

For Immediate Release
July 20, 2012

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

Independent/Provider-Sponsored Plan Administrative Costs Were 8.7% of Premium in 2011

Administrative expenses of Independent/Provider-Sponsored (IPS) plans were 8.7% of premium in 2011. Administrative expenses grew by 4.1% per member and 3.1% after excluding the effects of a product mix change in favor of Medicare Advantage. IPS plans reported median total administrative expenses of \$35.06 PMPM.

Product Development/Market Research and Information Systems costs grew rapidly, while growth was modest in Claims, Customer Service and Enrollment functions. Trends may be attributable to plans' adaptation to the new health care environment.

Results are from the 2012 Independent/Provider-Sponsored Plan edition of the *Sherlock Expense Evaluation Report (SEER)*, a benchmarking study analyzing in-depth surveys of 18 IPS plans serving 6.7 million members. This universe is focused on managed care, likely elite among their peers and some are associated with ACOs.

A challenging economy and the new legal environment make streamlining administrative costs a high priority for health plans. Weak employment pressures prices, product design and membership. The Affordable Care Act compounds these challenges: the declared purpose of the MLR rule is to "create incentives ... to become more efficient."

Sherlock Company's benchmarks support plans' streamlining efforts. Health plans serving 143 million Americans use 2011 editions of Sherlock benchmarks. These include the vast majority of Blue Cross Blue Shield plans and 70% of the health plan board members of America's Health Insurance Plans.

Besides the IPS universe, other universes include Blue Cross Blue Shield Plans, Medicare plans, Medicaid plans and TPAs. Collectively, the 61 organizations serve approximately 48 million insured Americans.

Additional information will be published early next week in *Plan Management Navigator*, and will be posted at www.sherlockco.com. The complete analysis is available in *SEER*.

We will also host a web conference on Wednesday, July 25 from 2:00 PM to 3:00 PM Eastern Daylight Time to discuss the summary results. Douglas 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/389481362>

Once registered, dial-in information and a link to connect to the web will be provided in a confirmation email.

###

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.

