

For Immediate Release  
July 22, 2013

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

### **Independent/Provider-Sponsored Plan Administrative Costs Were 8.7% of Premiums in 2012**

Administrative expenses of Independent/Provider-Sponsored (IPS) plans were 8.7% of premiums in 2012. Administrative expenses grew by 7.1% per member but 8.6% after excluding the effects of a product mix change in favor of Administrative Services Only. IPS plans reported median total administrative expenses of \$38.42 PMPM. Both administrative cost metrics would have been higher had the business mix remained the same as last year.

The key sources of expense growth were the cluster of Sales and Marketing, Information Systems, and Medical Management. Participant membership increased.

Results are from the 2013 Independent/Provider-Sponsored plan edition of the *Sherlock Expense Evaluation Report (SEER)*. This study analyzes in-depth surveys of 16 IPS Plans serving 6.9 million members. Participants comprise most of the largest plans of this kind and an overwhelming proportion of the members served by these plans. IPS plans are seen as an element of an integrated delivery system strategy. ACOs are said to be inspired by successful integrated delivery systems.

A challenging economy and health care reform 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.”

*SEER* is considered “the gold standard” of benchmarks used to measure and manage health plan administrative activities. Organizations serving most Americans are users of Sherlock benchmarks.

Besides the Independent/Provider-Sponsored universe, other universes include Blue Cross Blue Shield Plans, Medicare plans and Medicaid plans. Collectively, these organizations serve approximately 43 million insured Americans.

Additional information was published late last week in *Plan Management Navigator*, and is posted at <http://www.sherlockco.com/docs/navigator/Late%20July%202013%20Navigator.pdf>.

The complete analysis is available in *SEER*, available through participation or license.



We will discuss Sherlock findings in greater depth via web conference on Wednesday, July 24 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:  
<https://www2.gotomeeting.com/register/472188570>.

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](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.

