



***Cost Modeling:
A Picture is Worth a
Dozen Spreadsheets***

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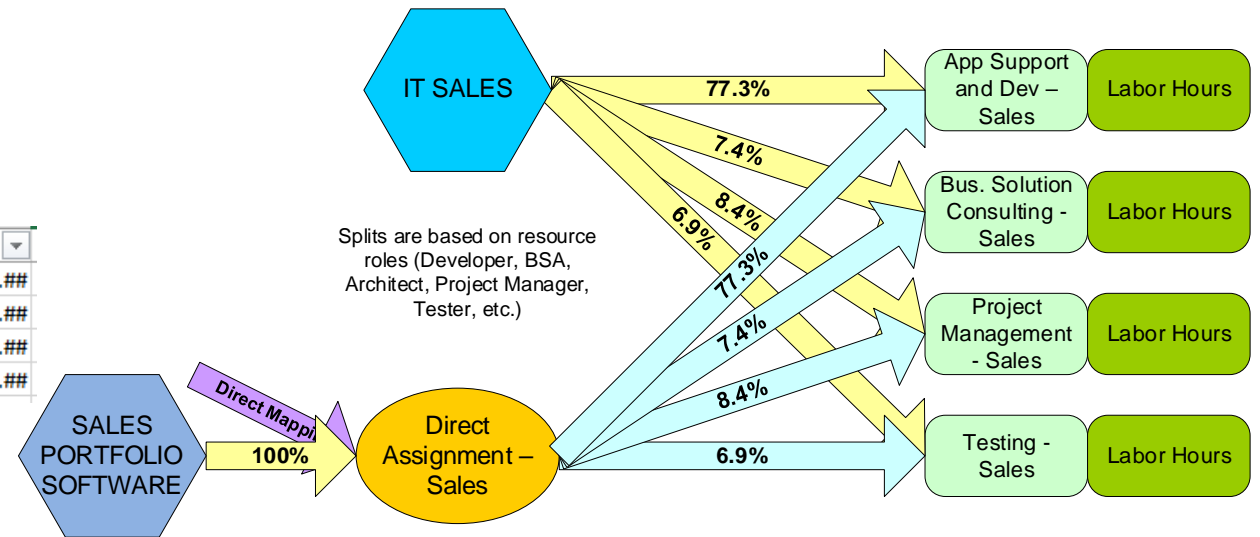
Introduction

Robert C. Bogusch, IT Business Systems Analyst with GuideWell/Florida Blue.

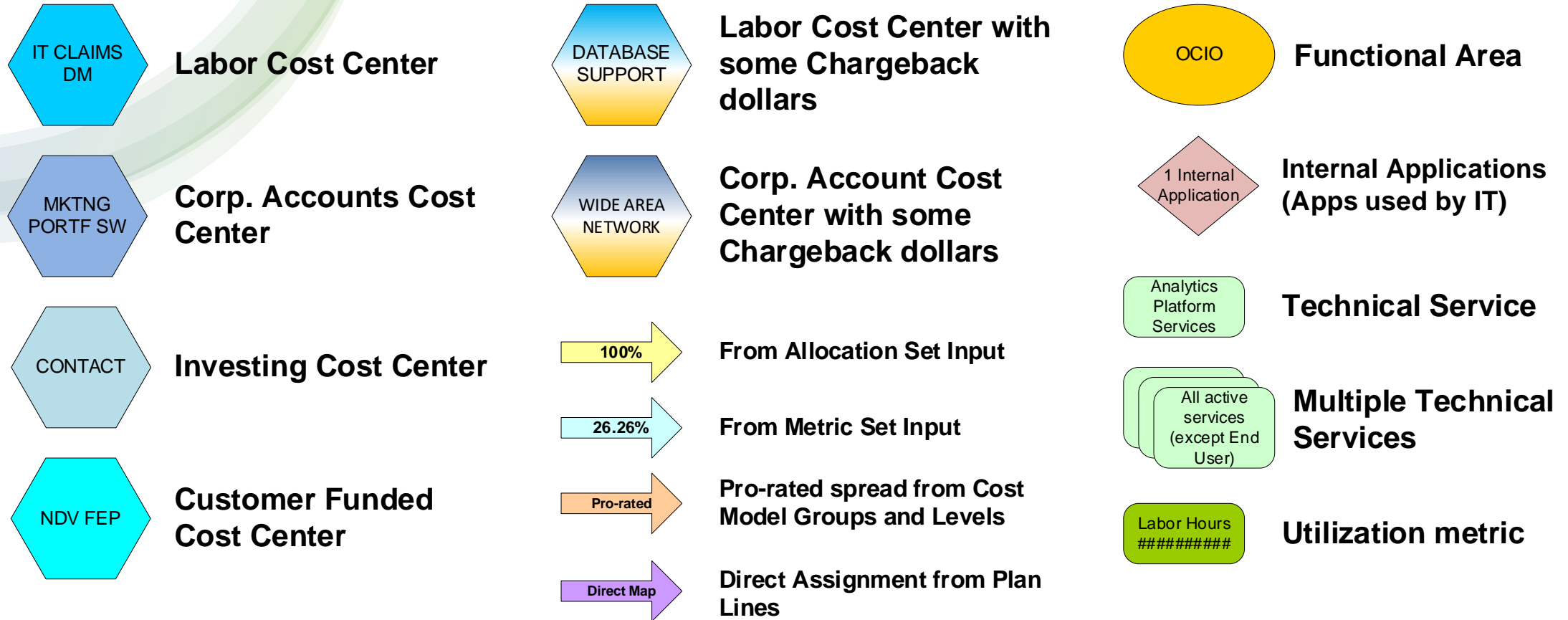
25 Years with Florida Blue and 7 Years working on IT Financial Management as Tool Administrator and Cost Modeler. This is my third year coming to the ITFMA conference.

Let me ask you a question. Which is easier to understand?

COST_CENTER	ACCOUNT	YEAR	AMOUNT	
IT SALES	Empl Exp Health & Welfare_E	2024	\$,,\$,\$,\$,\$,\$	
IT SALES	Empl Exp Health & Welfare_E	2024	,\$,\$,\$,\$,\$	
IT SALES	Empl Health & Life - Bud Offse_E	2024	,\$,\$,\$,\$,\$	
IT SALES	Empl Educ & Training-External_E	2024	,\$,\$,\$,\$,\$	
IT SALES	Educational Invest Prog_E	2024	,\$,\$,\$,\$,\$	
IT SALES	Empl Relations-Meals_E	2024	,\$,\$,\$,\$,\$	
IT SALES	Empl Recognition Programs_E	2024	,\$,\$,\$,\$,\$	
IT SALES	Empl Trans-Comm Air_E	2024	,\$,\$,\$,\$	
IT SALES	Empl Trans-Comm Air_E	YEAR	SERVICE	QUANTITY
IT SALES	Empl Trans-Ground Transp_E	2024	App Support and Dev - Sales	###,###.##
IT SALES	Empl Travel - Meals E	2024	Business Solution Consulting - Sales	##,###.##
IT SALES		2024	Project Management - Sales	##,###.##
IT SALES		2024	Testing - Sales	##,###.##
IT SALES	COST_C	OBJECT		
IT SALES	0127	IT SALES	App Support	
IT SALES	0127	IT SALES	Business Solution Consulting - Sales	1,016,332.2053
IT SALES	0127	IT SALES	Project Management - Sales	903,829.6343
ALLOC_METRIC	SOURCE_OBJECT	TARGET_OBJECT	QUANTITY	
Sales	Direct Assignment - Sales	App Support and Dev - Sal	11,767,998.5206	
Sales	Direct Assignment - Sales	Business Solution Consult	1,016,332.2053	
Sales	Direct Assignment - Sales	Project Management - Sal	2,001,325.7211	
Sales	Direct Assignment - Sales	Testing - Sales	1,246,025.5293	



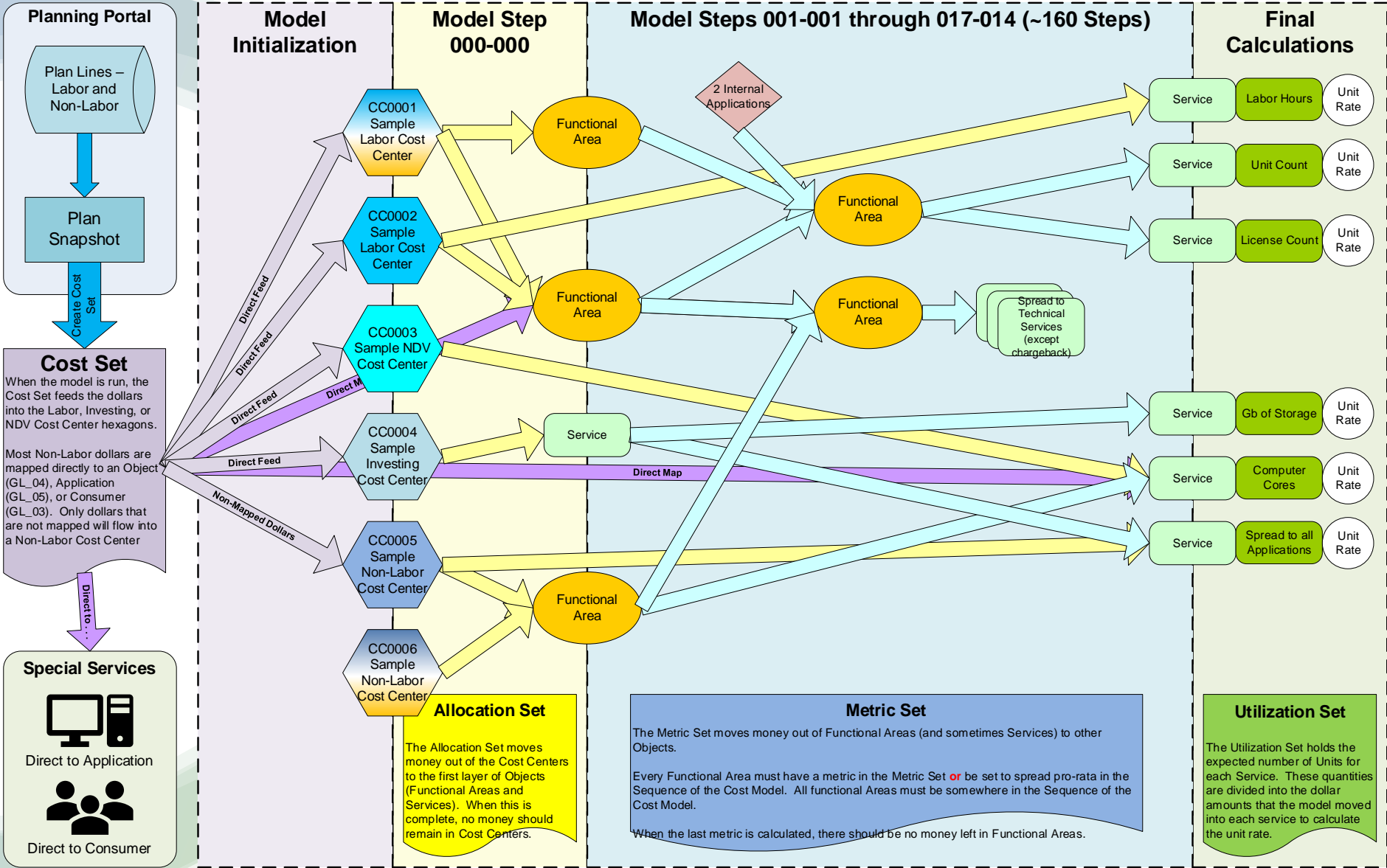
What are the Pieces?



- Use whatever drawing tool works best for you and that you are comfortable using.
- Symbols will evolve over time as your model matures.

- Use colors to show the relation to the various inputs to the cost model.
- Use shapes that you like and that will fit the text you need.

How It Goes Together



Some Facts about the Florida Blue Cost Model

- 96 Cost Centers
 - 11 Investing, 25 Corporate Accounts, 53 Labor, 7 Customer Funded
- 96 Functional Areas
- 21 Service Categories with 172 Services
- Cost Model takes 199 steps to run from start to finish
- 1,314 Active Applications (as of 5/17/2024)
 - 646 Internal Applications used by IT to support IT Services (IT4IT as it is called in the company)
 - 668 Applications to support Business Services
- Model Picture requires 21 Pages to fully describe the cost model

**Yay! We've got a
picture.**

Now What?

What Can You Do With the Finished Picture?

(sung to the tune of "What do you do with a Drunken Sailor?")

What can you do with the finished picture?
What can you do with the finished picture?
What can you do with the finished picture?
What good does it do you?

Show it to your service owners.
Let them see what feeds their service.
Show it to your service owners,
So that they understand.

Use it to revise your model.
Make your updates in the drawing.
Use it to revise your model,
So that it stays current.

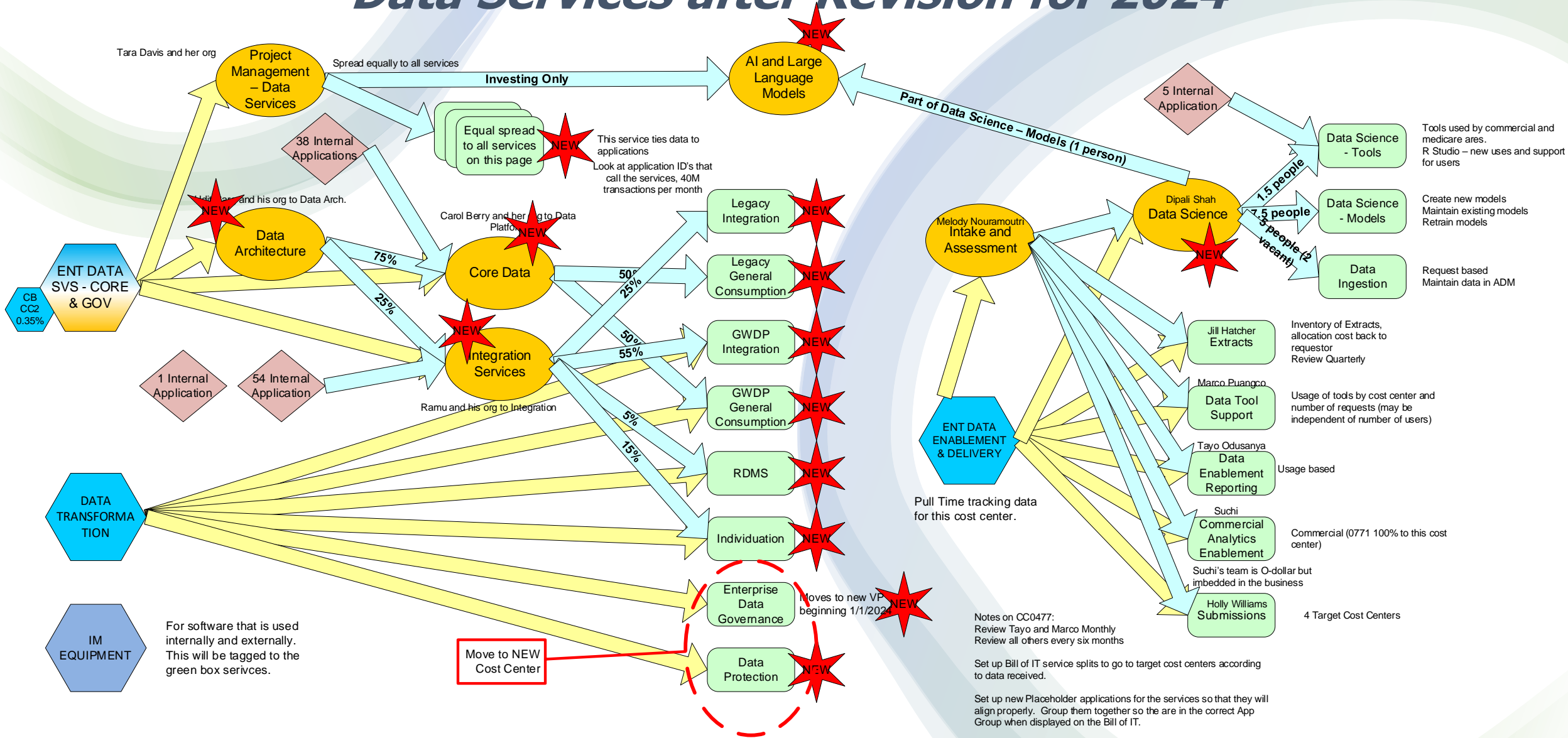
Show the Business the Services.
Let them see how much they cost.
Show the Business the Services,
So they make good choices.

Use it to find missing items.
Check to make sure flows work well.
Use it to find missing items,
So your model's valid.

That's what you do with the finished picture.
That's what you do with the finished picture.
That's what you do with the finished picture.
Use it to move forward!

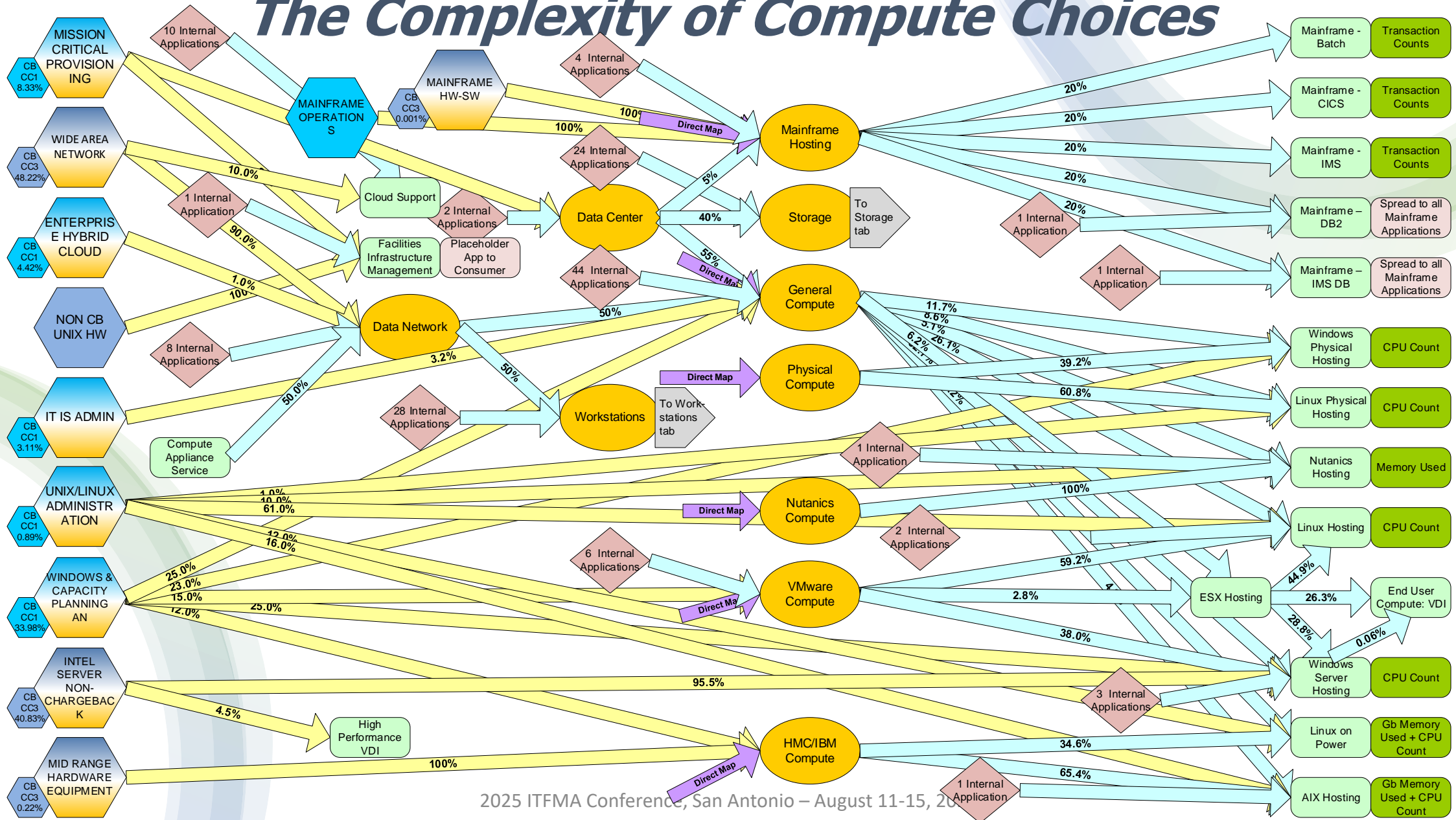
Use it to Revise Your Model

Data Services after Revision for 2024



Show the Business the Services

The Complexity of Compute Choices



Recap

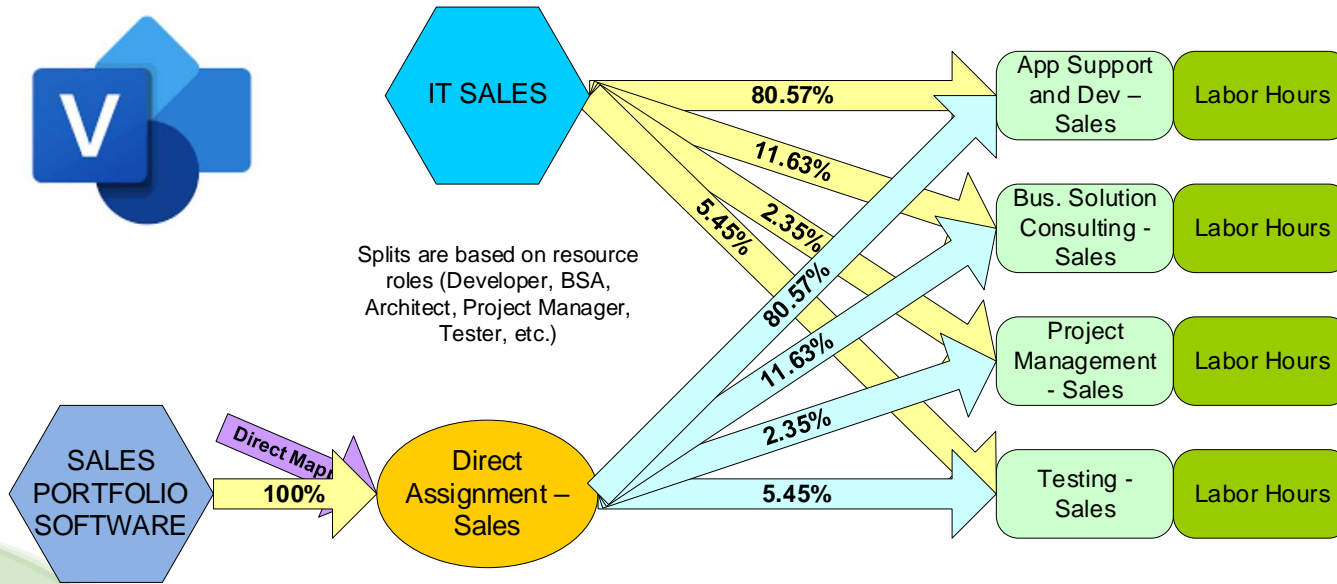
Building the Picture

- Use whatever drawing tool works best for you and that you are comfortable using (see slide 13 for examples).
- Symbols will evolve over time as your model matures.
- Use Service Categories to group like services into a single picture.
- Use colors to show the relation to the various inputs to the cost model.
- Use shapes that you like and that will fit the text you need.

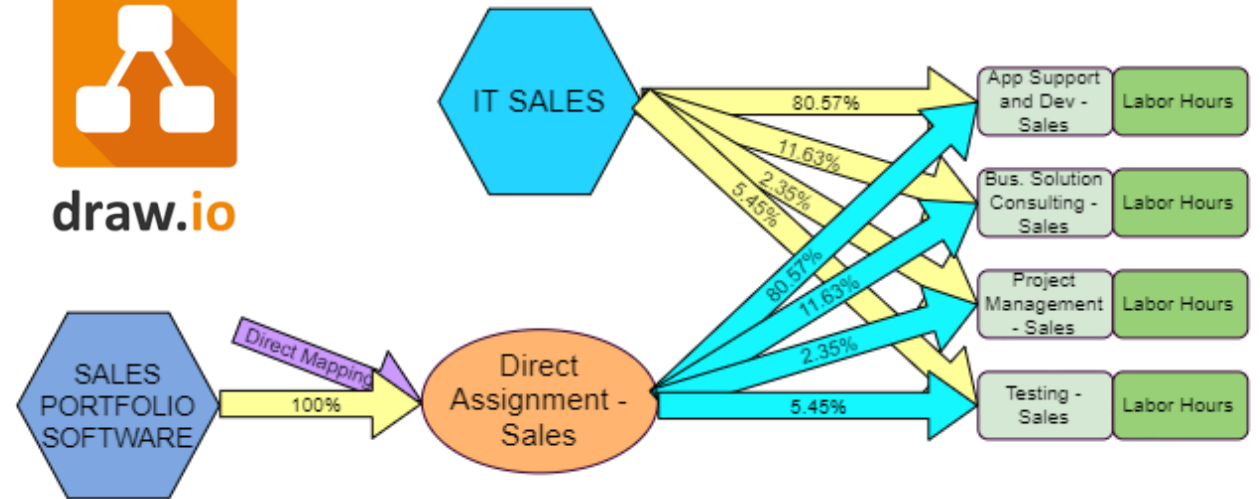
Using the Picture

- Show the picture to your Service Owners to help them understand what feeds into their services.
- Make model changes in the picture while you are working with the Service Owners. This will help you visualize the changes as you go.
- Use the picture to help Business Service Owners understand the relationship between the cost centers and IT Services.
- Use the picture to help you troubleshoot your model and look for items that might not be flowing correctly.

Drawing Tool Examples



draw.io



Thank you!

Questions?

**Contact me at
Robert.Bogusch@bcbsfl.com**

Slide Notes

- **Slide 2**

The spreadsheet feeds are from the Cost Set, the Allocation Set, the Metric Set, and the Utilization Set. There are more details about these in slide 4.

- **Slide 3**

The tool used to create the pictures is not important. Use the tool that you are most comfortable with.

Symbols will evolve over time as your model matures.

The colors are most important for the person who builds the model and picture. Use them to show the relation to the various inputs to the model.

Use the shapes you like best for each purpose. These shapes allow me to fit the text I need and still differentiate between the symbols.

Labor Cost Centers are the home cost center for resources.

Corporate Account Cost Centers are used for purchasing software, hardware, service contracts, and similar items.

Investing Cost Centers are used to reimburse the labor cost centers for work that is tied to Investing Initiatives.

Customer Funded Cost Centers are used to reimburse the labor cost centers for work that is tied to specific customer funded work.

We started using the Cost Model to set chargeback rates for workstations, telephones, printer services, and some workstation software. This caused an issue for corporate finance who needs to be able to audit the rates for chargeback items and account for residual funds. It is all very arcane, but it requires us to add a set of Functional areas to aggregate the chargeback money back together. Rather than add this as a set of ovals, I used these cost center symbols to save space and keep me from going nuts.

The colored arrows let me know where in the model inputs to find what is driving that feed.

- **Slide 4**

I developed this picture to show how the Cost Model worked in our ITFM tool. The flow is from the left to the right in the picture (more about that in slide 11).

The colors are tied to the indicated input spreadsheet. It also indicates pieces of the model that go directly to the Bill of IT or Consumers.

Slide Notes

- **Slide 8**

At the end of 2022, the model for the Data Services teams looked like this. It was split between Data Platform Services and the Data Analytics Services. Data Transformation had been added to the team and was still being modeled. As we moved into the 2024 budget season, this was the picture I used to discuss the services that were provided. It let them see how their cost centers aligned to the services and what we know about them. The goal I had was to simplify this area to make the services easier to understand.

- **Slide 9**

This is the result of the revisions for the 2024 budget model. <<Sigh>>

First, they realigned the services to align to the managers. This makes it easier to do the initial allocations since we can use Manager Mapping to split the cost center. It complicated things because it splits between Core Data and Integration Services. This eventually will come back together with the Legacy Data Warehouse and the new GuideWell Data Platform.

There was additional support for the new AI and Large Language Model service. We were adding several models and chatbots that were rolled out to the entire enterprise in 2024. There was project management support and some data science support going into that.

The analytics team reorganized their services to align with the managers and we worked to start getting metrics. This is a mixed bag, but overall made things easier to do the allocations.

The Data Governance and Data Protection services were split to a new cost center in December. The resources were moved out and this requires the model be revised and changed. I discovered this when I ran an actuals model and the new cost center popped up as an unallocated cost. Which makes sense, because it wasn't IN THE MODEL!!!

The end result was a raft of new service names and a total rebuilding of the model for these services.

Slide Notes

- **Slide 10**

Compute is what one of the budget coordinators called my ugly baby. This is true for most of the Infrastructure Services area. There are a lot of cost centers that overlap and provide support to a wide range of services.

When trying to talk to the business, they need to start thinking in terms of what platforms their applications are running on. We provide Mainframe hosting, Windows Hosting on virtual and physical servers in VMWare. Linux hosting is virtual on VMWare and IBM Power and there is physical server hosting on VMWare. Finally, we have some Nutanics hyperthreaded virtual servers, but these are being phased out. This picture I use to help the business understand the complexity of supplying compute hosting services for applications.

This can then lead to a discussion of how the costs differ between the server types and to determine what sort of platform might best serve their application needs.

- **Slide 11**

I use the pictures to validate the model when I make changes. It is easy to miss a step when you are revising the model. This can cause problems during the model is run.

I also start a picture whenever I need model a new cost center or service. I can then use the picture to update the spreadsheets with the allocations for the new cost center or service.

A good example of this is when model revisions might change the order of operations. In the example, the model would run the Compute and Storage metrics first, then Chargebacks – Voice, Chargebacks – Workstations and the Infrastructure Distributed areas. Finally, the Security metrics would be run.

However, when we met with the Security are to review their model, they made changes. They set security to directly support the Data Network, General Compute and Workstation services. BUT, when I made those changes to the model, I neglected to change the order of operations. When I ran the model, this left money in the Data Network, Workstation Security and General Compute orange ovals because the Security metric was run after those functional areas were run. Oops. It was looking at this picture that let me troubleshoot back to find why I had money getting hung up in the model.