

For Immediate Release
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Blue Cross Blue Shield Plan Administrative Costs Surged by 6.2% in 2013

In 2013, total administrative expenses of Blue Cross Blue Shield (Blue) Plans increased by 6.2% PMPM, while Account and Membership Administration costs increased by 8.5%. Both increases, adjusted to eliminate the effects of product mix changes, were the sharpest in years. Relative to premiums, administrative expenses were 8.7%. They were 8.9% in 2012.

Information Systems, broker Commissions and Customer Services costs were central to the increases. The sharp rates of increase in these plus in Actuarial and Advertising expenses suggest the costs to adapt to the Affordable Care Act and the costs to communicate these changes with their customers.

Additional information was published yesterday in *Plan Management Navigator*, and is posted at [http://www.sherlockco.com/docs/navigator/Blue July Navigator 2014.pdf](http://www.sherlockco.com/docs/navigator/Blue%20July%20Navigator%202014.pdf). We will discuss the results via free web conference on Wednesday, July 9 from 2:00 PM to 3:00 PM Eastern Daylight Time. Sherlock will offer a brief presentation, followed by questions and answers. To participate in the web conference, please register at: <https://www2.gotomeeting.com/register/132011746>. Once registered, dial-in information and a link to connect to the web will be provided in a confirmation email.

The *Navigator* analysis excerpts from the 2014 Blue Cross Blue Shield Plan edition of the *Sherlock Expense Evaluation Report (SEER)*. This benchmarking study analyzes in-depth surveys of 19 Blue Plans serving over 29 million members. Surveyed Plans comprise 60% of the revenues of single state Plans, and approximately one-half of Blue U.S. single-state primary licensees. The complete analysis may be licensed.

A challenging economy and the Affordable Care Act make streamlining administrative costs a high priority for health plans. The declared purpose of the MLR rule is to “create incentives ... to become more efficient.”

Besides the Blue Cross Blue Shield universe, other universes include Independent/Provider-Sponsored plans, Medicare plans and Medicaid plans. Collectively, these organizations serve nearly 40 million insured Americans.

This is the 17th consecutive year of the Sherlock Benchmarks. With cumulative experience of 660 health plan years, they are “the gold standard” of benchmarks used to measure and manage health plan administrative activities.



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Sherlock Company (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.

