Case Study
Large Health Insurer Revamps Data Center Amid Growing Pains

Client Profile

The Client is one of the nation’s largest health insurance companies, a Pennsylvania-based not-for-profit corporation and independent Blue Cross - Blue Shield licensee employing approximately 20,000 people and serving 4.8 million members in two eastern states.

The healthcare benefits company also provides health, dental, vision and supplemental health products and services to another 32 million customers. In addition, through its government administrative services business it processes health insurance claims for millions of Medicare members and provides dental coverage for military families and dental and vision coverage for federal employees.

The Client originally engaged Pomeroy in 2000 to provide end-user hardware and software support and IMAC services. On the basis of its performance, Pomeroy was subsequently asked to provide a range of IT infrastructure services to support the Health Insurer’s 15,000 end-users resulting in savings to-date of over $1.75 million.

The Challenge

Facing dramatic business growth, the Client recognized its legacy infrastructure was incapable of scaling to meet its needs. Recent acquisitions had placed significant new demands upon its geographically-dispersed data centers for more storage, scalability and flexibility.

Storage had reached capacity necessitating the largest primary disk storage refresh in over six years. Between its steady organic growth and the need to rapidly onboard acquisitions, the Health Insurer’s ability to seamlessly migrate and manage data quickly and securely became mission critical. Separate NAS (network-attached storage) and SAN (storage area network) environments were maintained in two cities creating several performance issues.

• Each environment relied upon legacy hardware providing ineffective integration between them and limited replication capability to adequately support disaster recovery.

• Data backup was tape-based with tapes shipped to a third data center in another city representing an inefficient, costly and risky process.

• Key servers were determined to be end of life and requiring replacement but for which no budgetary provision had been made.

Results

With the Health Insurer expecting data center refresh costs and operational expenses exceeding $1 million, Pomeroy cut costs by over 50% enabling a more comprehensive infrastructure upgrade.

• $500,000 Op Ex Elimination Offsets Cap Ex Spending

• $65,000 in Credits Fund New Servers through Pomeroy’s brokered sale of legacy hardware

• Lower Total Cost of Ownership (TCO):
  - 17% reduction in TCO through more efficient scalable storage technology at a lower cost than legacy
  - 40% increase in scalability to meet future growth

IT Infrastructure Services

- Data Center Services
- Storage & Server Management
- End-User Hardware & Software Support
- Staffing Services
- Procurement and Logistics
- Hardware Brokerage Services
- Depot Services
- Asset Management
- Print Management
- Professional Consulting
- Services
- Project Management
The data center refresh was a tall order given the Health Insurer had not anticipated the impact of recent acquisitions, raising questions about how to accomplish – and pay for – infrastructure improvements. Following its successful management of a data center storage project, Pomeroy was selected to manage the IT refresh on the basis of its track record and innovative solution to the Client’s growing pains in the data center.

The Solution

Pomeroy developed a comprehensive data center solution that addressed storage, servers and disaster recovery to meet current needs, provide scalability for future expansion, and at the same time reduce the Health Insurer’s total cost of ownership (TCO). Pomeroy’s solution set included:

- Replacing the two-location storage architecture and combining the separate NAS and SAN environments into one disk storage array at a lower cost basis than the legacy hardware.
  - Increasing usable capacity from 125 terabytes to 200 terabytes.
  - Improving data compression capability resulting in significant scalability to meet future growth.

- Improving the ability to manage and migrate data between the three data centers.

- Upgrading the tape-based data back-up system with a disk-based data replication and recovery solution featuring end-point to end-point application and data protection technology.
  - Eliminating cost and inefficiency of data replication and tape handling.
  - Significantly reducing the data recovery window and risk of lost data.
  - Reducing data replication cycle time through more efficient deduplication further conserving storage.

- Providing brokerage services in the resale of legacy storage and server equipment to offset the unbudgeted cost of new servers.

The Results

The Health Insurer had allocated over $500,000 for the cost of new storage but not new servers. Pomeroy’s unique solution dramatically cut costs enabling the entire storage, server and disaster recovery upgrade.

- **$500,000 Op Ex Elimination Offsets Cap Ex Spending:** Budgeted maintenance expenses were eliminated by replacing legacy storage with new equipment covered under a three-year warranty and maintenance agreement – effectively offsetting hardware capital costs.

- **Resale Credits Fund New Servers:** Credits generated from the brokered sale of legacy hardware and preferred OEM partner relationships covered the expense of three new servers – in effect acquired at no cost

- **Reduced TCO:**
  - New storage featured less expensive technology and a 17% lower cost basis than the legacy equipment.
  - 40% increase in scalability improved the ability to accommodate future growth and new acquisitions.
  - Operational costs and administrative support requirements reduced from three full-time resources to one.

- **Risk Management:** Risk of data loss was reduced through more efficient disk-based data replication, improved disaster recovery processes and fully-encrypted solution providing 30% improvement in data security.

- **Regulatory Compliance:** Improved data management and security enhanced the Health Insurer’s compliance capabilities, e.g., under HIPPA, Sarbanes Oxley and other regulatory requirements.

The Value

The Pomeroy solution enabled the Health Insurer to acquire needed data center technology upgrades in the face of unprecedented growing pains by cutting its costs by over 50% and at the same time improving ROI, reducing TCO and providing the scalability required to accommodate future growth.

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