

For Immediate Release  
June 27, 2016

Contact: Douglas B. Sherlock, CFA  
215-628-2289  
sherlock@sherlockco.com

### **In Second Year of Modest Growth, Blue Cross Blue Shield Plan Administrative Costs Increased by 1.2% in 2015**

In 2015, administrative expenses excluding taxes of Blue Cross Blue Shield (Blue) Plans increased at a median rate 1.2% per member, approximately the same as last year's increase of 1.1%. Account and Membership Administration costs increased by 0.8%, similar to low growth in 2008 and 2011. These comparisons eliminate any effects of product and universe changes. The median total costs before Miscellaneous Business Taxes was \$31.00 per member per month, lower than last year's \$33.37.

Miscellaneous Business Taxes increased by 17.5% and, at \$6.96, now comprise 17% of total administrative costs. In 2013, the median tax was \$0.84. Most of these taxes are associated with the Affordable Care Act.

Per member, Corporate Services costs increased by 1.1%. The growth in Sales and Marketing declined to 1.0% but Medical and Provider Management accelerated to 3.8%.

Customer Services costs grew at mid-single digit rates suggesting that "surge" requirements remain a cost factor. Staffing also increased for this function. Information Systems costs increased nearly as rapidly. By contrast, Enrollment costs increased by less than one percent while Claims Processing costs declined.

Additional information was published recently in *Plan Management Navigator*, and is posted at [sherlockco.com](http://sherlockco.com).

We will discuss the results via free web conference on Wednesday, June 29 from 2:00 PM to 3:00 PM Eastern Daylight Time. Douglas Sherlock will offer a brief presentation, followed by questions and answers. To participate in the web conference, please register at [sherlockco.com/webinar](http://sherlockco.com/webinar). Once registered, dial-in information and a link to connect will be provided in a confirmation email.

The *Navigator* analysis excerpts from the 2016 Blue Cross Blue Shield Plan edition of the *Sherlock Expense Evaluation Report (SEER)*. This benchmarking study analyzes in-depth surveys of 17 Blue Licensees serving over 45 million members. Surveyed Plans comprise 65% of the members of Blue Cross Blue Shield Plans not served by publically traded companies and approximately one-half of all U.S. Blue primary licensees.

A challenging economy and the Affordable Care Act make streamlining administrative costs a high priority for health plans. An express purpose of the MLR rule is to "create incentives ... to become more efficient." *SEER* provides



the initial step in this process by helping health plans identify and prioritize cost variances.

Besides the Blue Cross Blue Shield universe, other universes include Independent/Provider-Sponsored plans, Medicare plans and Medicaid plans. Collectively, the 45 participating plans serve nearly 60 million insured Americans.

This is the 19<sup>th</sup> consecutive year of the Sherlock Benchmarks. With cumulative experience of 740 health plan years, they are “the gold standard” of benchmarks used to measure and manage health plan administrative activities.

###

Sherlock Company ([www.sherlockco.com](http://www.sherlockco.com)), based in North Wales, Pennsylvania, provides informed solutions for health plan financial management. Since its founding in 1987, Sherlock Company has been known for its impartiality and technical competence in service to its clients.