

Plan Management Navigator

Analytics for Health Plan Administration



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NINE TAKEAWAYS: AN EARLY LOOK AT 2015 INDEPENDENT / PROVIDER – SPONSORED AND BLUE CROSS BLUE SHIELD ADMINISTRATIVE COST TRENDS

We are completing this year's Sherlock Benchmarks, reflecting results from 2015. The Sherlock Benchmarks are a summary of extensive surveys of health plans regarding their costs, products, staffing and operations. While results are not yet final, extensive data validation has been completed and proof drafts have been downloaded by participants, making some initial takeaway remarks possible.

Incidentally, publication of the Sherlock Benchmarks is approximately three weeks earlier than last year. This means that it may be especially useful for the 2017 budget cycle. Please contact us if licensing would be helpful to your organization.

Here are the nine initial takeaways. For the most part, the following discussion pertains to trends in common between the two universes. The year-over-year comparisons mostly pertain to trends in common between the two universes. Comparisons hold constant the participants and the product mix of each universe.

1. The universes are extremely strong. The Blue Cross Blue Shield universe (Blues) has 17 primary licensees serving 45 million people with comprehensive products. The 21 plans in the Independent / Provider – Sponsored (IPS) universe serve 10.9 million such members. We view participation trends as an indicator of health plan focus on administrative cost optimization.
2. The share of the plans is also extremely strong, meaning that the resulting samples may be representative of the industry segments as a whole. Together, participants in these two benchmarking universes comprise nearly 25% of the insurance market. For the Blues, participation is 43% of the combined Blue membership, nearly one-half of primary licensees and is comprised of Plans serving 64% of the membership of Plans that are not publicly traded. Participants in the IPS universe include eleven of the thirteen non-staff model health plan members of the Association of Community Health Plans that focus on commercial products.
3. These two universes emphasize different strategic visions. Blue Plans stress ASO/ ASC products and on average serve 2.6 million people. Independent / Provider – Sponsored plans on average served 517,000 members and were heavily committed to Medicare Advantage and Medicaid.
4. In 2015, the Independent / Provider – Sponsored plans appeared to fare better in the post ACA environment than their Blue peers. Their growth was faster and their losses were less pronounced.
5. Both Blues and IPS plans' growth appeared to emphasize lower cost products in 2015. For Blues this appears to have been ASO/ ASC and for IPS plans this was likely Medicaid.

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6. Per member growth in total administrative expenses (to include miscellaneous business taxes) for both universes was lower than in 2015 than in any of the prior four years. Expense growth *before* taxes (including ACA-related taxes) was higher than the very modest rate last year, and the second lowest in the past five years. Per member taxes increased and therefore elevated the high plateau beginning in 2014.
 7. Increased automation was likely the cause of the continuing trend of faster Information Systems cost growth and essentially no growth in Claim and Encounter Capture and Adjudication.
 8. Customer services cost trends were higher than other costs in Account and Membership Administration in 2015, as they were in 2014. In prior years some of the plans referred to the increases in such costs as surge costs, stemming from the changes in the insurance market occasioned by the Affordable Care Act.
 9. Rating and Underwriting expenses were among the fastest growing. Provider Network Management and Services growth was also above average for all functions.

These takeaways are preliminary and final sign-off by the participants will later this week. Nevertheless, this *Plan Management Navigator* is published after significant data validations. Final results for both universes will be available in *Plan Management Navigators* in the coming weeks. Vastly greater detail is available in the Sherlock Benchmarks themselves. Please contact us for license information.