

CAC (MPI) Pre-Ask 2

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Topic:	Information Technology expenditures		
Sub Topic:			
Issue:			

Preamble to IR (If Any):

Question:

- a) What is the total cost of ownership to maintain the current CARS applications, including an inventory of those applications?
- b) What is the total cost of ownership to maintain the current AOL applications, including an inventory of those applications?
- c) Please define the total cost of ownership (i.e. what costs are included and what costs are not included).
- d) Please describe anticipated new business value to be derived from replacement systems, which would include net present value and internal rate of return calculations.

Rationale for Question:

It is our understanding that MPI maintains the existing CARS and AOL systems in order to provide well defined and specific business functionality, from which the organization derives quantifiable business value.

In assessing the business value of functionality, we understand that central questions include the applications that the Corporation is maintaining and the cost of maintaining these applications. Our expectation is that there would be a well-known ongoing cost of maintenance of these applications. Our understanding is that in hosting a business application with a certain functionality, there will be a catalogue of

all operating systems and an inventory of the application for the purposes of portfolio management.

Information relating to the Total Cost of Ownership for these systems would provide a basis for understanding the IT costs for delivering related business services. With these costs and related business value explained, it is expected that MPI could then identify and justify the anticipated costs and projected Total Cost of Ownership for replacement systems.

RESPONSE:

a), b) and c)

Total Cost of Ownership would include all software, infrastructure and staffing required to support an application. The complicating factor is when there are components of these costs that cross over between application suites. In the cases of both Autopac On-Line (AOL) and Claims Administration & Reporting System (CARS), these are complicated systems with many components that are shared with other systems. MPI manages its costs at both the individual system component level and as overall Information Technology (IT) expenses and uses benchmarking to ensure that our spending is in line with peers.

MPI plans to undertake a review of the Total Cost of Ownership of both AOL and CARS as part of the AOL/CARS Replacement project to be started next year. This information will form part of a business case for the replacement of AOL and CARS which will be developed during the first year of the AOL/CARS Replacement project starting in 2018/19. The allocation methods for shared resources, platforms, software, projects and support will be defined and approved by the Executive Committee in order to fully define the Total Cost of Ownership, as part of the development of the business case.

d) The cost/benefit analysis of doing a replacement of these systems has not yet been completed. The 2018/19 scope of the AOL/CARS Replacement project is to understand the potential solutions available in the market and to develop a

business case to justify the replacement of the existing software. This business case will contain the business value and anticipated costs for an informed decision.