

SHERLOCK BENCHMARKS

All Universes Edition



Volume II

Medical Management Metrics

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SHERLOCK BENCHMARKS

All Universes Edition - 2023

Volume II: Medical Management Metrics



SHERLOCK COMPANY

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TABLE OF CONTENTS

	<u>Tab</u>
Introduction and Background	1
<ul style="list-style-type: none">▪ <i>Organization, conventions, applicability and processes of the Sherlock Benchmarks.</i>	
Medical Management Administrative Expenses and Outsourcing	2
<ul style="list-style-type: none">▪ <i>This section contains summary analyses for the major areas of Medical Management and includes an analysis of outsourcing by functional area.</i>	
Precertification and Recertification	3
<ul style="list-style-type: none">▪ <i>This section includes an analysis of costs related to Precertification and Recertification. These areas are segmented into three categories: In-Plan, Out-of-Plan and Total.</i>	
Case Management	4
<ul style="list-style-type: none">▪ <i>This is an analysis of costs related to Case Management. Including cost per case, cost per member and staffing metrics. Cases are also divided into major practice categories such as Diabetes Mellitus, Asthma, Coronary Artery Disease and others.</i>	
Disease Management	5
<ul style="list-style-type: none">▪ <i>This section provides an analysis concentrating on the costs associated with Disease Management, staffing metrics and provides a breakdown of cases by major practice category.</i>	
Nurse Information Line	6
<ul style="list-style-type: none">▪ <i>This is an analysis of costs related to Nurse Information Line, which is associated with helping patients increase their ability to better manage their own health and offering them options to do so. This includes cost per member, staffing metrics and inbound and outbound calls.</i>	
Utilization Review and Appeals	7
<ul style="list-style-type: none">▪ <i>Utilizations Review and Appeals section provides an in-depth analysis of appeals and reviews that includes home health, skilled nursing, hospice, post discharge and medical reviews. Also included are metrics related to pharmacy management.</i>	
Quality Assurance and Wellness	8
<ul style="list-style-type: none">▪ <i>This section contains analyses of Health and Wellness, Quality Components, Medical Informatics and Quality of Care including staffing metrics, NCQA Health Plan Report Card and CMS Star Plan Ratings.</i>	

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INTRODUCTION AND BACKGROUND

Background

This is the “Medical Management Metrics” book of Volume II of the 2023 *Sherlock Benchmarks – All Universes Edition*. Together, these volumes provide statistics and analysis summarizing the administrative expenses and operational metrics of 31 health plans. These plans consist of Blue Cross Blue Shield Plans, Independent/Provider-Sponsored plans and Medicaid plans. They are intended to facilitate comparisons for users and to assist in the management of health plan administrative expenses. They should be useful to operational and financial managers of health plans, consultants and third-party vendors. *Sherlock Benchmarks* should also be valuable to Boards and persons charged with corporate finance responsibilities including strategic planners and investment bankers.

Organization of Sherlock Benchmarks

The 2023 *Sherlock Benchmarks* are a carefully compiled and scrubbed summary of the surveyed operational characteristics of leading health plans.

Sherlock Benchmarks assists in performance improvements for health plans by facilitating comparisons between plans and their universe as a whole. It quantifies health plans’ relative performance and identifies sources of variance at a highly granular level. *Sherlock Benchmarks* information is unusually comprehensive and a highly valid analytical tool.

The *Sherlock Benchmarks* are produced in two volumes:

Volume I: Financial Metrics includes analyses of administrative expenses through financial ratios such as percent of revenues and per member per month. Data is divided into a total of 14 product lines and almost 80 functions. Additional descriptions are found below.

Volume II complements Volume I by facilitating in-depth analyses of the financial metrics. It is subdivided into four books: Operational, Staffing and Compensation, Medical Management and Utilization.

Operational metrics translate operating performance into expense performance, so expenses are often analyzed into factors of user demand, employee productivity, unit cost, staffing ratios and cost per employee. For instance, Claim and Encounter Capture and Adjudication is analyzed into claims per member, productivity of claims processors, cost per claim and per-employee costs of claims. In addition, every function is analyzed by factors of staffing ratios, staffing costs per FTE and non-labor costs. Numerous drivers of costs and quality are also provided. In the claims area, for example, these include metrics of electronic submission, auto-adjudication and factors requiring manual intervention.



This document, Volume II - Medical Management, is divided into eight sections:

TAB 1. INTRODUCTION AND BACKGROUND

This section describes the organization, conventions, applicability and processes of the *Sherlock Benchmarks* studies and this volume in particular.

TAB 2. MEDICAL MANAGEMENT ADMINISTRATIVE EXPENSES AND OUTSOURCING

This section provides a summary of costs of Precertification, Case Management, Disease Management and Nurse Information Line. It also includes a summary analysis of cost components of medical management by type of medical management activity. Outsourcing of these activities are also analyzed. There is a section on Medical Directors as well.

TAB 3. PRECERTIFICATION AND RECERTIFICATION

Pre-Certification includes carrying out pre-certification and medical necessity reviews on designated referrals and targeted outpatient procedures, services and inpatient admissions including to rehabilitation units as well as referrals. This analysis includes analyses of cost components (such as staffing ratios and productivity), In-Plan and Out-of-Plan certification and approval and denial rates.

TAB 4. CASE MANAGEMENT

“Case Management is a collaborative process which assesses, plans, implements, coordinates, monitors, and evaluates options and services to meet an individual's health needs through communication and available resources to promote quality cost-effective outcomes.”
Source: *Case Management Society of America*. This analysis includes analyses of cases and costs by major practice category, productivity and staffing ratios.

TAB 5. DISEASE MANAGEMENT

Disease management is the process in which a population is identified and support services that help educate members are put in place. The outcomes are then processed, measured, evaluated and the results are reported to the relevant parties. This analysis includes analyses of cases and costs by major practice category, productivity, staffing ratios and the propensity to outsource disease management.

TAB 6. NURSE INFORMATION LINE

Nurse Information Line is telephonic one-on-one guidance to information, resources and tools to increase the member's ability to manage their own condition, understand their health care options and become active decision makers with their physician. It



is staffed by Registered Nurses or other healthcare professionals qualified or trained to provide support for health care decision making, education and assessment of health symptoms. This analysis includes cost per member, staffing metrics and inbound and outbound calls.

management, the recommendation of solutions to problems and the collecting and synthesizing of quantitative and qualitative data to drive decisions is also incorporated into this section. This analysis includes costs, types of quality cases (total, written and telephone) and staffing ratios.

TAB 7. UTILIZATION REVIEW AND APPEALS

Utilization Review and Appeals includes appeals of Utilization Management / Precertification / Recertification. These appeals are exclusively medical. The section also includes retrospective reviews of use of emergency departments, care received and out of system admissions. The review of eligibility and benefits and the conduction of investigations and / or required reviews are also included in this section. This analysis includes types of appeals (internal, expedited, written and external written), rates of approvals and denials, staffing ratios and an application of utilization review to certain high cost services.

This section also includes metrics related to the management of pharmacy benefits such as the number of formularies.

TAB 8. QUALITY ASSURANCE AND WELLNESS

Quality Assurance and Wellness is concerned with the review of the quality of health care provided by providers. This includes NCQA Health Plan Report Card and CMS Star Plan Ratings. Reviews of quality

Conventions Used in this Report

In the *Sherlock Benchmarks*, we analyzed costs and operations for the health plans as a whole, by functional area and also by product. We have employed a number of reporting conventions, which we discuss below.

1. The terms “high” and “low” mean the average of the *two* highest and *two* lowest values, respectively. The standard deviation is the measure of dispersion. To facilitate comparability of standard deviations, we have expressed standard deviation as a percent of the mean, commonly termed the coefficient of variation.
2. Statistical results are un-weighted. That is, each metric reflects equally the experience of each health plan that reports a functional area for a product, without regard to the plan’s size.
3. Statistical measures for each functional area are calculated independently. Accordingly, the statistical analysis of total expenses is not the sum of the statistical analysis of each component cost.



4. Results were carefully validated to identify, and correct if possible, reporting errors.
 5. Within each firm, ratios based on the total scope of products (for instance in the Total and Comprehensive values) are intrinsically weighted by the relative importance of each product to that firm. For instance, a firm with a heavy commitment to Indemnity & PPO ASO will reflect that product's weighting and its company-wide costs will be lower as a result.
5. A complete description of the characteristics of the participating plans is found in Tab 10 of Volume I – Financial Metrics.

We offer a few additional comments regarding Volume II - Medical Management.

1. The information we received is through our contact, typically someone in the finance area, rather than directly from the operational department themselves.
2. The response rate was considerably lower in operational metrics as compared with financial metrics. Operational metrics are largely voluntary to help assure quality of responses.
3. The components may not sum to totals, for example in the case of product line breakouts. That is because response rates varied in each of the component parts and in totals.
4. Additional discussion about *Sherlock Benchmarks* survey procedures, data analysis and presentation is found under Tab 1 of Volume I – Financial Metrics.

Questions and Comments

We invite questions and comments on the *Sherlock Benchmarks*.

Douglas B. Sherlock, CFA
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In addition, please know that we support your use of the *Sherlock Benchmarks*. We hope that you will not hesitate to contact us if you have any questions concerning classifications, calculation methodologies and the application of the *Sherlock Benchmarks* to improve the performance of your health plan.

Tab 2

Medical Management Administrative Expenses and Outsourcing

Metric

Page

Definition

Administrative Expenses Per Member Per Month

Precertification.....	3
Case Management (High-Risk, Complex and Catastrophic).....	3
Disease Management (Chronic).....	4
Nurse-Information Line.....	4
Health Management / Wellness Programs.....	5
Quality Components.....	5
Medical Informatics.....	6
Utilization Review.....	6
Other Medical Management.....	7
Total Medical Management / Quality Assurance / Wellness.....	7

Medical Management Outsourcing

Estimated Outsourced FTEs as a Percent of Total FTEs.....	8
Total Outsourced Costs as a Percent of Comprehensive Total Costs.....	8
Percent of Membership in Managed Care Plans.....	9

Medical Directors

Medical Directors per 10,000 Members.....	9
Staffing Costs per Medical Director.....	9
Medical Directors as a Percent of Total Medical Management FTEs.....	9
Medical Directors as a Percent of 7 (i) Other Medical Management FTEs.....	9

Tab 3
Precertification and Recertification

Metric	Page	Definition
Precertifications		
Per 100 Members per Year		
In-Network		
Approved Precerts Per 100 Members per Year.....	15	
Denied Precerts Per 100 Members per Year.....	15	
Total Precerts Per 100 Members per Year.....	16	
Out-of-Network		
Approved Precerts Per 100 Members per Year.....	16	
Denied Precerts Per 100 Members per Year.....	17	
Total Precerts Per 100 Members per Year.....	17	
Total Precertifications		
Approved Precerts Per 100 Members per Year.....	18	
Denied Precerts Per 100 Members per Year.....	18	
Total Precerts Per 100 Members per Year.....	19	
Composition		
Percent of In-Network		
Percent of In-Network Approved.....	19	
Percent of In-Network Denied.....	20	
Percent of Out-of-Network		
Percent of Out-of-Network Approved.....	21	
Percent of Out-of-Network Denied.....	21	
Percent of Total Precertifications		
Percent of Total Precertifications Approved.....	22	
Percent of Total Precertifications Denied.....	22	
Percent of Total Precertifications		
Percent of Total Precertifications In-Network.....	23	
Percent of Total Precertifications Out-of-Network.....	23	
Recertifications		
Per 100 Members per Year		
In-Network		
Approved Recerts Per 100 Members per Year.....	24	
Denied Recerts Per 100 Members per Year.....	24	
Total Recerts Per 100 Members per Year.....	25	
Out-of-Network		
Approved Recerts Per 100 Members per Year.....	25	
Denied Recerts Per 100 Members per Year.....	26	
Total Recerts Per 100 Members per Year.....	26	

Precertification and Recertification (continued)

Metric	Page	Definition
Recertifications (continued)		
Per 100 Members per Year (continued)		
Total Precertifications		
Approved Recerts Per 100 Members per Year.....	27	
Denied Recerts Per 100 Members per Year.....	27	
Total Recerts Per 100 Members per Year.....	28	
Composition		
Percent of In-Network		
Percent of In-Network Approved.....	29	
Percent of In-Network Denied.....	29	
Percent of Out-of-Network		
Percent of Out-of-Network Approved.....	30	
Percent of Out-of-Network Denied.....	30	
Percent of Total Recertifications		
Percent of Total Recertifications Approved.....	31	
Percent of Total Recertifications Denied.....	31	
Percent of Total Recertifications		
Percent of Total Recertifications In-Network.....	32	
Percent of Total Recertifications Out-of-Network.....	32	
Precertifications and Recertifications		
Composition by Type of Precertification and Recertification		
Acute Admissions.....	33	
Behavioral Health.....	33	
LTAC.....	34	
Rehabilitation.....	34	
Skilled Nursing Care.....	35	
Outpatient Surgeries.....	35	
Radiology	36	
Laboratory Tests.....	36	
PT / OT / ST.....	37	
Home Health Care Services.....	37	
Other.....	38	
Total Precertifications and Recertifications.....	38	

Precertification (continued)

Metric	Page	Definition
Percent of Total Recertifications (continued)		
Non-Clinical Staff per Clinical Staff.....	40	
Non-Clinical Staff per Precert FTE.....	40	
Clinical FTE per Total Precert FTE.....	40	
Percent of Total Recertifications Cost Summary		
Cost Summary		
Precerts/Recerts Per 100 Members per Year.....	40	
x Members Per Total Precert FTEs.....	40	
= Precerts/Recerts Per Precert FTEs Per Year.....	40	
x Cost per Precerts/Recerts.....	40	
= Costs Per Total Precert FTEs.....	40	
x Total Precert FTEs Per 10,000 Members.....	40	
= Costs Per Member Per Month.....	40	
Cost Summary		
Non-Labor Costs per FTE.....	40	
+ Staffing Costs per FTE.....	40	
= Total Costs per FTE.....	40	
x FTEs per 10,000 Members.....	40	
= Costs Per Member Per Month.....	40	

Tab 4
Case Management

Metric	Page	Definition
Case Management Activities		
Identified Case Management Cases as a Percent of Total Members.....	43	
Screened Case Management Cases as a Percent of Identified Cases.....	43	
Opened Case Management Cases as a Percent of Screened Cases.....	44	
Case Management Cases Entailing Offsite Visits as a Percent of Opened Cases.....	44	
Number of Identified Case Management Cases per:		
Licensed RN Case Manager.....	45	
All Other Case Managers.....	45	
Total Case Manager.....	45	
Number of Screened Case Management Cases per:		
Licensed RN Case Manager.....	45	
All Other Case Managers.....	45	
Total Case Manager.....	45	
Number of Opened Case Management Cases per:		
Licensed RN Case Manager.....	45	
All Other Case Managers.....	45	
Total Case Manager.....	45	
Case Management Cases Opened in Benchmarked Year per 10k Members.....	46	
Case Management Cases Opened in Benchmarked Year as a Percent of Active CM Program Enrollments.....	46	
Case Management Cases per 1,000 Admissions.....	47	
Admissions per Case Management Case.....	47	
Percent of Case Management FTEs that are Case Managers.....	48	
Percent of Cases Entailing Offsite Visits.....	48	
Case Management Engagement Rate.....	49	
Active Case Management Cases per Member Under Active Management.....	49	
Case Management Cases per 10k Members by Major Practice Category		
Maternity Complications.....	50	
Diabetes Mellitus.....	50	
Asthma.....	51	
Chronic Obstructive Pulmonary Disease (COPD).....	51	
Coronary Artery Disease (CAD).....	52	
Congestive and Other Heart Failure (CHF).....	52	
Depression.....	53	
Neoplasms.....	53	
Rare Disease Management.....	54	
Transplants.....	54	
Obesity.....	55	
Acute Injury or Accident.....	55	
Other.....	56	
Total Cases.....	56	

Case Management (continued)

Metric	Page	Definition
Percent of Case Management Cases by Major Practice Category		
Maternity Complications.....	57	
Diabetes Mellitus.....	57	
Asthma.....	58	
Chronic Obstructive Pulmonary Disease (COPD).....	58	
Coronary Artery Disease (CAD).....	59	
Congestive and Other Heart Failure (CHF).....	59	
Depression.....	60	
Neoplasms.....	60	
Rare Disease Management.....	61	
Transplants.....	61	
Obesity.....	62	
Acute Injury or Accident.....	62	
Other.....	63	
Total Cases.....	63	
Case Management Cost Summary		
Cost Summary		
Case Management Cases Per Member.....	64	
x Members Per Case Managment FTE.....	64	
= Cases Per Case Managment FTEs Per Year.....	64	
x Cost per Case.....	64	
= Cost Per Case Management FTE.....	64	
x Case Management FTEs Per 10,000 Members.....	64	
= Cost Per Member Per Month.....	64	
Cost Summary		
Non-Labor Costs per FTE.....	64	
+ Staffing Costs per FTE.....	64	
= Total Costs per FTE.....	64	
x FTEs per 10,000 Members.....	64	
= Costs Per Member Per Month.....	64	

Tab 5
Disease Management

Metric	Page	Definition
Disease Management Activities		
Identified Disease Management Cases as a Percent of Total Members.....	68	
Screened Disease Management Cases as a Percent of Identified Cases.....	68	
Opened Disease Management Cases as a Percent of Screened Cases.....	69	
Number of Identified Disease Management Cases per Manager.....	69	
Number of Screened Disease Management Cases per Manager.....	69	
Number of Opened Disease Management Cases per Manager.....	69	
Disease Management Cases Opened in Benchmarked Year per 10k Members.....	70	
Disease Management Cases per 1,000 Admissions.....	71	
Admissions per Disease Management Case.....	71	
Percent of Members Actively Managed through Disease Management Programs.....	72	
Active Disease Management Program Enrollments per Member Under Active Management.....	72	
Disease Management Cases per 10k Members by Major Practice Category		
Diabetes Mellitus.....	73	
Asthma.....	73	
Chronic Obstructive Pulmonary Disease (COPD).....	74	
Coronary Artery Disease (CAD).....	74	
Congestive and Other Heart Failure (CHF).....	75	
Depression.....	75	
Neoplasms.....	76	
Rare Disease Management.....	76	
Transplants.....	77	
Obesity.....	77	
Other.....	78	
Total Cases.....	78	
Percent of Disease Management Cases by Major Practice Category		
Diabetes Mellitus.....	79	
Asthma.....	80	
Chronic Obstructive Pulmonary Disease (COPD).....	80	
Coronary Artery Disease (CAD).....	81	
Congestive and Other Heart Failure (CHF).....	81	
Depression.....	82	
Neoplasms.....	82	
Rare Disease Management.....	83	
Transplants.....	83	
Obesity.....	84	
Other.....	84	
Total Diseases.....	85	

Disease Management (continued)

Metric	Page	Definition
Disease Management Cost Summary		
Cost Summary		
Disease Management Cases Per Member.....	86	
x Members Per Disease Management FTEs.....	86	
= Disease Management Cases Per Disease Management FTEs Per Year.....	86	
x Cost per Disease Management Case.....	86	
= Cost Per Disease Management FTEs.....	86	
x Disease Managment FTEs Per 10,000 Members.....	86	
= Cost Per Member Per Month.....	86	
Cost Summary		
Non-Labor Costs per FTE.....	86	
+ Staffing Costs per FTE.....	86	
= Total Costs per FTE.....	86	
x FTEs per 10,000 Members.....	86	
= Costs Per Member Per Month.....	86	

Tab 6
Nurse Information Line

Metric	Page	Definition
Inbound Calls per Member per Year.....	89	
Inbound Calls per Hour.....	90	
Inbound Calls per Week.....	90	
Costs per Inbound Call.....	91	
Number of of Hours Nurse Line is Available		
Daily.....	91	
Weekly.....	91	
Nurse Information Line Cost Summary		
Cost Summary		
Inbound Calls per Member.....	92	
x Members Per Nurse Information-Line FTE.....	92	
= Inbound Calls per Nurse Information-Line FTE.....	92	
x Cost per Inbound Call.....	92	
= Costs Per Nurse Information-Line FTE.....	92	
x Nurse Information-Line FTEs Per 10,000 Members.....	92	
= Costs Per Member Per Month.....	92	
Cost Summary		
Non-Labor Costs per FTE.....	92	
+ Staffing Costs per FTE.....	92	
= Total Costs per FTE.....	92	
x FTEs per 10,000 Members.....	92	
= Costs Per Member Per Month.....	92	

Tab 7
Utilization Review and Appeals

Metric	Page	Definition
Medical Necessity Appeals		
Percent of Appeals Approved vs. Denied		
Internal Appeals		
Informal Reconsideration		
Percent Approved.....	95	
Percent Denied.....	95	
Formal Internal Appeals - Standard		
Percent Approved.....	96	
Percent Denied.....	96	
Formal Internal Appeals - Expedited		
Percent Approved.....	97	
Percent Denied.....	97	
Total Internal Appeals		
Percent Approved.....	98	
Percent Denied.....	98	
External Appeals		
Independent Review Appeals		
Percent Approved.....	99	
Percent Denied.....	99	
Total Appeals - Internal and External		
Percent Approved.....	100	
Percent Denied.....	100	
Percent of Total Appeals		
Internal Appeals		
Informal Reconsideration.....	101	
Formal Internal Appeals - Standard.....	101	
Formal Internal Appeals - Expedited.....	102	
Total Internal Appeals.....	102	
External Appeals		
Independent Review Appeals.....	103	
Total Appeals - Internal and External.....	103	

Utilization Review and Appeals (continued)

Metric	Page	Definition
Appeals per 10,000 Members		
Internal Appeals		
Informal Reconsideration.....	104	
Formal Internal Appeals - Standard.....	104	
Formal Internal Appeals - Expedited.....	105	
Total Internal Appeals.....	105	
External Appeals		
Independent Review Appeals.....	106	
Total Appeals - Internal and External.....	106	
Total Internal Appeals per Clinical Employee Working on Medical Review.....	107	
Medical Review		
Number of Episodes Medically Reviewed per 1,000 Members.....	108	
Number of Claims Medically Reviewed per 1000 Members.....	108	
Number of Claims Medically Reviewed Per Admission.....	109	
Claims Approved as a Percent of Claims Reviewed.....	109	
Claims Denied as a Percent of Claims Reviewed.....	110	
Percent of Episodes Medically Reviewed by Medical Director.....	110	
Clinical Employees Working on Medical Review per 10,000 Members.....	111	
Utilization Review Cost Summary.....	111	
Pharmacy		
Number of Formularies Maintained.....	112	
Does your plan outsource its formulary management?.....	112	
Does your plan utilize electronic prior authorization (ePA)?.....	113	
What percentage of pharmacy review requests are received via ePA?.....	113	
Average Turn Around Time for Pharmacy Reviews in Days.....	114	
FTEs per 10,000 Members		
Pharmacy Review Clinical Staff.....	114	
Pharmacy Review Non-Clinical Staff.....	114	
Total Pharmacy Review Staff.....	114	

Tab 8
Quality Assurance and Wellness

Metric	Page	Definition
Wellness		
Cost Summary		
	117	
	117	
+	117	
=	117	
x	117	
=	117	
Quality of Care		
	118	
	118	
	119	
	119	
	119	
Does your plan use the following accreditation agency?		
	119	
	119	
Cost Summary		
	119	
+	119	
=	119	
x	119	
=	119	

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