

For Immediate Release  
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### **Independent/Provider-Sponsored Plan Administrative Costs Surged by 6.5% in 2013**

In 2013, total administrative expenses of Independent/Provider-Sponsored (IPS) Plans increased by 6.5% PMPM, while Account and Membership Administration costs increased by 10.6%. The latter increase, adjusted to eliminate the effects of product mix changes, was the sharpest in years. Relative to premiums, administrative expenses were 9.7%. They were 8.7% in 2012.

Information Systems, Medical Management and Advertizing and Promotion were central to the increases. The sharp rates of increase in these, plus increases in Finance and Accounting and Rating and Underwriting, suggest the costs to adapt to the Affordable Care Act and the costs to communicate these changes with customers.

Additional information was published yesterday in *Plan Management Navigator*, and is posted at [http://www.sherlockco.com/docs/navigator/IPS\\_Late\\_July\\_Navigator\\_2014.pdf](http://www.sherlockco.com/docs/navigator/IPS_Late_July_Navigator_2014.pdf)

We will discuss the results via free web conference on Wednesday, July 23 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/696486482>. 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 Independent/Provider-Sponsored Plan edition of the *Sherlock Expense Evaluation Report (SEER)*. This benchmarking study analyzes in-depth surveys of 16 IPS Plans serving 7.6 million members. Surveyed plans serve, we believe, the lion's share of members served by such plans. This universe is especially interesting considering encouragement of integrated delivery systems under the Affordable Care Act.

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



This is the 17<sup>th</sup> 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](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.

