

Health Care Reform Requires Rethinking the IT Strategy

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EXECUTIVE SUMMARY

True Health Care Organization (THC) was a national leading health care organization. Its CEO and the management team were concerned with the implications of multiple laws, aimed at improving health care in the United States, passed that impacted the health care insurance industry including the THC Company. The CEO and the management felt that the company faced many challenges as it looked for solutions to the requirements of the new laws. Their industry was going through an unprecedented change due to the new laws and a general consensus that health care should be improved. They had concluded that the solution to the new challenges faced by their company laid in implementing the new Information Technology systems. The CEO and management were acutely aware that it was not easy to implement these changes by implementing Information Technology systems. The challenges that they were concerned about included skillsets of their work force, the disjointed nature of their current information technology infrastructure and the urgency of implementing all the changes within a short period.

Keywords: Health Care Reform, Health Information Technology, Health Insurance Exchanges, Patient Protection and Affordable Care Act, True Health Care Organization (THC)

ORGANIZATIONAL BACKGROUND

True Health Care Organization (THC) was a national leading health care insurance provider in the United States. Founded in 1960, THC started as a single state health insurance provider in the southwest United States. THC has risen to dominance by acquisitions over the years. THC provided health insurance to various customer segments in the market. THC was divided into various units that served different individual and business segments in the market.

There were units dedicated to offer health insurance to individuals. Similarly, the businesses that wanted to offer health insurance to their employees could use THC Company's health insurance products for their organization. The unit that serviced individuals was one of the largest health care benefits business unit within the company. The unit that offered insurance products to seniors eligible for Medicare was not far behind. Currently, Medicaid was the smallest unit in terms of revenue per member.

THC sold its products through independent brokers and consultants. It had a large sales force of more than 500 account executives across the nation that mostly focuses on selling its prod-

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ucts to businesses. The THC sales force also sold directly to individuals using a third party call center. This call center employs certified brokers who could sell insurance to individuals who reside in a few large states like California, Florida and Texas. THC delivered health care using a network of over 5000 doctors nationwide. THC also had contractual relationship with over 5000 hospitals nationwide to deliver its health care services. The hospitals worked with THC on a contractual basis and allowed the doctor in its network to use their facilities as needed.

THC had about 15 million customers in 2010. The number has grown at a rate of 2 percent per year for the last 5 years. THC has predominantly grown by acquisition. It has been able to acquire many of its competitors. In a span of five years from 2006 to 2010, THC had 5 major acquisitions costing \$12 billion. The acquisition allowed the company to enter new geographical markets in some states where it did not have a large presence earlier. This allowed it to increase its membership by 15 percent in the 5 years. Although the company grew overall, the THC management was well aware that 2009 was a tough year for the company as well as the industry. During this year, instead of the membership growth, the company saw a new fall in the membership by 1%.

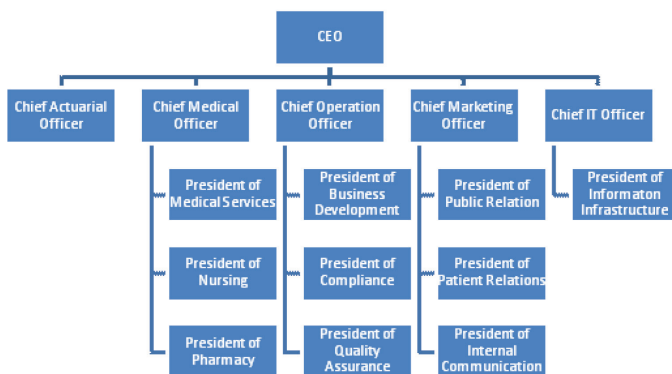
In June 2010, the United States Congress passed a legislation that would impact THC and its business model. Known as the PPACA

(Patient Protection and Affordable Care Act, 2010), it changed the health care insurance landscape in the United States. For the first time in its history, no health insurance company could deny health insurance to a person due to pre-existing condition. In addition to many other changes, the legislation allowed health insurance to be available to millions of Americans who were not eligible for health insurance previously (therefore no health care). The states were mandated to set up exchanges in order to create a marketplace where health insurance companies can compete.

The CEO of the THC Company and his management team knew that in this new and constantly changing environment, their response could not be to offer new products to meet the new demand. They knew that they have to think differently than in the past. Whereas in the past they had considered gradual improvements, now they felt that they may need a paradigm shift. This was very rarely done successfully in their company and had always failed when it was tried earlier. The current management team is organized in Figure 1.

Due to the major provisions in the health care on universal availability of the health care insurance, actuarial department was one of the most impacted. The CEO of the THC Company while looking at his organizational chart knew that the Chief Actuarial Officer will have to change the whole department and its pro-

Figure 1. THC company organization



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