

Stop pumping cash into your old legacy system clunker

Drive the upgrade process with transition teams

BY MICHAEL T. McCUE



FEW THINGS strike more fear into the heart of a health plan executive than the thought of replacing a legacy system. Whether it's a technology that adjudicates claims or runs some other mission-critical business process, it's always tough to sever ties with an enterprise system that has served its purpose well for so many years.

Still, there inevitably comes a time for all technologies when the drawbacks simply outweigh the benefits.

Often the key to determining whether a legacy system has reached the end of the road is to look at the bigger picture, according to Peter Bristol, senior director of information technology with Medford, Mass.-based Network Health, a Medicaid plan.

"One good indicator that a legacy system is

becoming inefficient is when the organization stops hitting key metrics, such as quality of service indicators and auto-approval rates for processes," Bristol says. "The technology itself might seem to be functioning properly, but if the overall organization isn't performing the way it should, it might be because a legacy system just isn't pulling its weight anymore."

When executives begin to wonder whether that dreaded time has come, they need to ask themselves:

1. Although I see the end of the line for this legacy system, how do I know if this is the right time to replace it?

2. Can I get a few more productive years from the technology and push the expense and productivity costs into the future?

3. I've come to grips with the fact that this legacy system is holding me back and costing more than it's worth, but how do I go about replacing it?

Even if this year isn't the right time to launch a new technology, major system replacement is a massive and expensive undertaking that can take years to plan, much less execute. Executives should know what signs to watch for and what they need to do to prepare, because despite what the old adage says, death and taxes aren't the only guarantees in life—legacy system replacement is, too.

There's no way to avoid it, because the law of diminishing returns eventually comes into play—much like the old clunker car that keeps running but needs a new quart of oil every week.

"While there are costs and risks associated with a major system change,

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the benefits will make it worthwhile in the end," says Davina Lane, executive consultant with Sinaiko Healthcare Consulting in Los Angeles. "You get to stop pouring money into upgrades that continue to cost more, yet offer an increasingly lower return. At first, you just need a little patch every six to 12 months, but eventually you'll also need to change hardware to keep supporting the old technology."

If the hardware fixes that keep the old system operational don't turn out to be a fit for a new system, even more investment will go inevitably down the drain.

Sometimes technology teams need to take a step back and look at the organization's entire IT ecosystem, Network Health's Bristol says. CIOs should look for internal or external customer dissatisfaction, whether there are an unusually high number of operational bottlenecks and emergency IT situations, or a disproportionate amount of time being spent on system maintenance.

He also recommends looking at the business landscape by measuring the organization's performance against external benchmarks, such as industry surveys and competitors' results.

Sometimes it's not the system itself that costs so much, but the related service costs, according to Eugene Sayan, founder and CEO of Softheon, a business process software provider based in Hauppauge, N.Y.

"It's really about the total cost of ownership," he says. "As technologies get older, fewer vendors support them. Over time, companies can become more and more dependent on a decreasing number of vendors, and they have no choice other than to pay whatever those vendors want to charge."

On occasion, analysis might show that only one or two components of a legacy system are causing a problem. In

that case, it might be possible to build a bridge to work around the outdated functions while squeezing a few more productive years out of the otherwise efficient system.

"Some legacy systems have commonalities that allow you to connect the old to the new fairly painlessly, because today's technology is so flexible that we can put a Web interface on just about anything, even an old COBOL system," says Derek Woo, Sinaiko's managing director of revenue cycle and informatics. "But just because you

MHE EXECUTIVE VIEW

- **Benchmark against industry surveys and competitors' results.**

- **Calculate the total cost of ownership of an IT system.**

- **Run the systems in parallel until the new system is live.**

can, doesn't always mean you should. If the systems don't talk well enough, you're just perpetuating the problem and pushing it into the future."

TIME TO BITE THE BULLET

If you decide to build a bridge, Woo warns, it's a sign that the countdown to a new system has started, and you need to plan a long-term solution. Once it becomes obvious that an outdated technology is holding the company back and a full replacement is needed, executives should:

- **Establish a realistic schedule for the entire process. Legacy system replacement rarely takes less than 18 months from start to finish.**

- **Put together a well-thought-out implementation team. Be sure to include a member who is responsible for progress documentation, because it's a**

long process and sometimes teams need to go back and figure out why a certain decision was made.

- **Get buy-in from your company's full IT department. Some internal groups might feel threatened when outside vendors are engaged.**

"IT departments sometimes see a positive and close relationship with a vendor as a threat, but they are the ones you need to be the champions of the project," Sayan says. "If your internal IT people are engaged from Day One, they will consider the project their own and work that much harder to make sure it gets done right."

Bristol agrees, adding that the people aspect comes first, both internally and externally, so CIOs must ensure that they're building a team that will provide breadth and depth to see the project to completion.

"It usually comes down to having good partners and a solid internal team," Bristol says. "If you play to win on those two elements, you have a better chance of a successful implementation."

But no matter how smoothly things appear to go, Sinaiko's Lane says companies shouldn't just pull the plug on the old system as soon as the new one is up and running. Customized systems need time to settle in.

"Running the old system in parallel with the new one isn't something that's done by every company, every time ... but it probably should be," she says. "I highly recommend doing it if the company can afford the added expense for a little while, just to make sure everyone is up to speed on the new system and all the bugs have been worked out."

She also recommends setting a timeframe on that practice. Running the old system in the background can eventually become a psychological crutch, and sooner or later, the new technology is going to have to carry the weight on its own. **MHE**