

For Immediate Release
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Medicaid Plans Experience First Decline since 2009 in Administrative Costs.

In 2015, core administrative expenses (Core expenses exclude Sales and Marketing) under the control of management of Medicaid plans decreased at a median rate 5.5% per member, the first time since 2009. Account and Membership Administration costs increased by 4.9%, the fastest rate since 2011. These comparisons eliminate the effects of product mix and universe changes.

Medical and Provider Management costs declined, owing chiefly to reductions in Medical Management costs. Also, Corporate Services and Sales and Marketing costs declined. The median core expenses for all products offered by these plans was \$29.06 per member per month (PMPM), higher than the prior year's \$27.99 PMPM.

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

We will discuss the results via web conference Monday, October 10, 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 Medicaid plan edition of the *Sherlock Expense Evaluation Report (SEER)*. This benchmarking study analyzes in-depth surveys of ten Medicaid focused plans serving 7.9 million members, of which 4.7 million are Medicaid HMO or Medicaid CHIP members. Because they have a median membership of 633,000 members, we believe that they are mature plans from a cost perspective.

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 Medicaid universe, other universes include Blue Cross Blue Shield Plans, Independent/Provider-Sponsored plans and Medicare plans. Collectively, the 44 participating plans serve 59 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.

