis | Here's what expiring Obamacare subsidies could ...


Democrats set up a health insurance cliff they're now trying to avoid. The Healthcare.gov website. (AP Photo/Alex Brandon, File).

3 weeks ago



Affordable Care Act

About 3,410,000 results (0.33 seconds)


 Fierce Healthcare

[AHIP calls for federal agencies to issue extensive guidance to ...](#)

Insurers support a Biden administration rule to fix a “family glitch” in the Affordable Care Act but stress that plans must get quick guidance on the...

2 weeks ago



 Government Accountability Office

[Department of Health and Human Services: Patient Protection ...](#)

Department of Health and Human Services: Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2023. B-334285 May 12,...

1 month ago

 NPR

[They thought they bought Obamacare. But they didn't get ...](#)

Tina Passione needed health insurance in a hurry in December. ... The ministries grew in popularity before the Affordable Care Act's mandate...

2 weeks ago



 Conduit Street

[Health Carriers Propose Affordable Care Act Premium Rates ...](#)

...

The Maryland Insurance Administration has received the rate filings containing the proposed 2023 premium rates for Affordable Care Act (ACA)...

4 weeks ago



What is behind the production?

- **What is ACA** (Affordable Care Act, Obamacare)?

The name for the comprehensive healthcare reform law.

Purpose: Aimed to (1) control healthcare costs and (2) make affordable health insurance available to more people.

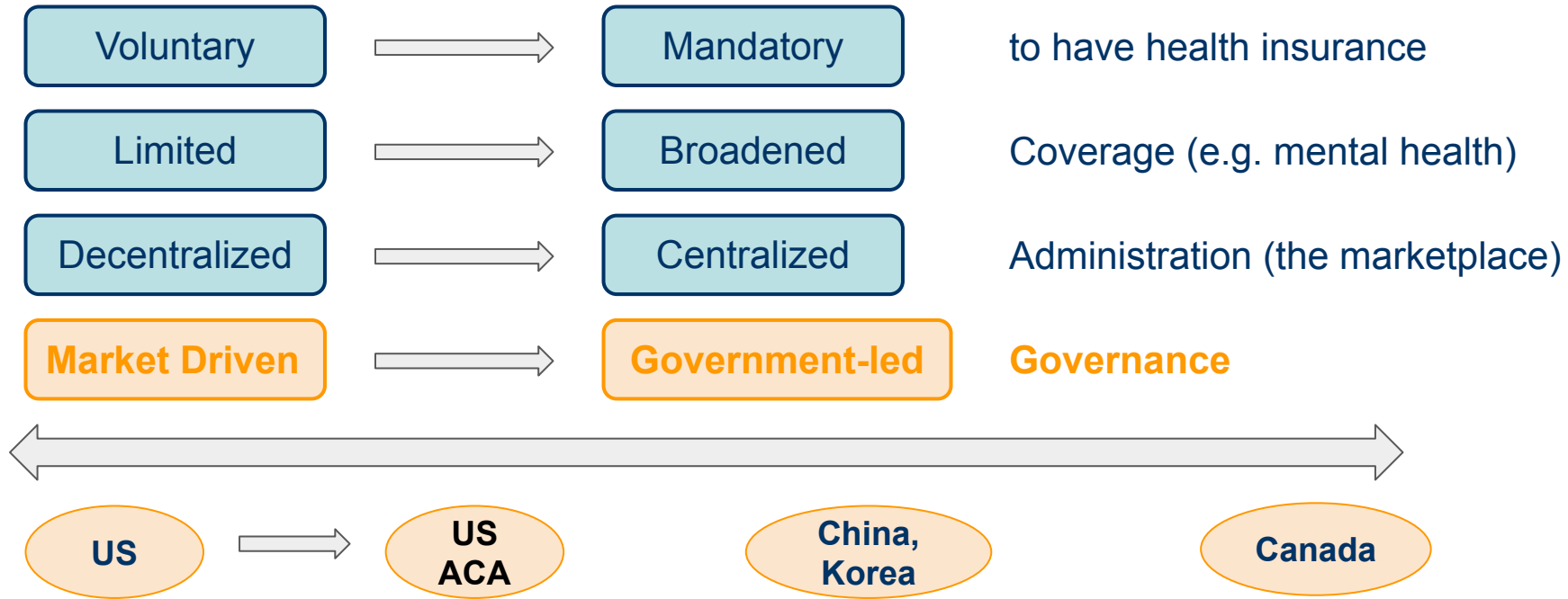
- Expand Medicaid eligibility
- Create a insurance exchange where citizens can buy health insurance plans

Expected result: All Americans must carry health insurance or pay fines.



What is behind the production?

- What is **ACA** (Obamacare)?



What is behind the production?

- **Pros and Cons of different governance modes?**

Market Driven

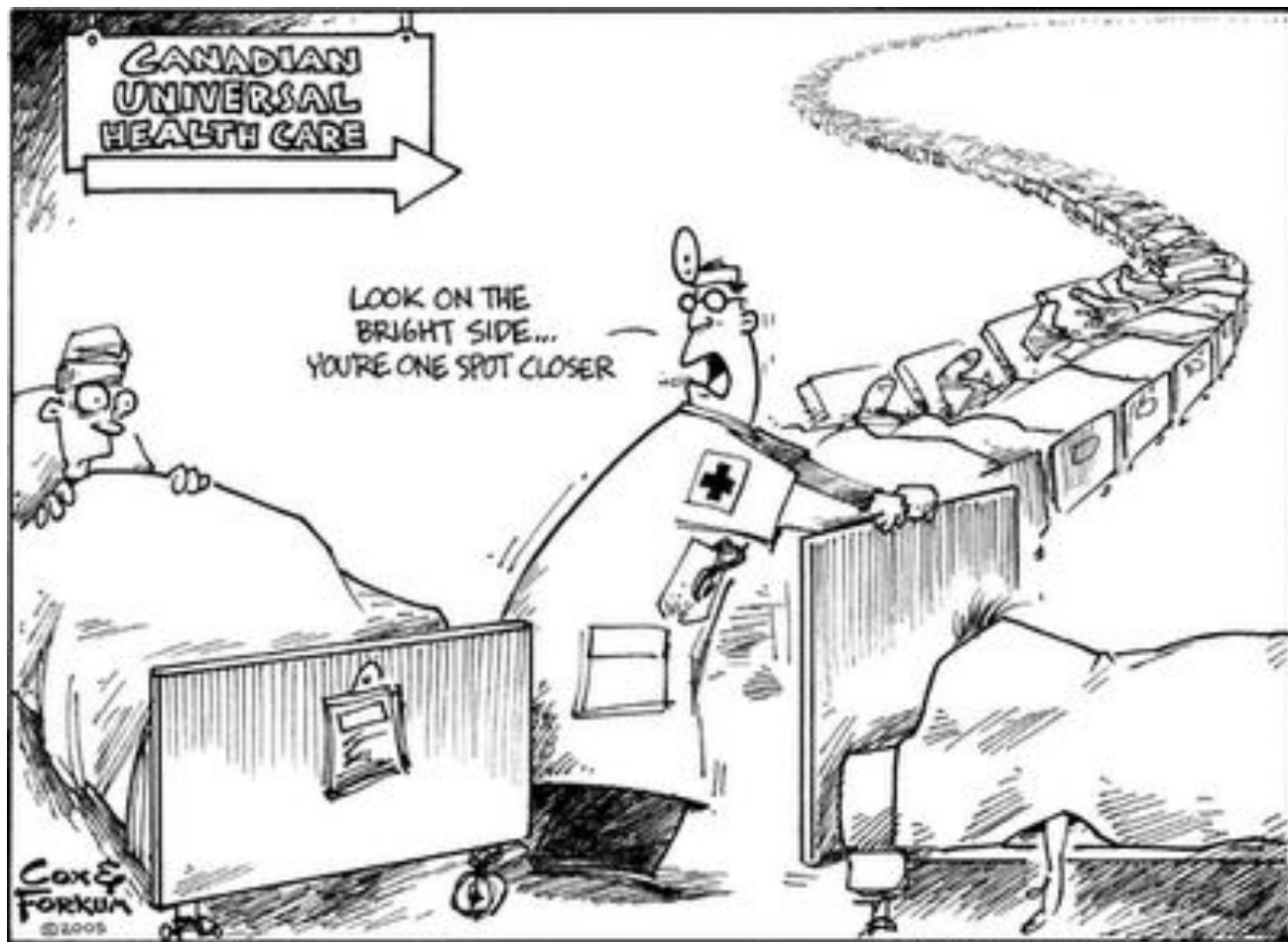


Government-led

Governance

Very expensive
Fast service ?
High quality?
competition, innovation

Low cost
Universal coverage
Hard to see the doctors
Lack of capacity
High taxes

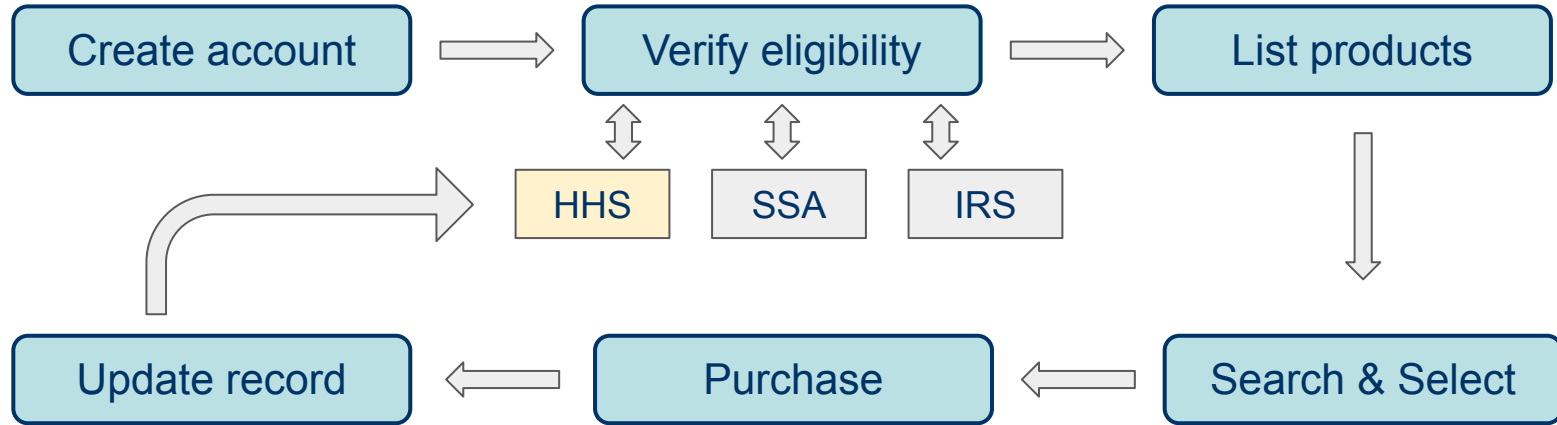




Vox

Healthcare.gov project

- What are the key functions of the website?



Lotta stakeholders, different agencies with different data, operating systems and technologies.

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You can enroll in or change plans if you have certain life events or income range, or you qualify for Medicaid or CHIP.

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Get Coverage

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You can enroll if you have certain life events or income range, or you qualify for Medicaid or CHIP.

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You and your family have many low cost, quality health insurance options available through the Individual Marketplace.

You can quickly compare health plan options and apply for assistance that could lower the cost of your health coverage. You may also qualify for health care coverage from Medicaid or Child Health Plus through the Marketplace. Anyone can apply here.

GET STARTED

Get Enrollment Help



Compare Plans and
Estimate Cost



Search by
Health Plan,
Provider, or Facility

1

Create an Account.

2

Tell us about yourself
and your family.

3

Choose a health
insurance plan.








Chat Now

Search plans for 2022

Compare Plans ¹

Reset Compare Plans

Page 1 of 55 << >>

	Insurance Company	Plan Name	Metal Level	Coverage Type	County	Persons Covered	Price Per Month	Details
<input type="checkbox"/>	 FIDELIS CARE® ★★★★☆ Quality Details	Fidelis Care, Bronze, ST, INN, Fidelis Care HBX Network, Pediatric Dental, Dep25, Free Telemedicine	Bronze	Medical Plus Child Dental	Kings	Individual	\$457.52	View Details
<input type="checkbox"/>	 FIDELIS CARE® ★★★★☆ Quality Details	Fidelis Care Bronze HSA, Bronze, ST, INN, Fidelis Care HBX Network, Pediatric Dental, Dep25, Free Telemedicine	Bronze	Medical Plus Child Dental	Kings	Individual	\$462.62	View Details
<input type="checkbox"/>	 FIDELIS CARE® ★★★★☆ Quality Details	Fidelis Care, Bronze, ST, INN, Fidelis Care HBX Network, Pediatric Dental, Dep29, Free Telemedicine	Bronze	Medical Plus Child Dental	Kings	Individual	\$480.39	View Details
<input type="checkbox"/>	 FIDELIS CARE® ★★★★☆ Quality Details	Fidelis Care Bronze HSA, Bronze, ST, INN, Fidelis Care HBX Network, Pediatric Dental, Dep29, Free Telemedicine	Bronze	Medical Plus Child Dental	Kings	Individual	\$485.75	View Details
<input type="checkbox"/>	 MetroPlus Health	BronzePlus-B2, NS, INN, Family Dental, Family Vision, Dep25, Healthy Living	Bronze	Medical Plus Dental	Kings	Individual	\$488.03	View Details

The Initial Rollout



The Initial Rollout

- **What happened?**

Only 6 people were able to enroll and purchase plans.
(Millions applied.)

- **Consequences if not fixed?**

People lose faith.

Legislation could be repealed.

The Initial Rollout

- **Consequences if not fixed?**



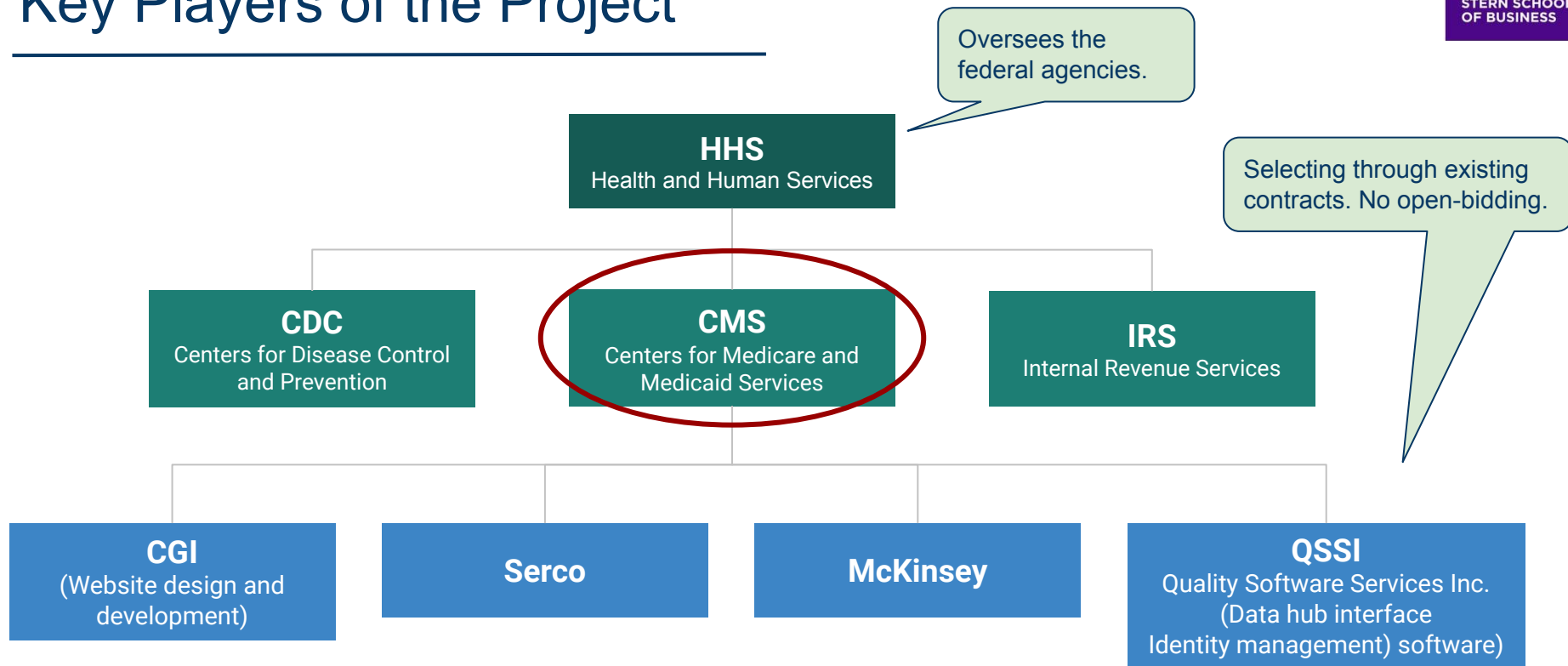
Key message?

The Initial Rollout

- **Consequences if not fixed?**



Key Players of the Project



\$94 million

Root Causes - IT Governance Framework

- **Why did the initial rollout fail?**

People

Process

Technology

Root Causes

- **People:**

- Politics: Misaligned interest; highly politicized environment, partisan interests. E.g., Todd Park, WH CTO was kept out of the planning of the Website.
- Leadership: Lack of clear leadership and responsibility, even when the team tried to fix it; it wasn't clear who was in charge.
- Experience: CMS/HHS might not have sufficient experience managing an IT project of this scale. IT is not the core competency of CMS/HHS.

- **Process:**

- Coordination: inefficient project management; the team didn't build a dashboard to monitor progress; lack of accountability and structure; flawed launch strategy.
- Communication: red flag was ignored during the project; ineffective communication to the public; requirements unclear.
- Contracting: federal procurement policies preferred incumbent vendors and excluded capable outside players who were truly capable and genuinely interested in the project.

- **Technology:**

- Complexity: Disparate, multiple systems from different agencies.
- Compatibility: Incompatible technologies.
- Legacy: Outdated technologies of legacy systems.

Risk Cube of IT Projects

- **Where is Obamacare?**

Large Scope:

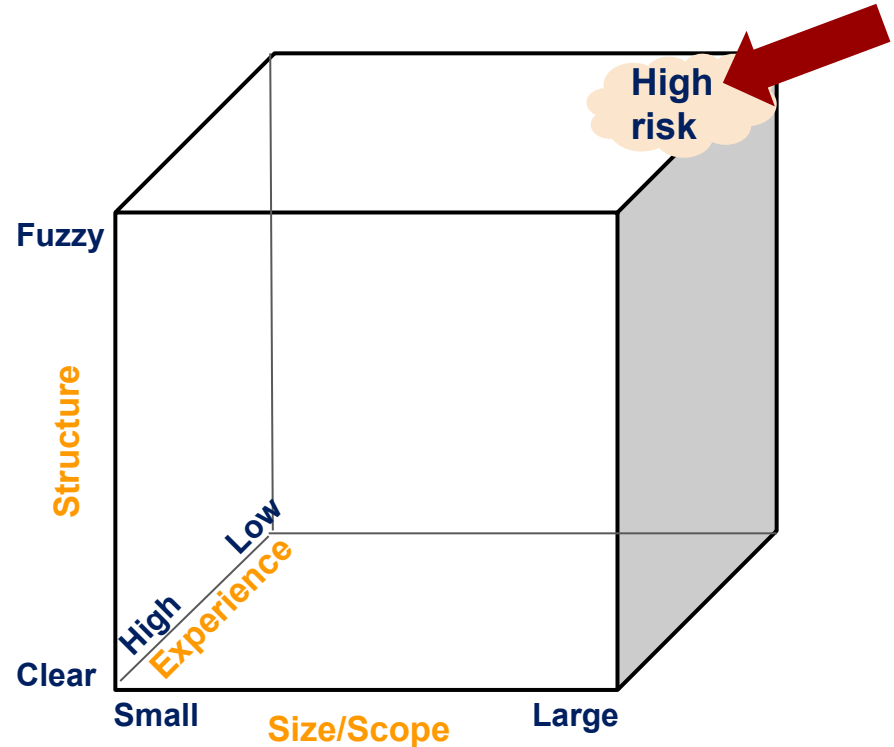
nationwide

Lack of structure:

Roles and responsibilities were not clear.

Lack of experience:

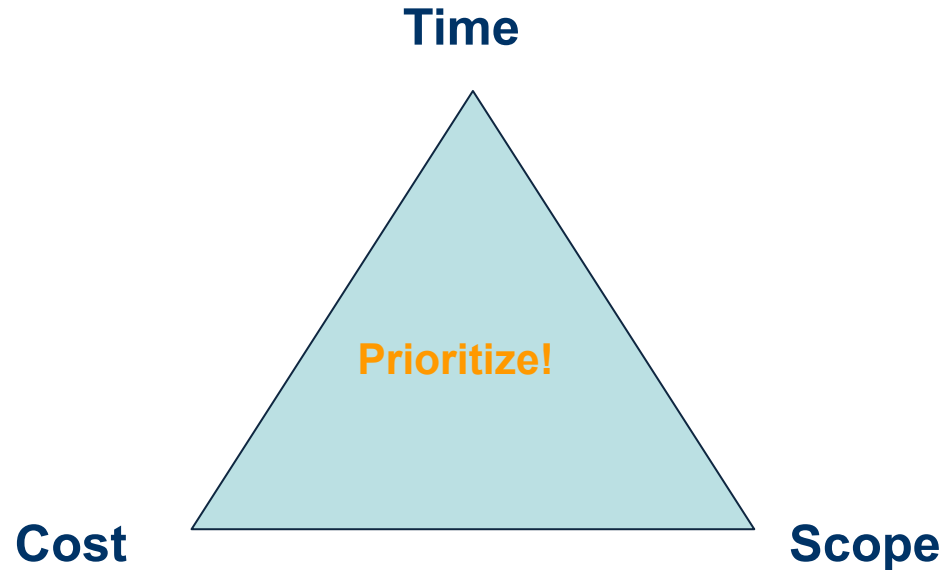
CMS has very limited experience in this type of project.



* Invented by Warren Mcfarlan

Triple constraint model of IT projects

Sometimes you gotta give
up one of these.
Be realistic!



Action Plan

- How would you save this website?
 - Who would you put into leadership?
 - Would you still work with CGI and incumbent vendors?

Action Plan



- Obama didn't reach out to CGI and other huge companies or government bodies.
- Obama reached out to two people:
 - Jeff Zients (Extensive experience in both business and gov)
 - Todd Park (Whitehouse CTO)
- Assembled a group of tech wizards:
 - Coders and trouble shooters who have great **expertise**
 - They shared **similar political identity**
 - They dropped their work and traveled to Washington DC to fix the website in a short time



First responder Google
site-reliability engineer
Mikey Dickerson, an
Obama campaign veteran,
led a quickly assembled
fix-it team, stamping out
bugs and speeding up
response times

Mikey Dickerson
(Google's site reliability engineer)



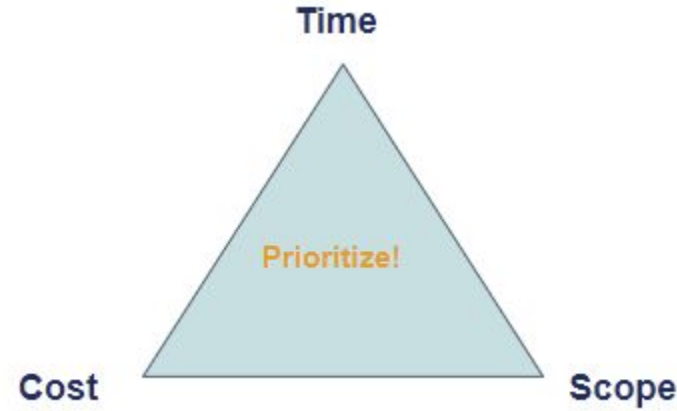
Ryan Panchadsaram, Todd Park, Jeffery Zients



Jini Kim, Paul Smith, Andy Slavitt



Dashboard to monitor the website performance and traffic in real time.

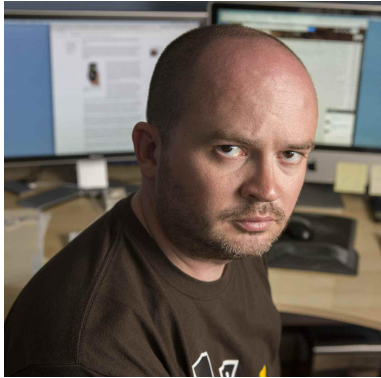


Prioritized work, focusing on the easiest problem first. One prob at a time.



Sought to work with **incumbent vendors** (if they don't collaborate, start from scratch)

The team's lead, Mikey, created 3 rules in their control center ("war room") -> Implanted Silicon Valley's **culture** in the White house.



- The war room and the meetings are for **solving problems**. There are plenty of other venues where people devote their creative energy to shifting blames
- The ones who should be doing the talking are the people who **know the most** about an issue not the ones with the highest rank
- We need to **stay focused** on the most urgent issues, like things that will hurt us in the next 24-48 hours

MARCH 10, 2014

Ukraine's Future / Minimum-Wage Wars / Wes Anderson

TIME

CODE RED_

Inside the nightmare launch of HealthCare.gov
and the team that figured out how to fix it

BY STEVEN BRILL



time.com

Multiple years.
Large companies



6 people, 6 weeks
Successful!

Risk Cube of IT Projects

- The Save**

Small Scope:

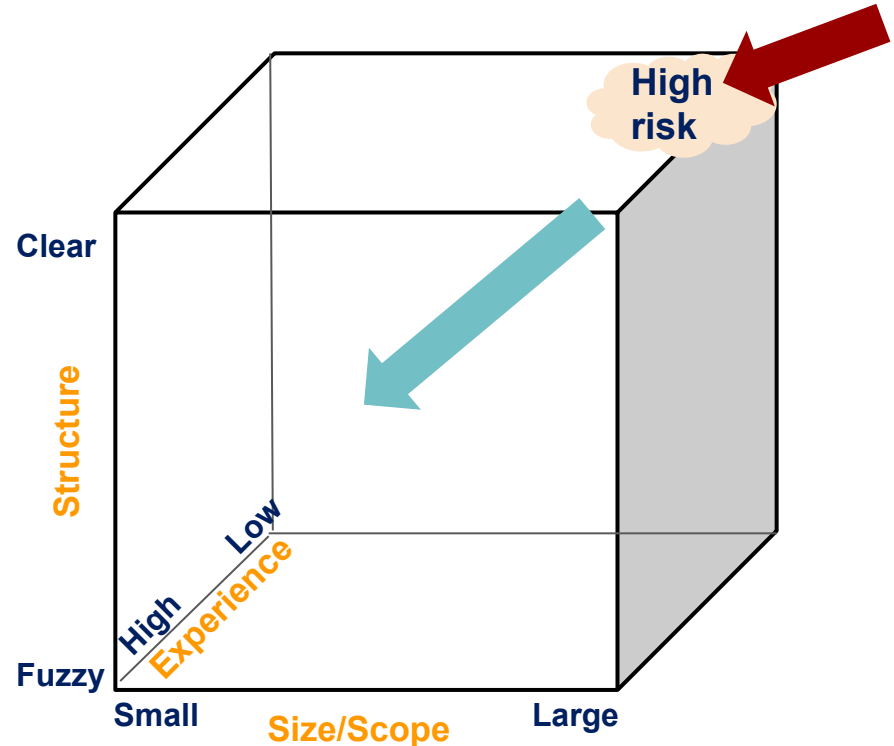
A basic website.

Clearer structure:

Only 6 people.

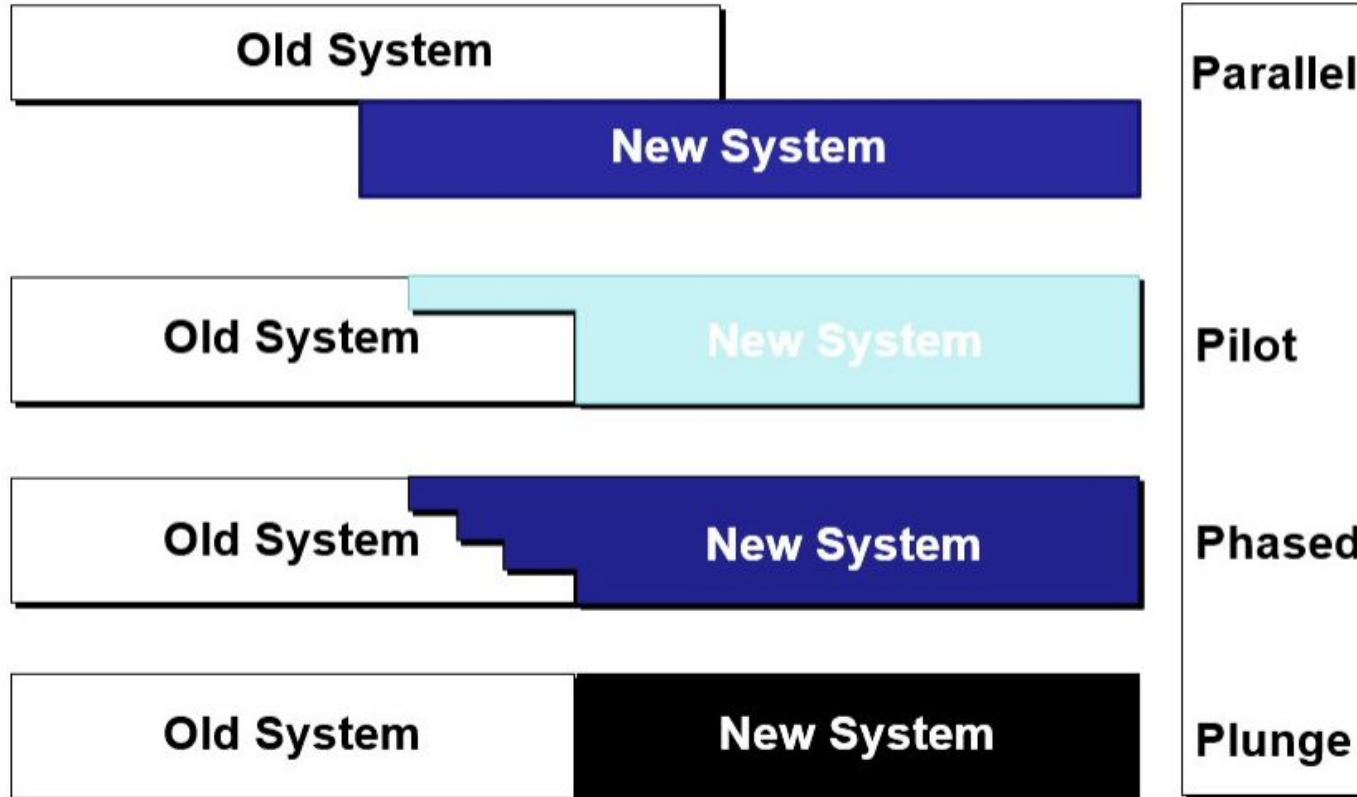
High experience:

Much more experience.



** Invented by Warren Mcfarlan*

IT system launch strategies



IT Sourcing: Make or Buy



Hierarchy

Vs.



Market

IT Sourcing: Make or Buy

At home:

- Do I fix my own clogged sink or hire a plumber?
- Do I make my own dinner or order take-out?

Firms:

- **Startups:** Do we hire part-time financial accounting or build out an in-house finance team?
- **Investment banks:** Do we hire printing services to print and bind marketing materials or have our associates stay late and do it?

IT Sourcing: Make or Buy



Hierarchy

Vs.

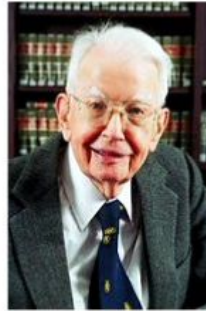


Market

Ideally, market is usually more efficient. 'Invisible hand'
But why do companies become larger and larger?

Make or Buy: Transaction Cost Economics

- Ronald Coase (1937): *Nature of the Firm*.



Nobel Prize in Economics 1991

- Oliver Williamson (1975): *Markets and Hierarchies*.



Nobel Prize in Economics 2009

IT Sourcing: Make or Buy

- What is transaction cost?

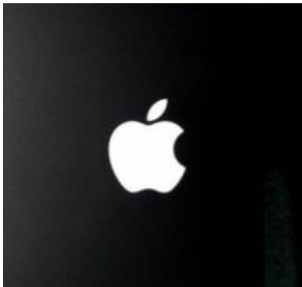
Do I bring this expertise **inside the firm** or **hire another firm's** service?

- Involves a **transaction**.
- Market transactions have '**frictions**' - **transaction cost**
(searching cost for suppliers, bargaining and contracting, monitoring and enforcing contracts)

Make or Buy: Transaction Cost Economics

- **What is transaction cost?**

- Market is efficient, but market transactions have '**frictions**' - transaction cost (searching cost for suppliers, bargaining and contracting, monitoring and enforcing contracts)
- Due to transaction costs, it's more effective to perform **certain** activities through the **hierarchy in-house**.



Bye bye Intel?

Make or Buy: Outsourcing Strategies

- **Strategic alliances**

Long-term partnerships with **few large technology giants**, such as Accenture.

- Benefits: stability, trust, cost, scale, client-specific knowledge.
- Risks: reliance on the vendor (hostage), lack of incentives



- **Transactions**

Short-term contracts with **a large number of smaller technology startups**, such as fintech firms.

- Benefits: competition, innovation, cutting-edge tech
- Risks: onboarding and integration, vendor longevity



Make or Buy: Future Model

- **Combine** major partnerships with many smaller contracts.

The Long-Tail Strategy for IT Outsourcing

IT outsourcing used to be driven by cost savings. Today, it's also driven by a need for innovation — and some leading companies are reinventing their supplier portfolios to achieve that goal.

*Organizations need to **govern** the vendor portfolio (monitoring performance, rewarding top vendors, managing integration)*

Key Takeaways

- To manage an IT project, you need to recognize the constraints, and prioritize certain aspects.
- Analyze the risks and tweak the parameters to lower risks.
- Have a project launch strategy.
- Sourcing the best-fitting IT capability and talent is difficult.
- ‘Long-tail’ outsourcing strategy could be helpful.