

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

### **Medicare Plans Continue Cost Decline but Information Systems Costs Accelerate.**

The administrative expenses of Medicare focused plans decreased at a median rate 3.2% per member, less dramatically than last year's decrease of 6.7%. However, Account and Membership Administration costs accelerated to a 6.6% increase, up from a 5.3% decrease last year, chiefly due to a surge in Information Systems expense growth. These trends exclude the effect of changes in product mix, and the same plans are included in both years of comparisons.

Medical and Provider Management costs declined, owing chiefly to reductions in Medical Management costs. Also, Sales and Marketing and Corporate Services costs declined. The median total cost was \$44.72 per member per month (PMPM), higher than the prior year's \$42.02 PMPM.

Additional information was published recently in *Plan Management Navigator*, and is posted at [sherlockco.com/Navigator/Medicare](http://sherlockco.com/Navigator/Medicare).

We will discuss the results via web conference today, September 26, 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](http://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 Medicare plan edition of the *Sherlock Expense Evaluation Report (SEER)*. This benchmarking study analyzes in-depth surveys of ten Medicare focused plans serving 3.7 million members, of which 673,000 are Medicare Advantage or Medicare SNP members. In addition, Medicare results from other universes are also included: together the Medicare Advantage or SNP members comprise 15.5% of all eligible members.

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



This is the 19<sup>th</sup> 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](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.