

**Introduction: "What Do We Mean by Decision Management & What Does It Mean for Business?"**

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Patty Brown: Good morning, good afternoon or good evening depending on where you are in the world and welcome to today's webcast "What Do We Mean by Decision Management and What Does It Mean for Business?" brought to you by InformationWeek, IBM, and broadcast by United Business Media Limited. This is part one of four of the IBM Good Decision Webcast Series Architects and Developers Crash Course in Decision Management. I am Patty Brown and I will be your moderator today, and we have just a few announcements before we begin.

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Now, on to the presentation. What Do We Mean by Decision Management and What Does It Mean For Business? Discussing today's topic with me is Steve Hendrick. Steve is the Group Vice President of Application Development and Deployment Research for IDC. Steve leads IDC's Application Development and Deployment Research Group which covers tools, technologies and platforms used by professional developers to build and deploy applications. The AD&D Research areas that Steve manages includes application development and deployment of cloud services, application development software, application lifecycle management, business process integration and deployment software, database management, and database integration software and services-oriented architectures and web services software.

Now, prior to IDC, Steve acquired 15 years of application development experience within the information services industry. He came to IDC from the Global Electronic Banking Division of Chase Manhattan Bank, where he held a number of positions, including Project Manager, Manager of Product Services and Senior Product Manager.

Now, also joining today's conversation is Bill Looney. He is the Enterprise Architect for Horizon Healthcare Services. Bill is a Director in the Chief Technology Office of Horizon Healthcare Services. He is responsible for the creation and operation of Horizon's Business Process Management Center of Excellence. Over his 20-year career he has held positions of increasing responsibility across a number of industries including manufacturing, communications, software and e-business. The companies at which he has worked have ranged in size from start-ups all the way up to global conglomerates. His focus has always been towards projects that deliver measurable business results. At Horizon, he is focused on helping the company achieve its goals making healthcare work by simplifying complex processes and utilizing technology to increase

organizational efficiency and optimize operation. Now IBM's SOA and BPM technology staff are playing a key role in helping Bill and his team achieve their objectives.

Now, I am going to hand things over to Steve who will begin our presentation. Steve would you like to take it away?

Stephen Hendrick: Okay. Thanks for the introduction, Patty. It's great to be here and to have this opportunity to share IDC's perspective on Decision Management with you. So, Decision Management is getting a lot of attention these days. And the overarching reason for this is really that business is transitioning from an information economy to what we're calling an intelligent economy.

Now, over the last 20 years, IT really was transformed by the ability to store and access information and so this gave rise to the term information economy. But this transition to an intelligent economy is occurring now, and it's occurring due to this leverage of information by rules and analytics to help form explicit policy that drives automated business processes. But making it actionable is not just the hallmark of an intelligent economy, and as you can see, I have listed many of the key characteristics of an intelligent economy. And you can use these to gauge how your enterprise compares. So let's now talk through the list of them.

Ubiquitous data tracking. Now in an intelligent economy everything and everyone are becoming data generators. The byproduct of social and business interactions, events and transactions is data that can be monitored, collected and analyzed to affect the next cycle of similar interactions. There are also new sources of data and new types of data from existing sources as well as new methods and techniques for capturing, managing and analyzing all of this data. Now, as the old adage goes, the better the data, the better the decisions.

So let's talk a little about network interactions next. Not only is the amount of available data growing exponentially, but the connections among the players in an intelligent economy are expanding. The amount of digital collaboration is increasing among people inside and outside their work environments, and, of course, in the latter case, social networks are extending way beyond the walls of any single organization. And, of course, this is happening on the social web.

Okay, pervasive analytics. Demand to respond faster and with greater insight to ongoing internal and external organizational events is based on facts and this is increasing. This places a growing demand on the need to use analytics more pervasively to inform all of the decision making activities. But because of the flood of data, the faster cycle times, and the adoption of analytics, the intelligent economy also has a rapidly increasing awareness of the importance of the process of making decisions. Enterprises succeed or fail based on the decisions made by executives and they compete effectively or lose market share based on the operational decisions made by their managers. And ultimately, they are more or less profitable based on the day-to-day decisions of various knowledge workers and line workers who make up most of the workforce.

Mobility; now, I have included mobility here because the smartphone keeps us continually in touch and allows us to more effectively make decisions. Smartphones also have important

attributes like location awareness that expand their relevance to both consumers and producers alike.

Real-time interactions are critical because understanding buyer context and being able to effectively influence buying decisions in real time provides really immense competitive advantage.

There is also this system-to-person interaction pattern and this is all about systems reaching out to people when they recognize a concern or an opportunity. Combining this interaction pattern with mobility, for instance, and real-time responsiveness is very, very powerful.

Now the rise of social collaboration is new and will soon provide us with important new ways to identify, to organize and to influence processes, decisions and actions. And all of this is closely related to the flattening of the enterprise where the distance between senior management and everyone else in the enterprise is much less than it ever has been before, and it's making collaboration, be it formal or social, much more powerful and important to everyone.

So, what you are seeing here are advances in technology that give us more avenues to understand what's happening, organize our response to changes taking place, and then position us better to make decisions regarding what actions to take. So with these indicators of an emerging intelligent economy, we can better grasp the scope of what Decision Management really is all about.

Now our definition of Decision Management is on the left side of this page. And despite its apparent simplicity, there are many parameters that shape IDC's Decision Management Model as well as many activities and several categories of decision making processes. So, to focus our attention on the different categories of decision making processes and their interplay, IDC has developed this Decision Management Model. And this model is a conceptual view of the various decision making processes, their dimensions and decision governance which highlights the need to translate strategic comparatives into operational policies which can then be applied to transactional decisions.

This model segments decisions into three categories; strategic decisions, operational decisions and tactical decisions. And so, let me just briefly kind of touch on all three. Strategic decisions, which is sort of the bottom left corner of the diagram, set the long-term direction for the organization, a product, a service, or an initiative and result in guidelines for operational decisions. Operational decisions focus on specific projects or processes. Decisions also involve the need to make changes to these processes or projects to operationalize strategic objectives. These operational decisions result in guidelines that can then be used to identify when tactical decisions should occur. Tactical decisions, at the top right of the diagram, focus on transactions which involves specific instances of either revenue or cost. By identifying and remediating transactions that fall outside the boundaries of the guidelines set by operations, tactical decisions help to ensure that operational objectives get met.

Now the arrows in this diagram linking decision categories signify decision governance. Decision governance ensures that policies and measurements exist at all levels of decision

making and that outputs of one level of decision making processes are used as inputs for the next level of decisions. This applies in a cascading fashion from strategic to operational and then on to tactical, and, just as importantly, to the need to evaluate how the learning from the outcome of tactical decisions can be used to influence operational and then strategic decisions. So it works bidirectionally.

Now around the outside of this diagram, we have sort of four different parameters. Scope of decisions, which is at the bottom, refers to the potential reach and duration of the results of a decision. Strategic decisions have broader scope than operational decisions, which in turn have broader scope than transactional decisions.

Number of Decisions refers to the typical number and frequency of decisions made. And over a given period of time, there were fewer strategic decisions than operational decisions and fewer operational decisions than transactional decisions.

Level of Collaboration refers to the extent to which collaboration among people takes place to arrive at a decision. Strategic decisions are usually a product of committees, or executives supported by analysts contributing to the decision. Transactional decisions are often made by workers or systems within the flow of a business process. So, operational decisions fall between these two endpoints and are often based on teams of employees collaborating on project-based decisions.

Now let's talk about Degree of Automation. This refers to the extent to which potential decisions automatically can occur. Now it's difficult to automate strategic decisions primarily because of the complexity and potential level of uncertainty that are inherent in these decisions. Many types of transactional decisions, on the other hand, are very amenable to automation through the use of appropriate technologies like Business Process Management or a Business Rule Management System.

Decision Risk is denoted by the size of each decision category level and Decision Risk is closely related to Decision Scope, as you might have sort of expected. Most strategic decisions are broad-reaching and future-oriented and decision risk is also a function of the availability of data and analytical techniques necessary to help make a decision. Strategic decisions, of course, have a higher level of uncertainty because they are based on sparse information and typically assumptions in lieu of any actual data. Transactional Decisions can be based on large amount of historical and real-time data that lend itself to more accurate forecasting.

So, this evaluation of decision dimensions helps us understand those solutions that are most appropriate to supporting each decision category and what features and functionality should be included in such solutions. So, now that I have explained the key dimensions of Decision Management, let's look at the types of Decision Management Solutions.

Now Decision Management tools and applications have clustered around two decision solution segments that can most readily apply their capabilities. So, first, let's talk about project-based Decision Management Solutions and these support a range of operational and strategic decisions, that's sort of the left hand bottom triangle in the diagram, and project-based Decision

Management Solutions are derived from various IDC application and application development and deployment software markets. And the former, of course, includes a range of ERM, CRM, and SCM applications, while the latter includes a whole range of information access, analysis, information management and collaboration tools. Project-based Decision Management Solutions have functionality that's really optimized for a strategic decision making and can accommodate complexity and uncertainty. And there are a number of examples of products that's going to fit into this category and here is a list of some of them: SAS, for instance, Base SAS Analytics, SAP StreamWork, IBM has Cognos 10 and IBM has other products, one of them especially that is interesting in the space is Focal Point.

Now on the top right hand -- sort of part of this diagram that I have cordoned off is Transactional Decision Management, and this supports a wide range of transactional and operational decisions and a key characteristic of Transactional Decision Management Solution at least is the creation of application functionality that's built on top of information services and involves the use typically rules and analytics to guide and arrive at a decision. So examples of packaged applications include a long list of functionality that spans most of the applications markets, including profitability management and enterprise resource management, web merchandising, optimization inside a CRM and many types of fraud applications and service operations management.

Now, custom transaction Decision Management applications are generally built using modern application development techniques that rely on event servers to identify state changes, business process management software to build workflows and business rules to make decisions. Now examples of Transactional Decision Management products include SAT's Event Insight bundled with NetWeaver BPM, IBM's Decision Server, and Business Process Manager and then when it comes to Oracle, there is multiple elements of their Fusion Middleware stack including BPM and Complex Event Processing' and there are similar bundles that are available from other vendors like TIBCO and Progress.

Now, the last step in understanding Decision Management is to define the primary activities that define a Decision Management process. So Decision Management is really a collection of nine interconnected activities, which are shown here as the blue circles. Now, I have grouped together these activities that have to do with identification and initiation, those that have to deal with analysis and decisioning, and then finally, actions and evaluations. So each of these nine activities can be approached in ways that involve people and/or technology, because remember, these are supporting both transaction -- this is a model for supporting transactional decisions as well as operational and strategic decisions.

Let's talk about sort of the nine circles here. Discovery is the research and identification of trend, data, elements and logic that describe the presence of a repeatable condition that will result in the need to make a decision. So, discovery can also represent one of the most formidable challenges inside of Decision Management because of the complexity of being able to understand what particular activities are taking place that actually leads you to the point of making important State Change.

Detect is really for strategic decisions and involves using key performance indicator threshold breaches to determine when a decision needs to be made. These breaches can take multiple forms and can be based on a combination of structured data as well as unstructured content, as in the case when a competitive analysis may trigger the need to make a strategic decision.

Now tactical decisions are also initiated in multiple ways here and these decisions need to be managed, and our model calls for a focus on using event-driven automation and monitoring to determine when tactical decisions need to be made.

Now, let's talk about alerts for a second. Alerts involve notifying people or key people or systems that there is enough changing information to warrant additional analysis and potential decisioning. Now, if you look across the first three of these different activities, the common thread is the existence of data state changes that are either discovered or manifest themselves as a collection of events or data updates. This can put a real premium on event filtering, data mining and pattern analysis to configure the detection and alerting activities.

Now, if we move down a little about, organization is the marshaling of identification of people and systems and resources and added activities required to make a decision. Analyze is the use of analytical tools, techniques and methodologies to identify options to define alternatives and determine the best fit based on goals and objectives. Decide is the act of actually making the decision and in some cases decisions are made by individuals, in other cases by teams of people, and in some cases the decision can be made in a fully automated way. A Business Rule Management System, of course, is especially effective at not only creating decisions, which are then -- be able to actually render the predefined alignment of conditions with actions.

Now, Act is the implementation of the decision itself. In a strategic decision, implementation is pretty complex in most cases and sometimes it can actually fall outside the scope of our model from a standpoint of implementation unless there is considerable care taken to identify how strategic decisions impact operational decisions. Measurement is addressing how the decision has performed over time and this is a critical piece of feedback that can be challenging to obtain; however, the quest for feedback can be facilitated if material value can be demonstrated to all of the different parties involved. And then, finally, Archiving is the persisting of event detection data, the decisions that were made and the decisioning process itself. So archive is intended to provide a clear audit trail so that governance, regulation and compliance needs can all be met.

Now, not all enterprises utilize all nine activities for every decision. Although the utility of every activity here should not be underestimated, so there is intense pressure, as we all know, to automate a large number of tactical decisions and processes, and it often revolves around a subset of these nine activities.

So this slide highlights those activities and key software components that together account for much of what we would describe as Modern Application Development today. In this particular model, one or more state changes signified by data updates and/or events provide the impetus for decisioning, a business rule is then used to determine if the state changes fulfill a decision pattern, and if so, a predefined action is performed.

The customary tools used to support this type of custom application development include an event server, business rule service or business rule management system and business process management suite. Some of the more common prerequisites for modern application development also include a relational database as you might expect, data services, and a messaging subsystem.

The advantage of pursuing data -- Decision Management in this way is that these are all platform technologies which make application development far more agile, and this of course means faster time to market and ultimately higher application quality. Since business rules bind together state changes with actions, they should be considered a core component. Consequently enterprises may find that the more advanced pure-play business rule management systems offer a lot of significant value through their comprehensive support for managing the authoring, the lifecycle, the verification and execution of business rules. Business process management suites provide specification-driven process automation, which is now being extended to support events, and this enables workflows to quickly be defined and implement it with a minimum of actual coding, of course compared to a 3GL.

Now these tools address the core constructs necessary for modern application development and are really platform components that will grow in number to include analytics, lifecycle, management and collaboration tools that extend well beyond the boundaries of structured data management. And the reason I'm putting an emphasis here on events, rules and business process management is because our research shows that this is what accounts for the largest spending inside of Decision Management and largest growth in Decision Management today, and this is where most organization start also when it comes to Decision Management.

Now, these graphs show you our size and forecast for Decision Management by solution and solution segment, and you can see that in 2010 Transactional Decision Management is not only about a billion dollars bigger than Project Data Management or Decision Management, but it's also growing at a faster rate. Now, most spending today on transaction side is on components that will help build custom solutions and the notion of a Decision Management platform is now getting traction, and you can see that we expect very rapid growth after next year in the platform space. IBM's decision servers are a really good example of this platform trend and we expect other vendors to follow suit by combining and integrating Decision Management products to facilitate the easier development of Decision Management custom or packaged solutions.

Now, the size and growth of project data Decision Management is correspondingly lower because of the higher decision complexity, uncertainty and difficulty in sourcing data from which to make strategic decisions. However, there is a surprising amount of rigor that can be brought to bear today through methods that appear to be qualitative, but actually employ employee structured techniques that result in effective scoring and alternatives definitions taking into account uncertainty.

Now, we would expect these techniques to improve and gain familiarity as they are adopted over time by social platforms and other collaborative tools. Now, collectively Decision Management market represents one of the largest and fastest growing areas in software. And the reason for this is the recognition that the underlying generalized model for Decision Management has

relevance to any business process and is now supported by platform technologies, and of course this makes the whole application development and deployment space more agile.

So here are some of my closing comments. First is a key point around visibility. There are two ways to interpret what I'm saying here. Now the first is that greater visibility into business processes show that the enterprises building the foundation for more intelligent decisioning and effective process automation. The second is that greater visibility into business processes requires instrumentation and measurement. And the old adage that you have to be able to measure it before you can manage it remains true. Now, really good process automation and process improvement requires data-driven systems and the ability to understand the impact of the decision and actions that you take.

You remember back to my diagram with the nine activities that define Decision Management, the last two -- The next point is that, Decision Management allows companies to make better and faster decisions. Some of this is explained by the simple act of automating that the business process in a way that enables straight through processing. However, leveraging events, complex event processing and real-time update as triggers, help remove even more latency from the business process. Intelligent discovery and alerting provide more time to address issues before they become problems or a missed opportunity.

The third point here is that each of those nine activities associated with Decision Management contributes significantly to the overall value that Decision Management represents. Many of organizations, as we said, will focus their effort on a subset of the first seven steps, because these are necessary in order to achieve process automation. However, as I mentioned earlier, omitting the measure and archive steps really limits your ability to understand the impact of your decision and actions and challenges your ability to address process improvement.

Now, much of Decision Management today is focused on events, decisioning and business processes and while this makes perfect sense as an entry point for Decision Management. Analytics has now become a key adjunct to organizations and analysis activities. Analytics, of course gives us the ability to examine situations much more comprehensively, which enables us to increase the specificity of the decisions that we make and this improves the quality of the decision and in some cases becomes an equal partner in a decisioning process as well. So finally, I'm sure that you've all been hearing about social platforms and big data and the common thread here, of course, is investigating how to leverage unstructured and semi-structured data. Organizations need to evaluate their information needs in the context of how their enterprise is organized, where they align the value chain and their ecosystem requirements. Now, how enterprise is structured and evaluates their role in the ecosystem within which they reside will speak volumes about how they may want to put structured and unstructured data to work.

So, I'd like to thank you for listening today. And at this point, I will hand the floor back over to the moderator.

Patty Brown: Thank you so much, Steve. It was excellent to hear IDC's and your perspective on this topic, so really I appreciate it. I'm now going to introduce Bill Looney, who will -- who is



with Horizons Healthcare Services. And Bill, we like to hear a little bit about what you all are doing with Decision Management. So I'll hand the mike over to you.

Bill Looney: Great, thanks very much. Thanks, Steve. I enjoyed listening to your piece and as you were speaking, I was thinking about where I fit in and how we've been doing things here at Horizon and I was feeling pretty good. I am happy to say.

So I just wanted to give everyone a little context and perspective about who Horizon is. Horizon is an 80-year old company in New Jersey. We're a healthcare insurer. We're actually one of the very first Blue Cross Blue Shield companies in New Jersey. We have about 3.6 million members, that's what we call our customers, is 3.6 million members. And we have about 4,000 employees in five New Jersey offices. So, all of our infrastructure is housed in two different data centers, so failover, fault tolerance, all those things are really important to us.

I bring up the fact that we're an 80-year old company because that will give some insight into some of the decisions we've made and why we're on the journey that we're on in terms of modernization, because being an 80-year old company that does pretty much the same thing today that we did 80-years ago, a lot of our culture, practices and technologies have developed in a particular way and now market forces are causing us to look at things differently.

So I'll move on to the next slide here. And so, as I mentioned, right now Horizon is on what we we're calling our journey to agility. I'd mentioned that we're an 80-year old company. Our people have been trained to do things at particular way, sort of things maybe were somewhat siloed. Our processes were very specific to applications and processes within one particular area. And the technology in that area was very function-specific. And now, as an organization, we're looking to be more integrated.

So over the last year, our CTO organization has put together five-year strategy where we look at a number of core elements to our strategy. So things we're looking for is cost reduction to reduce our administrative costs to keep us very competitive, to standardize our processes, get down to single sources of truth around core information like who are our members. As you might imagine with as many systems as we have in our organization for memberships and claim adjudication and care management and all of the different things that we do, each of those systems that were purchased in different areas had redundant information, keeping that in sync got to be very complex over time. So to achieve our objectives, we're looking for the type of solutions and service-oriented architecture that will help us realize our goals.

And a lot of the goals in our industry is moving to self-service. If you've watched any of the debate last night or you're hearing the debate in the national news and at the national level around healthcare and healthcare payers that everyone anticipates that more of a shift towards the individual consumer and self-service needs and that's a very different from where Horizon typically was and how we paid and attracted our customers and how we serviced our customers and where we housed and how we managed that data.

So as I mentioned, there is a number of different things that are really driving our need for change. The industry is changing. We need to be more agile. We are shifting more to an

individual consumer model where it's not just companies making arrangements with an insurance company such as Horizon and putting together plans for their people. These plans are more individually-tailored depending upon where you are in your life. You might make decisions differently than your employer would. So the shift to an individual consumer and the ability to customize your insurance products is really very important and different from where typical healthcare insurance was.

Our demographic is changing. Everyone is more sophisticated. Can't hardly walk down the street anymore without seeing somebody texting or iPading or doing some sort of smart device, so people are expecting to be able to get access to this information in ways that previously weren't available.

Healthcare costs in general are going up. I'm sure we're all feeling it. So that's forcing us to really make sure that we're operationally excellent. Our processes need to be efficient. They need to be lean. They need to be cost-effective and we have to eliminate as much delay and waste as we can, and that's really an area that I'm focusing on for the next year or so.

And increasingly as an insurance company, we're leveraging business partners. So there might be specialty firms that can help us do a particular function that we need to perform in a payment process or in a network management process. And so the service-oriented architecture approach, the Decision Management, the business rules, that helps us take the incoming claims or enrollment processes, grab the important data, leverage a service much like a black box or a web service from a partner that maybe very complex multi-step or long-running process and get the value out of their service and then bring that data back into our organization so that we can move it on down into our warehouses or data warehouse so that we can do the business and intelligence and the various discovery that we need to do to be holistic as an organization.

So I'm going to switch on to the next slide here. And, as I mentioned in the previous area, one of the things that I've been looking at for the last year, the BPM and the BRMS is a relatively new focus for Horizon. It's about a year old now. And I'll get into shortly how we got into it and how we're building our teams. But right now, my focus is really driving operational excellence, to remove waste and increase efficiency of our service division.

So, right now the projects that we are delivering and pushing for the team is that we're looking for very high ROI projects, right, we are looking for a balanced portfolio, maybe a whole bunch of small projects, a few medium projects, and maybe one larger project per year. We are looking to get about \$3 of savings for each project dollar that we invest and typically we are looking for a breakeven anywhere between 18 and 36 months out -- well really to breakeven within 36 months and then the \$3 per month thereafter of savings for this type of project.

The areas that I've identified within the organization have to do with what we call Pended Claim Processing. So, when Horizon gets healthcare claims and we get about 56 to 60 million claims a year that we process, about 80% of those claims go through First Pass meaning that we receive a claim, we analyze the data, we do our various business rules and processing, we move it to our adjudication and on to payment determination and then move it into our warehouse for analytics later. So, about 80% of those 60 million claims go through First Pass straight through processing.

That leaves quite a few claims that need to be addressed manually. It's a quite a bit of work. And so I am going to dive into that as a highlighted area in just a minute.

Another really key area where I look for potential savings is around Pre-Certification & Authorization for Services. This is a fairly complex process where our folks, our analysts that are doing the work, need to look across many different systems to determine if a member is eligible for a service in one system and the type of benefits they have and possibly based upon medical policies if they've had the necessary pre-requirements. So we are using the rules in the BPM systems to drive best practice and help bring that data together, the service oriented architecture to pull it all together and put in a portal view, so then instead of looking across multiple complex systems and having to log in and do various work that it's all presented in front of them and they can drive the data where it needs to go to effect later outcomes.

And Auditing at Horizon is another area where I see a great opportunity for using this technology. Auditing is really complex with all the different systems we have not only do our auditors need to have special knowledge of claim processing and medical policies, but they also need to know how to operate lots of different systems from enrollment systems and benefit systems or claim processing systems, how to get into our enterprise data warehouse and run reports to see if claims were processing the way we expect them to, because we really like to take a look at our performance, and we are using more and more of the rules and the business intelligence and trying to bring that together. So, that's an area where I think if we can simplify and bring all that information together and capture these rules in a common place and expose them through a simple interface that our auditors work will be much easier, much faster and we will be able to look at a greater volume of our work to make sure that we are delivering on our promise.

So, another area where we've indentified at Horizon that there is an opportunity to use this sort of Decision Management and Orchestration Technology is from the point when we make a sale bring on a new group or a new member to the point when they're Claim Ready as we call it. So there is many different processes from all the different things that go into a sales process, and enrollment process, the underwriting process, producing the contracts that are going to go out to the group, producing the benefit booklets that go out to each member, getting your ID card, all of those processes linking those are discrete process today. So linking them together and automating them is a tremendous opportunity for us to save a lot of time and deliver a much better service for both our healthcare providers and for our members and increase everybody's satisfaction and drive down the cost of healthcare.

So, I am going to switch on to our next slide here. And what I wanted to talk about is how we are able to do this. So, these are fairly big projects, right, they are long running, multimillion dollar projects with big investment in the technology, in the infrastructure to drive this technology as well as the commitment from the business to capture the requirements and get everything documented and build these new solutions. So in order to do that we formed a Center of Excellence last year and we staffed that accordingly. And what we did was we built out an [org] structure, we defined our roles, we put together a roadmap, everything that you would typically do in building a new Center of Excellence or a new department in any organization probably like Horizon.

And I just highlighted a few key things and capabilities that we realize that we needed to be able to execute on to be able to deliver these kind of projects and those kind of ROIs. So, everything from teams that will increase their capabilities and maturity for business process modeling, it's not a standard scale that you can go off the street and pickup, that there is really people who is specialized in that, your six sigma folks, lean folks. And so we look for those and we are really looking to develop that capability.

We have a roadmap about that, how we are going to bring those in. This roadmap is really important for how we communicate, where we stand as an organization and what our capabilities and what we need to continue to drive, so that we can communicate to senior leadership about how ready we are to take on the next project and that kind of plays into our overall governance roadmap, which we also identified.

Other areas that we have is business activity monitoring, so as Steve pointed out, you can't improve what you are not measuring. So we make a concerted effort to measure everything that we are doing, so that we can report out on it and then revisit it at a later time to see if there is further improvements for that continuous improvement aspect of things. And I will also call out there was a lot of discussion around business events and capturing complex events within an organization. That's a focus area for us this year as well.

For instance, I will give you as maybe provider or a member calls in to our call center and logs some information about maybe the provider is looking to have one of their claims adjusted, they don't think something happened the way they expected it to, claim didn't pay or the claim was rejected or one of the line items on the claim didn't get paid the way they were expecting it to. We are looking at complex event detection to capture that information when it's recorded it in our CRM and drop it into the appropriate business process to make sure that we handle that type of call and route it to the appropriate team, so there is some Decision Management in the routing aspect depending upon the type of product that a member has or a provider is calling about whether it's an HMO product or fully ensured product and route it to the appropriate team and make sure that team goes through well orchestrated workflow that we are using the BPM and the rules, ILOG rules engine, to give a guided experience to our team that's doing this work and reviewing these cases so that they can get the type of outcome that we are looking for to really drive best practice.

So, I will switch over to the next slide, and just talk about some of the things we are doing in claim processing around Pended Claim Processing, 80% of our claims go straight through, 20% I had mentioned require additional support, typically that was fully manual. We've been using the BPM tools or orchestrate best practices. That's allowed us to drive about an additional 6% of volumes through the system without anyone touching it. Our current focus is trying to update those rates by combining a very high function UI with the BPM orchestrating the best practice and doing the flow as well as rules providing expert guidance to whoever is working through those claims. We think that will get us a significant additional volume of claims through the system with a lot less effort than is typically required doing it manually. So that's really a great area for us to save a whole bunch of time and do more work with the same number of people.

I admit – I will switch over to the next slide, and I will talk about what I mentioned Auditing function before. Around Auditing what we did was we built a very high function UI that's driven out of the BPM engine, and sitting on top of our service oriented architecture. In addition to the UI and the BPM we have rules engine underneath that drive the rules for making decisions whether it's, how we should pay a claim if a provider is in network or out of network and all the different factors that go into it, whether a provider was credentialed to perform that service. You wouldn't want a chiropractor performing a brain surgery, so we have all of those pieces together to make sure that the claims -- the data on the claim make sense for the way that we need to pay the claim.

So, the BPM, the rules engine they are giving us guidance and the customized UI and the mash ups that we are doing through the portal allow us to get the right information in front of people to be very effective at their job. A nice feature that we've gotten out of the BPM is the analytics and the dashboarding features, so that we can keep track of how much work we are putting into the system, what the throughput of work is and what the performance of our teams are. So, the team managers and supervisors are really liking that they have much more visibility into how much work are we putting into the organization, how fast is their team able to respond, is there critical work that needs to be prioritized, we use the rules for that as well, so that we take the most expensive claims and we move those up to the top or maybe the claims that have been sitting in the system for the longest and try to get those out of the door. So, the BPM, ILOG rules engine and the dashboarding capability, the activity monitoring, they are really playing a key role for us and improving the efficiency of our services team.

Where we've really hope to get in our expectations out of the business process management and the rules function is today, it's -- I put this funny slide up, hopefully you can see it, that we've been a very paper manual process organization and we are hoping to move over to much more -- increase our level of automation, increase our level of metrics measurement and our ability to react to events as they happen. We think that healthcare insurance is going to move almost to point of sale type service, where you will go see your doctor, they will scan your card and before you are back in your car, they will be looking for payment of the services that they provided.

So, it's causing us to think differently, right. We are starting to think more about metrics, what are our key performance indicators that we want to be able to react to those, use the complex events, use all this technologies, so we can execute more effectively, keep healthcare costs down. We are continuing to redefine our best practices. Yesterday's best practice just doesn't cut it anymore. We have new best practices and those best practices are enforced and driven by the Rules and the Decision Management capability. So, this is really helping us. This is really helping us drive down our cost and increase the level of service that we are able to provide for our providers and our customers. So, with that I think I will wrap up.

Patty Brown: Okay, excellent. Well, thank you so much Bill. It sounds like you guys are doing a lot of excellent work over there at Horizon. And as a consumer I know I appreciate it, so thank you.

Okay, well now before we begin with today's Q&A, please fill out the feedback form that we will open on your computer. We will make it that appear, and to complete the form please press

the submit answer button at the bottom of the page and thank you in advance for filling out the feedback form. Your participation in this survey allows us to better serve you.

So, fill that out and now let's go ahead and move on to the Q&A, it looks like we have about 10 minutes left, so if I could just -- time to answer few questions. So, let's move on to the question and answer portion of our event. And as a reminder to participate in the Q&A, just type your question into the text box located below the media player, then click the Submit Question button. Okay, so let's see if we have some good questions here. Okay, looks like we have a few.

So, this question comes in from Matthew and it looks it is addressed to Bill. So, Bill let me read this to you. Are the rules for expert guidance, this is on Slide 18 delivered as a guided assistance decision tree or as a job aid with a list or text?

Bill Looney: I'd have to say both. So, we are using decision trees for guided assistance. That's the typical model. But in some cases part of the rule is to deliver a message back to the user, so they are getting some text back during the process to help them understand why they are going or why we want them to go in a particular flow through the business process, so that they are not fighting the system.

Patty Brown: Okay.

Bill Looney: That was a good question.

Patty Brown: Excellent, All right. Bill here is another one for you and this comes in from Keith. So, let me read this one. For rules deployment, are you empowering business users to be able to implement business rules or will business rule development stay with IT? And if utilizing business users, are they being limited to the types of rules allowed to author/maintain such as constrain them to decision tables?

Bill Looney: Okay. So, we are fairly new about a year into the use of the business rules engine.

Patty Brown: Okay.

Bill Looney: I think we're a fairly mature organization, being an insurance processor where everything we do is governed by rules, whether they're federal, state or local mandates, on how we have to do things, so pretty much everything in healthcare insurance, I'm finding, has one rule or another, and managing those rules is a challenge. So I would say we partner with the business. We don't have the business managing the rules directly yet. We have the capability to do that through the ILOG tooling, but we haven't exposed that. They do sit down with us and fill out the decision tables and some of the rules flow, the more sophisticated users, and some of our business folks are actually looking, they enjoy working with the tooling and are enjoying the process and are seeing the efficiencies that it delivers. So they are actually looking to join the team and come over to the IT side of that.

Patty Brown: All right, excellent. Well, that's interesting. Okay. Here's another question for you Bill, this is from Brett. He asked, can you describe how businesses then fit into your roadmap for Horizon?

Bill Looney: Sure. I think it's an area we're learning more and more about what we can do with the business events and how we can capture business events. I had mentioned that when a provider calls to initiate claim adjustment that we're capturing that in our CRM and business event gets captured in our CRM system and an object gets created and dropped on to our bus, which delivers it to a BPM process, and hopefully there will be some straight through processing. If not, it will get raised up to a human business process so that somebody can actually work on it.

So it's fairly new for us. All this technology is fairly new, a year or so in the making. And we're exploring how we use complex event processing in a combination with metadata management and analytics to achieve our goals. So I think there is a place for all of the technology and we're learning how to best apply it.

Patty Brown: Okay.

Bill Looney: Certainly complex event processing and business event is playing an important role for us and we are trying to be savvy on how we use it.

Patty Brown: Great, excellent. Okay, Steve, I have a question for you. I don't want to leave you out. So we have a question here, does Agility translate into being a learning organization?

Stephen Hendrick: Well, quite often Agility is used as kind of a good descriptor of platform technologies in the application development and deployment space, because we ultimately help you automate what used to be manual tasks, they allow you when you are building something in the IT space to kind of get to market much faster. And typically, what you get to market was typically as much higher quality, so there is a lot of increases in efficiency that are a consequence of having sort of Agile technology at your disposal.

So that's only part of the answer. The reality is once you kind of leverage a lot of platform technologies to be agile then it turns out the maintainability of your apps goes up, scalability and extensibility goes up, so all sorts of good things happens as a consequence of having sort of Agile IT operations. So the bottom-line is that when you are more agile ultimately, that helps you implement what you've learned a whole lot faster. And so, I think I would ultimately say, yes, there is a very strong relationship; the more agile that you are, the more that you are kind of your company and the organization sees the fast you can get out to market and respond to it, so, yes.

Patty Brown: Yeah, okay.

Bill Looney: If I could jump in there.

Patty Brown: Sure, yeah.

Bill Looney: Yeah, I would second that, often we find that our business community the more agile we are in our ability to respond to changes and the happier they are that they often don't know, especially with this new technology what's possible, so our ability to react and be agile and make changes when in the past we were typically more of a waterfall organization IT shop. So our ability to put something in front of them and have them try, it helps them realize maybe how they would like something to function, before -- they don't have to wait all the way till the end, they can kind of see it as it develops.

Patty Brown: Right.

Bill Looney: That's been a really satisfier for our business.

Patty Brown: Excellent, okay. Bill, I'm going to -- I got a couple more questions here. This one is from [Radmila] and this has to do with what you guys are doing over Horizons, so let me read this, you mentioned that you use performance measures for decision-making, do you also use key risk indicators as well?

Bill Looney: I don't think we have yet.

Patty Brown: Okay.

Bill Looney: Key risk, I could see why we would want to. Well, maybe, I guess I'm going to change my mind on that. I'm trying to put context to it, so yes, in that we prioritize as the most expensive and the oldest claims for people to work on first. We have risk of letting a claim sit out there for too long, because we'd make interest on it, so very high dollar claims. Unfortunately, there are some people who are sending claims, facility claims from hospitals that could be in the \$50,000 to \$100,000 range. They are very complex claims. Our best practice says that we need to audit that claim and make sure that everything on there makes sense and is ship shape before we send a \$100,000 payment out the door. And so, we want to prioritize those claims, send them through a rigorous audit process. This new technology is allowing us to deliver that rigorous audit process in a more automated and streamlined way so we get to those claims quicker and we pay them with more consistent outcomes. So I would say it is helping us from a risk perspective.

Patty Brown: Okay, excellent. All right, I'm going to ask one more question and if both of you would like to chime in and then we'll wrap it up. We have about two minutes left. But I thought this is an interesting question, he asked us, who owns the archive, IT or operations? So Bill maybe you want to take that first?

Bill Looney: I think we own the stewardship of the archive, but the business intelligence and what can be gained out of it is probably a business asset.

Patty Brown: Okay, good. And Steve I was just wondering in dealing with your claims if you had any...?

Stephen Hendrick: Yeah, that's exactly right. From the standpoint of archives, because archive typically has a lot to do sort of kind of the key assets associated with kind of the platform



technologies and the applications themselves -- certainly sort of from a development standpoint, the developer community needs to -- and sort of the app dev guys need to be able to define what it is that needs to be stored and ultimately make sure that that occurs. From a standpoint of kind of the persistence longstanding kind of care and feeding of the stuff to make sure that it has -- it's available, that's more of an ops and infrastructure issue. But clearly, from a standpoint of the content that needs to be archived, that's more on the development side of the house, development and business.

Patty Brown: Excellent. All right, well, thank you both very much. It was very informative. So for more information related to today's webcast, please visit any of the resource links open before you. Within the next 24 hours, you will receive a personalized follow-up e-mail with details and the link to today's presentation on-demand. Additionally, you can view today's event on-demand by visiting [www.netseminar.com](http://www.netseminar.com). And don't forget, attend the remaining three webcast from the IBM Good Decision! Webcast Series to complete the Architects' & Developers' Crash Course in Decision Management. These would take place live on September 13th, September 20th and September 27th at 11:00 AM Pacific, 2:00 PM Eastern. Our next session will be on Tuesday, September 13th and that will be about Business Process Optimization: Achieve Better Outcomes with BPM and Decision Management.

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On behalf of our guests, Stephen Hendrick and Bill Looney, I'm Patty Brown, thanks for your time and have a great day.