



Healthcare Supplier Uses RiskLens to Identify Best Business Continuity Strategy

Challenges

A key processing facility faced a number of availability threats but had no business continuity strategy. With multiple recovery solutions identified, how was the Business Continuity Team to choose which option would most cost-effectively limit the risk of the facility going off-line?

Solution

Using RiskLens, the Business Continuity Team analyzed how much each option would reduce the loss experienced from an outage. Comparing risk reduction for each option to its cost, the team was able to choose the most cost-effective solution and justify its recommendation to senior management.

Results

Based on a well-reasoned, defensible analysis, senior management quickly adopted the Business Continuity Team's recommendation and a recovery solution was in place for the facility within a matter of months, preparing the organization to withstand a temporary loss of the facility.

The Challenge

A large healthcare supplier serving more than 150 million Americans operated a key fulfillment facility in an area threatened by natural disasters. Man-made factors also threatened the facility's operations, as it was located within striking distance of a vehicle thrown off an adjacent busy interstate.

The Business Continuity Team knew it needed a strategy to ensure continued operations in the event of a facility outage. The company could rent a nearby building and prepare it for use, contract with a vendor to deliver trailers outfitted with computer workstations or it could take steps to increase capacity at fulfillment facilities in other locations so they could pick up the impacted facility's workload.

Working with a 5x5 likelihood and impact matrix, how could the team choose and justify a solution? Would renting a nearby building reduce the risk from a medium-high to just a medium? How valuable would that reduction be? Would it justify the cost? The Business Continuity Team needed to understand the potential losses, and how much each alternative would reduce them, in dollars and cents.

Without quantitatively analyzing the alternatives in terms of how much probable loss they would mitigate, the team could not determine which alternative would most cost-effectively reduce risk.

The Solution

Using the FAIR model and the RiskLens platform, the team was able to analyze the current-state risk associated with a loss of the facility, perform hypothetical analyses assuming implementation of each alternative business continuity strategy, and compare the amount of risk each alternative reduced, compared to its cost.

The results of these analyses allowed the Business Continuity Team to identify the option that most cost-effectively mitigated risk. The team recommended this option and, based on the logical nature of their analysis and the strength of their rationale, their recommendation was quickly accepted and the risk was preemptively mitigated by implementing the chosen alternative in a matter of months.

“Without FAIR and RiskLens we didn’t have enough meaningful metrics to inform effective decision-making on this issue.”

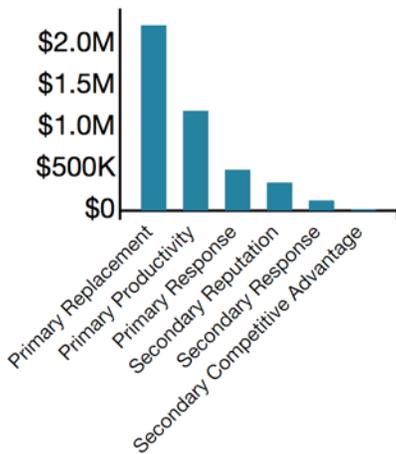


fig. 1 - Exposure by FAIR form of loss

The FAIR model and the RiskLens platform allowed the Business Continuity Team to first conduct a current-state risk analysis in order to understand just how much loss the company would experience if the threatened processing facility were to go offline. Response costs and productivity losses were estimated for various durations of outages, as well as replacement costs for repair of the facility. Potential negative client reactions were considered and translated into ranges of dollar loss should clients choose to work with other suppliers. Having a forecast of potential losses from a facility outage, the company began to consider how those loss estimates would change if each of the three continuity options were implemented.

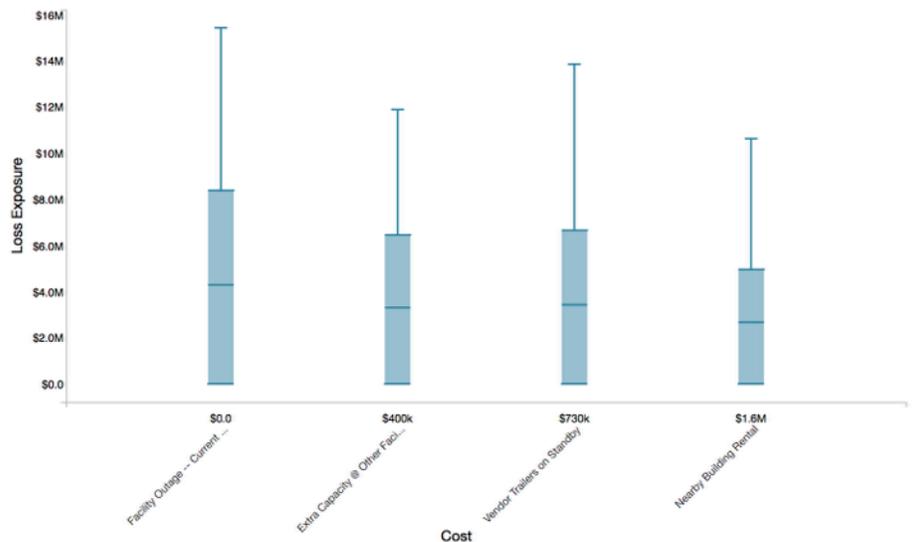
Each alternative impacted the amount of response costs and productivity losses the organization would experience, as each had a different estimated amount of time to pick up production, and a different percentage of current production it could restore. Re-routing production to existing facilities would be fastest, while waiting for trailers of workstations would be slowest. Less production could be restored by existing facilities than by moving the impacted facility’s workers to a rented building nearby.

This complicated web of effects was impossible to analyze using a 5x5 matrix but, leveraging the FAIR model and its six forms of loss, the Business Continuity Team could explore the outage scenario and its ramifications using a standard vocabulary and more objective approach.

Key Benefits

RiskLens reports allowed analysts to compare current forecasted losses from an outage with hypothetical future states reflecting the three alternatives.

While renting a nearby building reduced the average risk by the largest amount, it would cost more than twice as much as increasing capacity at other facilities. The additional \$600k in average risk reduction from renting and outfitting the nearby building was not deemed worth the additional \$1.2M in cost when compared to increasing capacity at other facilities. The latter was chosen as the most cost-effective mitigation strategy, with the added benefit of reducing loss exposure to an outage of *any* facility, not just the one in-scope for this analysis.



Analysis Name	Minimum	10th %	Average	90th %	Maximum	Cost	Current State
View Facility Outage -- Current State	\$0.0	\$0.0	\$4.3M	\$8.4M	\$15.4M	N/A	<input checked="" type="radio"/>
View Extra Capacity @ Other Facilities	\$0.0 [\$0.0]	\$0.0 [\$0.0]	\$3.3M [-\$953.6K]	\$6.5M [-\$1.9M]	\$11.9M [-\$3.6M]	\$400.0K	<input type="radio"/>
View Vendor Trailers on Standby	\$0.0 [\$0.0]	\$0.0 [\$0.0]	\$3.4M [-\$868.1K]	\$6.7M [-\$1.7M]	\$13.9M [-\$1.6M]	\$730.0K	<input type="radio"/>
View Nearby Building Rental	\$0.0 [\$0.0]	\$0.0 [\$0.0]	\$2.7M [-\$1.6M]	\$5.0M [-\$3.4M]	\$10.6M [-\$4.8M]	\$1.6M	<input type="radio"/>

fig. 2 - Cost and risk-reduction comparison report