

For Immediate Release
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Medicare Plan Administrative Costs Soar on Information Systems and Medical Management Increases in 2011

Administrative expenses of selected Medicare plans grew by 7.0% per member per month (PMPM). Double-digit increases in Information Systems and Medical Management were the central factors in cost growth, while Sales and Marketing expenses grew moderately.

Douglas Sherlock, President of Sherlock Company, notes “Membership growth, at a median rate of 11%, was rapid for this universe, matching the rate projected by HHS for 2013. So cost trends may reflect current and anticipated growth.”

The median administrative expenses of Medicare-focused plans were \$45.68 PMPM and were 8.8% of premiums. Medicare Advantage costs were \$74.56 PMPM and were 8.2% of premiums.

Results are from the 2012 Medicare edition of the *Sherlock Expense Evaluation Report (SEER)*, a benchmarking study analyzing in-depth surveys of 11 Medicare plans. Serving more than one million members, these plans on average have 68% of their revenues in this product. This analysis also contains cost information from 21 plans not focused on Medicare Advantage, but serving 1.2 million Medicare members. Thus, these benchmarks comprise the experience of approximately 18% all beneficiaries.

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 Medicare plans, other universes include Blue Cross Blue Shield Plans, Medicaid plans, Independent/Provider-Sponsored plans and TPAs. Collectively, the 62 participant organizations serve over 48 million insured Americans.

Additional information is available in *Plan Management Navigator* and is posted at www.sherlockco.com. The complete analysis is available in *SEER*.

We will also host a web conference on Wednesday, October 10 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/688990690>



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

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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.

