Platform strategy for digital transformation

As enterprises embark on their **digital transformation journey,** they strive to mimic today's tech giants to innovate and expand and become more like digital-native companies. These companies aspire to be "platform" companies that harness technology as an enabler and driver of continuous innovation.

Traditional enterprises are organized around domains and applications. There may be hundreds of applications per domain and thousands overall across an enterprise. Often, these applications are managed independently by application owners and don't work cohesively. These organizations want to work toward platform and product-driven models. But the current state of applications presents many challenges:

- Application solutions are not integrated and can't be exposed "as a service"
- Application data lineage and "source of truth" identification is unclear
- Applications are not developed to support multi-tenancy
- Applications are limited by the capabilities of underlying vendors
- Applications can scale only vertically
- Applications are highly customized for specific domains/lines of business
- There is business need to integrate with external vendor partners and collaborate with them in real time

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As a result of these challenges, traditional enterprises see difficulties in merging offline and online experiences, integrating data in real time and bringing new business models to the market. They also see higher costs to serve and delays in launching new products and features.

For example, Microsoft tracks the subscription status of all Office 365 users in real time. If a subscription is not renewed in time, a user may not have full functionality of the platform or may lose their data permanently. This is only possible because of the platform nature of Office 365. The up-to-date monitoring of software licensing and renewals also allows Microsoft to control leakage of revenue due to piracy and other illegal means.

McKenzie estimates that companies that use platforms see an annual boost in earnings before interest and taxes (EBIT) of 1.4%, compared to 0.3% for nonplayers. They further estimate that over a 5-year period, platform players may capture an additional 10% in EBIT growth.[1]

There are several concerns that may prevent successful digital transformation for an enterprise. An organization should ask:

• What are the different types of platforms?
• How many platforms do they need to have?
• How do they get started?

Enterprises may also hold an inaccurate understanding of platforms. Within the organization, they may hold a belief that they are a platform company when they are not.

The vision

First, it's important to understand the definition of a platform. Platforms focus on "business solutions to serve clients (internal or external) and to supply other platforms."[2] Platforms are large enough to provide an important and discrete service but are small enough to be manageable. They operate as independent entities that bring together business and technology, have a common governance, and are empowered to move quickly. They encapsulate business processes and technology and expose their functionality "as a service" construct. The modularity of underlying platforms allows platform owners to experiment, fail, learn, scale quickly and bring out new products and features in record time to the market. In general, these platforms operate on basic principles, which require them to:

• Operate on a shared core IT platform
• Be modular
• Provide business functionality
• Allow for the sharing and aggregation of data

• Provide a consistent user experience
• Utilize a simplified and intuitive digital process
• Enable combining individual services into a full-service offering
• Contain inbuilt resiliency and scalability

Some of the benefits digital-native companies realize from platforms are:

• A larger base of customers across categories at scale
• Lower prices to serve
• Absence of silos
• Improved user experience
• Addition of newer capabilities and tools like digital twins for patients
• The ability to combine with external niche partners

Together, these benefits can provide a competitive advantage to the platform owners.

Approach to the platforms

As we realize that platforms are one of the constructs for the rapid digitization of an enterprise and its business processes, it's important to understand that there are many categories of platforms. In a large health care organization, there could be at least three platform categories (see Figure 1). The difference between stakeholder engagement platforms and domain solution platforms may be unclear. But one of the key differences is that engagement platforms work across domains and provide end-to-end experience to members driven by data, insights and automation. Rather than having hundreds of applications, enterprises may have around 50 platforms.
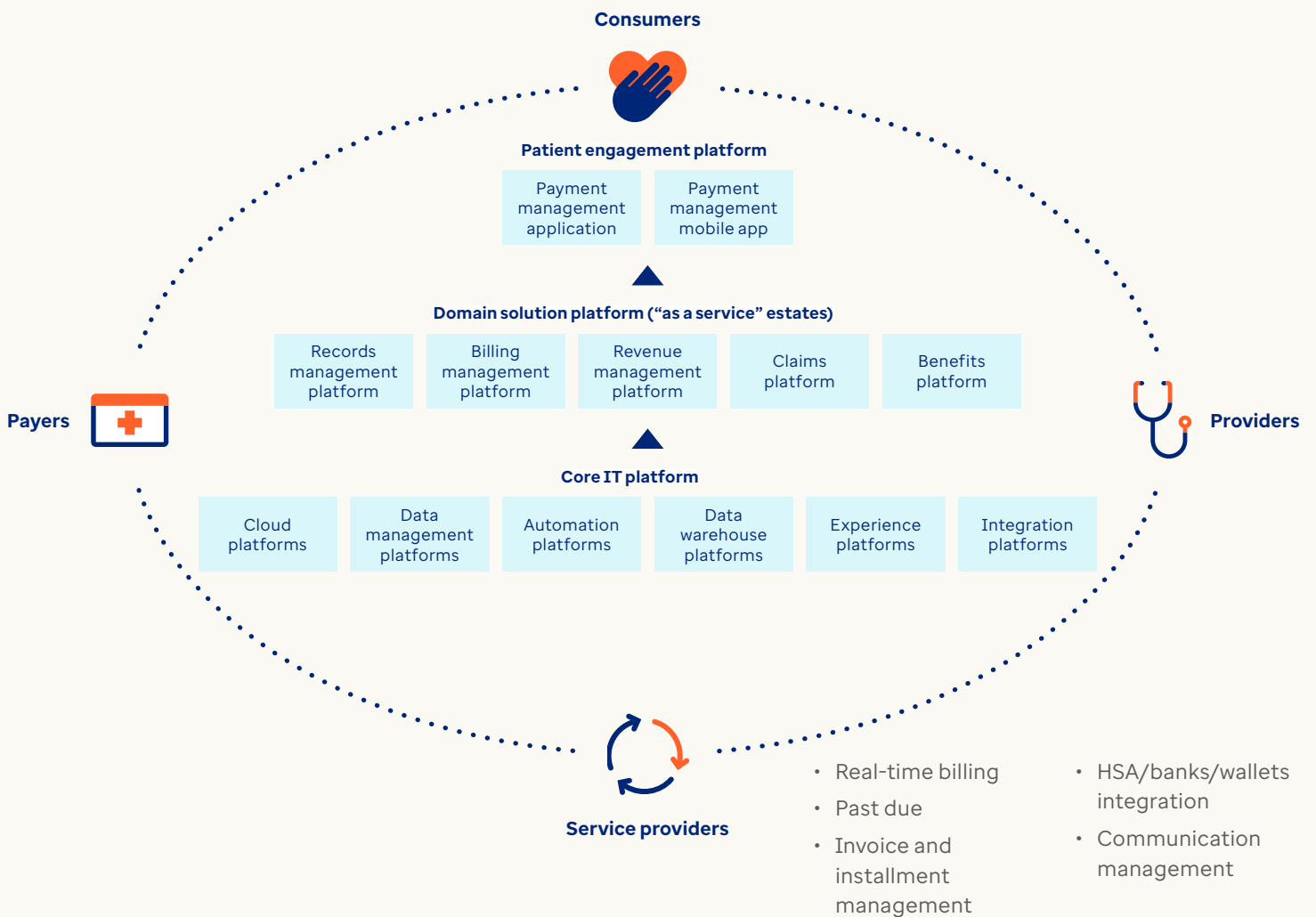
With their modular structure, modern experience, easy integration, member centricity, expanding ecosystem (including services from inside the enterprise as well as outside the boundary), and potential network effects, platforms can offer very rich rewards for early movers.

As more and more health care enterprises venture into Web 3.0 and explore the use of virtual reality and the Metaverse, a platform-driven approach becomes even more important.

1. Bughin J, Catlin T, Dietz M. The right digital-platform strategy. *McKinsey Quarterly*. May 7, 2019.
2. Bossert O, Desmet D. The platform play: How to operate like a tech company. McKinsey. Feb. 28, 2019.

Figure 1. Category of platforms (Illustrative)

Stakeholder engagement platform

Care management platform	Care management digital twins	Provider management platform	Payment platform	Sales platform	Risk management platform

Stakeholder engagement redefined with envisioning of end-to-end use cases and frictionless delivery.

▲

Domain solution platform ("as a service" estates)

Care management data platform	Eligibility platform	Member preferences platform	Claims data platform	Underwriting platform	Pricing platform

Platforms with business processes and data encapsulated at domain level. These can integrate with other platforms.

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Core IT platform

Cloud platforms	Data management platforms	Automation platforms	Data warehouse platforms	Experience platforms	Integration platforms

Core IT platforms that are building blocks of domain solution platforms and stakeholder engagement platform.

Consumers

Payers

Providers

Patient engagement platform

Payment management application	Payment management mobile app

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Domain solution platform ("as a service" estates)

Records management platform	Billing management platform	Revenue management platform	Claims platform	Benefits platform

▲

Core IT platform

Cloud platforms	Data management platforms	Automation platforms	Data warehouse platforms	Experience platforms	Integration platforms

Service providers

- Real-time billing
- Past due
- Invoice and installment management

- HSA/banks/wallets integration
- Communication management

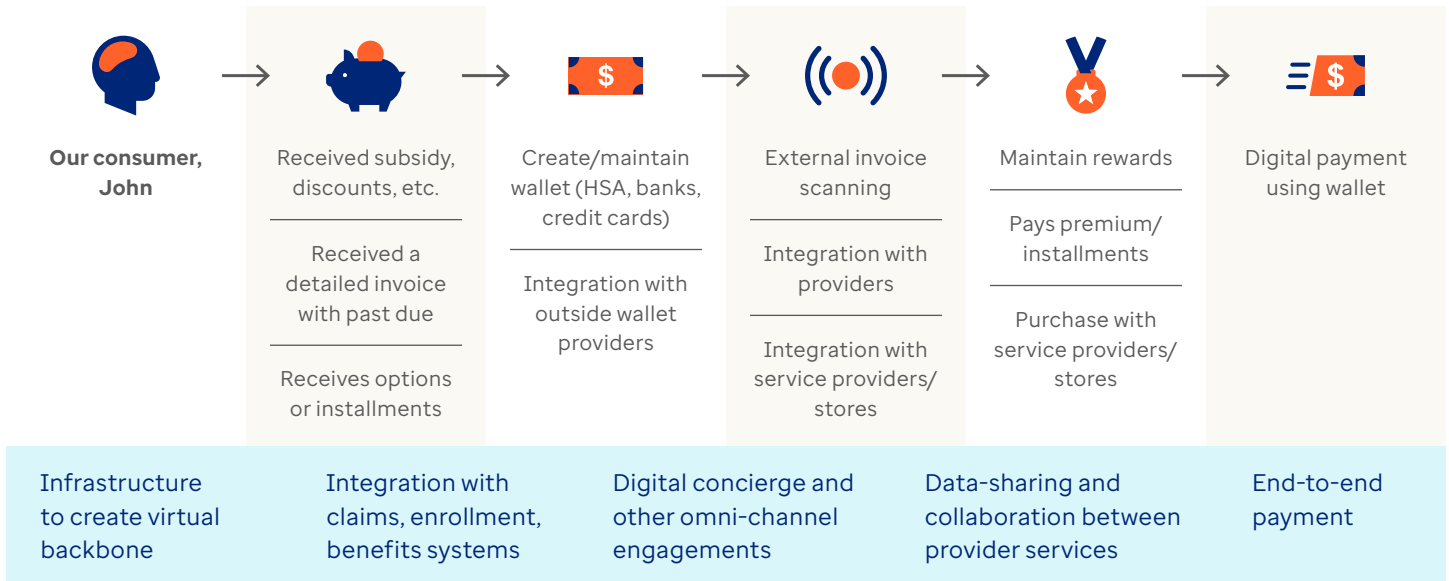# Platform example: Payment experience

Many health care companies struggle to provide a good payment experience for people. This example can demonstrate the advantages of a platform-driven approach.

The payment experience for members may be disjointed for many reasons including:

- Lack of data currency
- Lack of source of truth in data
- Point-to-point integration with many applications
- Lack of integration with modern wallets
- Lack of integration with external payment providers

The following visual demonstrates the revised consumer experience and functionality that could be brought under a new payment platform.

In this platform-driven model, processes are automated to gain insight at the point of care and service, provide payment options at this point, and provide real-time alerts for members. Overall, this model drastically changes the engagement between the plan and member.

Our consumer, John	Received subsidy, discounts, etc.	Create/maintain wallet (HSA, banks, credit cards)	External invoice scanning	Maintain rewards	Digital payment using wallet
	Received a detailed invoice with past due	Integration with outside wallet providers	Integration with providers	Pays premium/ installments	
	Receives options or installments		Integration with service providers/ stores	Purchase with service providers/ stores	
Infrastructure to create virtual backbone	Integration with claims, enrollment, benefits systems	Digital concierge and other omni-channel engagements	Data-sharing and collaboration between provider services	End-to-end payment	

Getting started

As enterprises begin planning their transformation journey to become a platform-driven company, they need to first look at their IT estate. They should plan a fundamental shift in how their IT and business enterprises are organized, and how their respective initiatives are funded. Identifying, developing and maintaining platforms requires the alignment of IT and business and a set of cross-functional teams to get maximum benefit.

To begin, enterprises could start with a simple framework, as shown on the right.

Figure 2. Lifecycle of platforms (Illustrative)

Conceptualizing

Platforms

Transforming

Organizing

People	Process	Technology	Governance
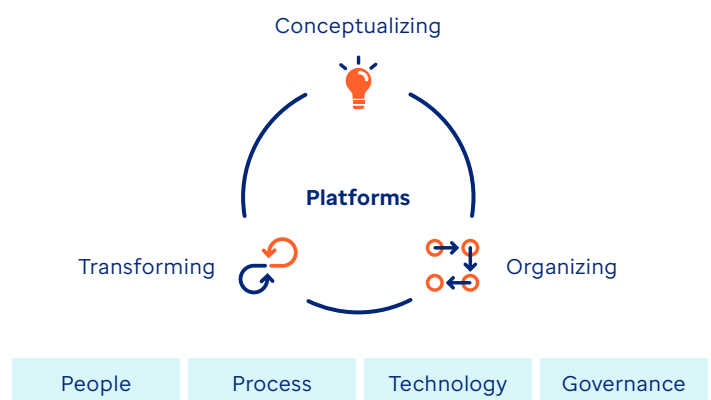
Envisioning of platforms

Identifying platform operationalization requires collaboration between business and IT in cross-functional teams. These teams should begin by analyzing application portfolios to identify which ones are good candidates for a platform.

The assessment team should also outline an approach on how different categories of platforms can be realized (in case they are not available), the tradeoffs that may be involved, and the potential range of investments.

One of the key challenges that teams may face is planning the creation of new member engagement platforms. The low-hanging fruits of digital transformation — such as mobile applications, limited self-service and electronic communication channels — may have already been achieved previously. However, it requires re-envisioning existing processes to develop a simple, intuitive and frictionless experience to unlock the next set of business transformation goals. The platform should also be evangelized based on automation and insights in real time. The platform teams should plan to make a quick and effective start based on the information they have.

The building blocks for all domain-level platforms are toolchains and workflows that enable self-service capabilities. These toolchains and workflows are products based on base IT systems and software.

Building blocks:

- Provide horizontal and vertical scalability
- Allow security rules to be defined and encapsulated for further elaboration in the next phase
- Allow basic authorization and authentication to be standardized
- Allow a variety of data stores to be used in application with granular permission based on business needs
- Allow self-service for developers and reduce cognitive load on software developers

Some best practices in overcoming initial challenges in the envisioning phase are:

- Prioritizing initiatives and platforms — should be driven by business propensity
- Defining a common approach and framework
- Envisioning a simpler and intuitive engagement model and customer experience
- Planning a cloud adoption process to leverage data, insights, automation and other available tools
- Assessing the existing portfolio of applications to decide if application rationalization or cloud migration should be prioritized

- Planning on harmonizing data
- Identifying credible sources of truth
- Connecting unconnected applications to make them domain solution platforms
- Transforming existing processes around user experience and stakeholder experience
- Analyzing how the voice of the customer is integrated across engagement channels
- Adhering to industry acceptable practices such as cloud-native engineering
- Restructuring existing integration points to get data in real time
- Leveraging a modular development approach using code and components

Organizing the platforms

Successful transformation requires having the right people at the right place. It's important to identify the key resources who can plan the journey ahead and assemble the team. Some of the key roles in this team include platform owners, platform capability managers, business process experts, technology architects, program managers and agile experts. This team determines the standards for technology, integration, experience and methodology for delivery.

As more applications are integrated and brought under the purview of a platform, the application team resources may also migrate into the platform team.

Some best practices for success in this phase are:

- Identifying early leaders for the platform
- Coordinating cohesion between all stakeholders (business, IT, operations)
- Establishing a budget authority for platforms — who owns it, who approves it and who controls it
- Integrating new application team resources into the platform team
- Coordinating priority with other platform teams to get data, access and technology components developed

Transforming to platforms

Due to the complex nature and inherent risks of the transformation process, enterprises should take a gradual approach and start with the platforms that provide maximum business value. At the outset of this transformation, teams should develop a common guidance framework that is agreed upon by all stakeholders. This includes determining the prioritization of different activities so that teams feel empowered to make appropriate decisions.

As new platforms are developed and existing applications are integrated, enterprises should focus on user experience, automation, real-time insights, API, microservices and streaming-driven architecture. Old applications should be rearchitected to participate in "as a service" architecture.

More programs can be launched as platform teams gain more experience and as enterprise maturity increases.

Some best practices in this phase are:

- Creating an MVP-driven incremental build
- Clearly identifying and integrating "as a service" with consumers
- Measuring ROI and tracking business value realization
- Planning a transformation office to manage dependency

To become a platform-driven company, requires focus and alignment at all levels of the organization. Additionally, enterprises require understanding and support from top leadership to stay the course and resolve roadblocks where needed.

Meet our experts

Durga Nand
Senior Director, Optum Advisory Services
durga.nand@optum.com

Dip Narayan Das
Vice President, Optum Advisory Services
dip.das@optum.com

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Contact us to learn more about how more about how Optum® Advisory Services can help your organization.

optum.com/advisoryservices
1-800-765-6807
empower@optum.com

Optum