TBM COUNCIL

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Winner

Better Planning Leads to Better Outcomes at

CHRISTUS HEALTH

A CHRISTUS Health Case Study

Executive Summary

Given aggressive asset growth plans for the business, CHRISTUS Health created new levers for cost savings and cost avoidance in order to contain IT spending and improve IT leverage. By modeling and reporting on the TCO of 1,200 applications, they were able to identify spend per service category and applications on a monthly basis. This helped tie a $60 million growth in application spend to increased demand for resources, leading to more productive C-suite conversations about consumption. Strength of transparency and improved relationships with the business positioned the CIO for immediate approval of the IT budget without any of the churn required in past years.

CHRISTUS Health Corporate Overview

CHRISTUS Health is an international faith-based, not-for-profit health system with a goal to take better care of people. As one of the largest Catholic health care systems in the U.S., comprised of more than 60 hospitals and long-term care facilities, 175 clinics and outpatient centers, and dozens of other health ventures, the organization is focused on driving advancements and innovations to improve patient care.

CHRISTUS Health

Industry // **Healthcare/hospitals**

Revenue // **$5B**

Employees // **30,000**

TBM Solutions

- Apptio Cost Transparency
- Apptio IT Planning Foundation
- Apptio IT Benchmarking

Benefits

- Headcount reduction avoided
- Dramatically improved budget approval process
- Translated finance GL categories into relevant, actionable IT budget and forecast categories
- Streamlined planning process including budget consolidations, resource tracking version control

"When we sit down at our corporate budget conversation once a year, we are a magnet for every bow and arrow shot in the organization. What we've been able to do with TBM is to actually diffuse a lot of that conversation even before we get into that meeting. Because we've got an explanation of what the sets of services are, and the granularity we need around the information, we are able to have a very good conversation around that executive table."

George Conklin, SVP and CIO

CHRISTUS Health

CHRISTUS Health is in a race to become a highly innovative healthcare system, one that can control consumption and costs, even as it leverages technology to continually improve the quality and delivery of patient care. This has become critical as reimbursement policies, regulations, capital needs, and shifts in patient care transform traditional lines of business. To prepare for this transformation and new cost containment efforts, CHRISTUS Health first needed to get their arms around their operations.

Complicating matters, the 150-year-old organization had moved from a decentralized to a centralized governance model in which the IM team (CHRISTUS Health's IT department) was managing formerly independent regions that weren't accustomed to reporting to a corporate service structure. This compounded the need to develop best practices around planning and governance.

Bennetta Raby, System Director, IM Strategy and Performance Improvement, is responsible for the transformational arm of information management for CHRISTUS Health. It's her job to keep systems running, and she feels a deeper obligation to keep them running at the most efficient level possible. "Without visibility into performance, the results, the KPIs, it's very difficult to have a meaningful conversation about our operations today."

"Because we depend so heavily on our regions and their revenue streams, it's even more important to build a transformational culture to be able to create margin for innovation," said Raby.

TBM office and Apptio Cost Transparency kickstart innovation journey

Raby and her team knew better transparency was necessary to communicate their cost structure and provide levers for cost savings and cost avoidance. This became the platform for the Technology Business Management Office (TBMO), which created a unique opportunity to build new, more productive relationships with regional budget owners. The TBMO is led by TBM Program Manager Aaron Almaraz, whose responsibility includes providing the transparency and reporting needed by IT leaders and stakeholders to make better decisions.

In 2015, the TBMO team implemented Apptio Cost Transparency, an enterprise business management system for IT. Apptio marries actual costs from the corporate general ledger with IT management data such as assets, time tracking, vendor billing and other sources to create actionable views of costs, consumption, utilization, and performance. With this system, the IT team precisely models IT costs for nine major service categories: clinical process automation, technology access, business systems, enterprise infrastructure, business intelligence, security, customer services, revenue cycle systems, and workplace support.

This would prove useful in a number of unexpected ways.

Rationalizing applications while saving jobs

Almaraz and the TBM team know the IT investments the organization makes in the next three to five years will determine where CHRISTUS Health will be in the future. Because the IM department is a shared service center, they are very careful to justify their expenses and forecasts. But like many organizations their size, they often face executive mandates to cut budgets based on misperceptions of how their seemingly large spend is allocated.

Raby recalls how previously opaque application costs almost eliminated IM jobs. "There was a misconception that we were very heavy on resources when we went through the decentralization to centralization exercise. So our C-suite said, 'We're committing to the business' very aggressive asset growth plan over the next two years and we need you to look at reducing your budget to help us achieve this goal.' Because we had the largest amount of resources, many people thought it would be low-hanging fruit to come in and do a headcount reduction."

The team got together at first with the intent of figuring out where they could "rob Peter to pay Paul," said Raby. The group already felt they didn't have the resources needed to deal with demand. The "aha" moment came when they were able to leverage Apptio Cost Transparency to tie a $60 million growth in application spend to increased demand for operating resources. They were able to see clearly how new apps required the support resources they already had in place. Quantifying the added applications made the link undisputable. The team immediately shared this information with their CIO, who took it back to the C-suite.

"George flashed our data up on the board, along with our IM finance director. 'This is what you added into the system. This is what is required to be able to meet your demand.' And it was grossly out of whack," said Raby. "And that, I think, was the first time the C-level executives realized, 'Wow, we did this to ourselves. It's not an IM problem. It's our appetite. And our inability to be able to trace the decision, the outcome of the decisions that we're making.'"

In this case, being able to align true technology demand and technology consumption to the business that was asking for it actually helped to save jobs. "Without TBM, we would have needed to take that blind cut in order to meet the needs of the organization, because we have to grow. But we have to be careful not to cut our nose off to spite our face, and if you don't have visibility into that information, that's exactly what you're going to do."

Because CHRISTUS Health's 1,200 applications are operationalized into the TBM taxonomy, Almaraz and his team can now identify spend per service category and per application on a monthly basis. "I have all of this data at my fingertips. And I feel much more prepared to tackle questions about the TCO of an application or the cost of moving something to the cloud."

"Now we can talk to our C-suite about pulling applications out of our environment that don't have a place," Raby adds. "Not pulling them out haphazardly, but being very thoughtful and provocative about which ones that we actually go and touch."

Transforming the budgeting cycle

It's one thing to see what needs to be done to cost-effectively address increasing demand. It's another to actually plan and budget for it. This proved to be another area Raby's team would need to tackle. In particular, a significant challenge in planning stemmed from the reliance on siloed cost centers for the budgeting process.

"Historically, we sent out anywhere from 50-75 individual spreadsheets to all of our different managers that manage cost centers," said Almaraz. "This was very time-consuming and inefficient, as we had to put a lot of resources into the budgeting process." Not only did this approach take a lot of time, it made it difficult to connect cost center budget requests with business goals and priorities.

Stephanie Rendon, Director of IM Finance, partners with the TBMO to align and improve decision-making, especially during the planning process. Prior to implementing Apptio, her team struggled with the tedious manual process of pulling data from payroll, contract, and asset management repositories, creating multiple password-protected spreadsheets, and meeting face-to-face with CHRISTUS Health's 35 diverse budget owners, group cost center owners, and the leadership team. Reviews and revisions were handled via email, where last minute notes and requests were difficult to track and sometimes missed. From start to finish, the planning process typically required 5-6 months.

Apptio IT Planning would prove to be the missing link to a more streamlined and business-connected process. "Getting the planning tool was a no-brainer for us," says Almaraz. "Now that we have one tool, we put all of our budgets in for every department, in every cost center, and all the managers can log in and review their data. The finance team is very pleased because it eliminates all of that extra work."

Linking better transparency with better budgeting

Leveraging the nine service categories tied to spend in Apptio Cost Transparency, Almaraz and his team can now tie budgets back to corporate business initiatives by driving information into Apptio IT Planning and creating rolling forecasts that can be shared with the managers who need to see and adjust it.

"Now, instead of sending our managers Excel reports, they're seeing their results in Apptio IT Planning, by department. They are able to help us with the forecasting, which is something they are excited about because they have the opportunity to impact their budgets and still help us reach our targets."

Conversely, budget information is being sent back to Apptio Cost Transparency to help manage technology fees and allocations within the IT group. "The value of Apptio IT Planning is realized even further as we work with the TBM team to improve our cost pool classifications. Each month we realize value when we are better able to classify costs and get them in the appropriate departments," said Rendon.

"It makes the budget cycle so much easier, and it promotes collaboration among the managers too," said Almaraz. "Now that we can highlight what the whole team is doing as a department, people know that if one department is over, other budgets can be managed to balance everyone out that month."

Improving conversations at the C-level

George Conklin, SVP & CIO at CHRISTUS Health, reflects, "The best example of how TBM has changed the way conversations go at an executive level here is our budget conversation. We have a very large budget within IM. When we sit down at our corporate budget conversation once a year, we are a magnet for every bow and arrow shot in the organization."

"What we've been able to do with TBM is to actually diffuse a lot of that conversation even before we get into that meeting. Because we've got an explanation of what the sets of services are, and the granularity we need around the information, we are able to have a very good conversation around that executive table. Now we can say 'If you want our costs to go down, then the services have to change.' And we can help them look at the mix of services and the patterns of services that we provide. "

Conklin finds the conversation is much more realistic now. His team enjoys a better back and forth with the leadership team as they understand more and more about what they are getting for their allocations and the tradeoffs between reducing costs and any associated implications.

Raby reflects, "When we wrapped up our budget planning for fiscal year '17, George said this was the first time in the budget review that the leadership team just breezed right past our budget submission. He said that's never happened since he's been with the organization—¬ and he's been here 19 years."

"I said, 'Okay, so break it down for me. Tell me exactly what did that look like?' He said, literally, 'All the other shared services leaders sat there and they went through the painstaking rationalization and explanations that we used to go through. It was just painful for weeks and weeks and weeks. And revision after revision.' "

Raby continues, "When ours was presented, because we had done the groundwork with TBM, they gave it a nod and kept moving. And I think that a lot of people probably wouldn't get excited about that. But when you've lived through very ugly budget planning and budget cutting exercises year after year, where your organization is the one that's always looked at for the budget cuts? For once, we were able to go to a board review and review it in just 30 minutes and be done. That says a lot about what we've been able to accomplish."

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