

# Plan Management Navigator

## *Analytics for Health Plan Administration*



Healthcare Analysts

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## SHERLOCK BENCHMARK ADMINISTRATIVE COST VALUES OF LARGER HEALTH PLANS – 2016 METRICS

Some health plans, especially ones of great size, prefer to be compared with larger health plans. Larger health plans may enjoy economies of scale in some functions. In addition, there may be nuanced distinctions in how larger plans operate, especially in their relatively low staffing ratios. Accordingly, some plans believe that the set of larger health plans has greater comparability, and thus applicability to their plans.

The Larger Plan edition is based on the results of the largest five Blue Cross Blue Shield Plans in our universe.

The following charts reflect those values. They are similar to those of the Blue Cross Blue Shield universe, published in June 2017. An additional chart, Appendix D, shows the characteristics of the Larger Plans compared with those of Blue Cross Blue Shield Plans. For brevity, we have omitted commentary in this *Plan Management Navigator*.

**Figure 1. Sherlock Benchmark Summary**  
Larger Plans Costs by Functional Area Cluster, 2016 Data  
*Per Member Per Month*

<b>Functional Area</b>	<b>25th Percentile</b>	<b>Median</b>	<b>75th Percentile</b>	<b>Coefficient of Variation</b>
Sales and Marketing	\$7.79	\$8.02	\$8.13	37%
Medical and Provider Management	3.92	4.27	4.50	19%
Account and Membership Administration	13.20	13.75	15.35	18%
Corporate Services	3.61	4.36	5.15	23%
<b>Total Expenses</b>	<b>\$27.91</b>	<b>\$30.17</b>	<b>\$33.02</b>	<b>21%</b>

**Figure 2. Sherlock Benchmark Summary**  
Larger Plans Costs by Functional Area Cluster, 2016 Data  
*Percent of Premium Equivalents*

<b>Functional Area</b>	<b>25th Percentile</b>	<b>Median</b>	<b>75th Percentile</b>	<b>Coefficient of Variation</b>
Sales and Marketing	2.0%	2.1%	2.1%	29%
Medical and Provider Management	0.9%	1.0%	1.2%	26%
Account and Membership Administration	3.3%	3.5%	4.1%	13%
Corporate Services	1.0%	1.0%	1.3%	18%
<b>Total Expenses</b>	<b>7.3%</b>	<b>7.9%</b>	<b>8.8%</b>	<b>15%</b>

**Figure 3. Sherlock Benchmark Summary**  
Larger Plans Costs by Product, 2016 Data  
*Per Member Per Month*

<b>Product</b>	<b>25th Percentile</b>	<b>Median</b>	<b>75th Percentile</b>	<b>Coefficient of Variation</b>
<b>Commercial HMO</b>				
Insured	\$41.12	\$49.16	\$56.00	31%
ASO / ASC	\$18.08	\$22.09	\$26.10	51%
<b>Commercial POS</b>				
Insured	\$36.77	\$37.94	\$39.11	9%
ASO / ASC	\$29.31	\$29.31	\$29.31	NM
<b>Indemnity &amp; PPO</b>				
Insured	\$38.74	\$44.90	\$47.44	37%
ASO / ASC	\$19.58	\$25.75	\$25.79	22%
FEP	\$17.68	\$22.44	\$24.54	21%
<b>Medicare Advantage</b>				
Individual	\$69.58	\$92.26	\$99.41	30%
Group	\$72.46	\$81.07	\$89.69	30%
Medicaid HMO	\$30.87	\$42.41	\$53.95	77%
Medicare Supplement	\$18.21	\$21.04	\$33.89	54%
<b>Comprehensive Total</b>	\$27.91	\$30.17	\$33.02	21%
Medicare Advantage SNP	\$196.70	\$200.56	\$204.41	5%
Stand-Alone Medicare Part D	\$11.03	\$16.05	\$24.72	72%
Stand Alone Dental	\$2.05	\$2.60	\$3.80	58%

**Figure 4. Sherlock Benchmark Summary**  
Larger Plans Costs by Product, 2016 Data  
*Percent of Premium Equivalents*

<b>Product</b>	<b>25th Percentile</b>	<b>Median</b>	<b>75th Percentile</b>	<b>Coefficient of Variation</b>
<b>Commercial HMO</b>				
Insured	8.8%	9.0%	9.9%	12%
ASO / ASC	5.7%	5.8%	5.8%	2%
<b>Commercial POS</b>				
Insured	7.1%	8.0%	8.9%	32%
ASO / ASC	5.8%	5.8%	5.8%	NM
<b>Indemnity &amp; PPO</b>				
Insured	10.4%	10.5%	11.6%	16%
ASO / ASC	5.3%	5.7%	6.1%	20%
FEP	3.3%	4.2%	6.6%	43%
<b>Medicare Advantage</b>				
Individual	8.3%	10.6%	12.5%	37%
Group	7.7%	8.2%	8.6%	17%
Medicaid HMO	9.8%	12.0%	14.3%	52%
Medicare Supplement	10.7%	12.2%	15.9%	45%
<b>Comprehensive Total</b>	7.3%	7.9%	8.8%	15%
Medicare Advantage SNP	13.7%	15.3%	16.9%	30%
Stand-Alone Medicare Part D	6.5%	7.5%	11.6%	74%
Stand Alone Dental	8.8%	14.4%	21.1%	47%

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### Appendix A. Sherlock Benchmark Summary

Larger Plans Costs by Functional Area Cluster, 2015 Data  
Per Member Per Month

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	\$7.91	\$8.14	\$11.86	53%
Medical and Provider Management	2.71	4.23	4.42	26%
Account and Membership Administration	13.54	15.19	16.64	25%
Corporate Services	4.03	4.99	5.42	21%
<b>Total Expenses</b>	<b>\$28.04</b>	<b>\$33.77</b>	<b>\$36.95</b>	<b>29%</b>

### Appendix B. Sherlock Benchmark Summary

Larger Plans Costs by Functional Area Cluster, 2015 Data  
Percent of Premium Equivalents

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	2.2%	2.2%	3.6%	48%
Medical and Provider Management	0.8%	1.0%	1.2%	25%
Account and Membership Administration	3.4%	3.9%	4.3%	19%
Corporate Services	1.2%	1.3%	1.6%	21%
<b>Total Expenses</b>	<b>7.3%</b>	<b>9.0%</b>	<b>10.1%</b>	<b>23%</b>

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## Appendix C. Sherlock Benchmark Summary

### Major Functions Included in Each Administrative Expense Cluster

#### **Sales & Marketing**

1. Rating and Underwriting
  - (a) Employer Group Reporting
  - (b) Risk Adjustment
  - (c) Other Rating and Underwriting
2. Marketing
  - (a) Product Development and Market Research
  - (b) Member and Group Communication
  - (c) Other Marketing
3. Sales
  - (a) Account Services
  - (c) Other Sales
4. External Broker Commissions
5. Advertising and Promotion
  - (a) Media and Advertising
  - (b) Charitable Contributions

#### **Provider & Medical Management**

6. Provider Network Management and Services
  - (a) Provider Relations Services
  - (b) Provider Contracting
  - (c) Provider Audit / Billing Validation
  - (d) Other Provider Network Management and Services
7. Medical Management / Quality Assurance / Wellness
  - (a) Precertification
  - (b) Case Management
  - (c) Disease Management
  - (d) Nurse Information Line
  - (e) Health and Wellness
  - (f) Quality Components
  - (g) Medical Informatics
  - (h) Utilization Review
  - (i) Other Medical Management

#### **Account & Membership Administration**

8. Enrollment / Membership / Billing
9. Customer Services
10. Claim and Encounter Capture and Adjudication
  - (a) Coordination of Benefits (COB) and Subrogation
  - (b) BlueCard Home and Custom Par Fees
  - (c) Medicare Crossover Fees
  - (e) Other Claim and Encounter Capture and Adjudication
11. Information Systems Expenses
  - (a) Operations and Support Services
  - (b) Applications Maintenance
    - (1) Benefit Configuration
    - (2) Other Applications Maintenance
  - (c) Applications Acquisition and Development
    - (1) Amortization of Developed Software
    - (2) Pre-Planning and Project Costs
  - (d) Security Administration and Enforcement

#### **Corporate Services**

12. Finance and Accounting
  - (a) Credit Card Fees
  - (b) All Other Finance and Accounting
13. Actuarial
14. Corporate Services Function
  - (a) Human Resources
  - (b) Legal
    - (1) Compliance
    - (2) Government Affairs
    - (3) Outside Litigation
    - (4) All Other Legal
  - (c) Facilities
  - (d) OPEB
  - (e) Audit
  - (f) Purchasing
  - (g) Imaging
  - (h) Printing and Mailroom
  - (i) Other Corporate Services Function
15. Corporate Executive and Governance
16. Association Dues and License/Filing Fees

## Appendix D. Sherlock Benchmark Summary

### Selected Characteristics of SEER Universes<sup>1</sup>

	Blue Cross Blue Shield Plans	Larger Plans
<b>Sample Size</b>		
Number of Participants	14	5
Participants' Members (000)	38,274	27,596
Median Membership (000)	1,723	3,509
Mean Membership (000)	2,734	5,519
<b>Market Mix (Premiums and Fees)</b>		
Commercial <sup>2</sup>		
Median	72.9%	68.3%
Average	69.6%	63.2%
Medicare Advantage		
Median	6.0%	7.1%
Average	8.9%	12.9%
Medicaid Total		
Median	0.0%	0.0%
Average	3.3%	6.1%
<b>Product Mix</b>		
Percent Managed Care (Premiums and Fees) <sup>3</sup>		
Median	11.5%	0.0%
Average	21.5%	13.1%
Percent ASO (Members)		
Median	44.3%	45.8%
Average	42.3%	43.2%
<b>States Served</b>	18	9

<sup>1</sup>Data is estimated and subject to change. Compiled on June 29, 2017.

<sup>2</sup>Commercial excludes FEP.

<sup>3</sup>Managed Care is the sum of Medicare Advantage, Medicaid Total and Commercial HMO.

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