

For Immediate Release
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For Second Year, Independent/Provider-Sponsored Plans Post Declines in Administrative Costs

In 2015, administrative expenses of Independent/Provider-Sponsored plans decreased at a median rate 0.1% per member, following last year's decrease of 0.4%. Medical and Provider Management decreased by 6.1%.

Account and Membership Administration costs accelerated to a 4.0% increase, up from 1.1% last year. Information Systems expense growth was central. By contrast, Medical and Provider Management costs declined, owing chiefly to reductions in Medical Management costs. These comparisons eliminate any effects of product and universe changes.

The median total cost was \$41.04 per member per month (PMPM), lower than the prior year's \$42.14 PMPM. While the product mixes and the participants differed, of the prior year's participants, 81% participated in the current cycle.

These trends also exclude Miscellaneous Business Taxes, largely stemming from the Affordable Care Act. Miscellaneous Business Taxes increased by 14.6% and, at \$6.62 PMPM, now comprise 15% of total administrative costs. In 2013, the median tax was \$0.61 PMPM.

Additional information was published recently in *Plan Management Navigator*, and is posted at sherlockco.com/Navigator/IPS.

We will discuss the results via web conference on Wednesday, July 13 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. Once registered, dial-in information and a link to connect will be provided in a confirmation email. There is no charge for your participation.

The *Navigator* analysis excerpts from the 2016 Independent/Provider-Sponsored plan edition of the *Sherlock Expense Evaluation Report (SEER)*. This benchmarking study analyzes in-depth surveys of 21 IPS plans 10.8 million members. The sample is very robust being comprised of, apparently, a very large share of such plans.

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

This is the 19th 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.

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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.

