Transcript

Independent / Provider – Sponsored Plan Administrative Cost Growth Accelerates in 2019

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<Title Page>

Thank you for participating in this year's review of the *Sherlock Benchmarks* for Independent / Provider - Sponsored Plans. I am Doug Sherlock, President of Sherlock Company. Today, I would like to speak about the administrative cost trends of Independent / Provider - Sponsored Plans in 2019. We will be posting the slides and the transcript of this presentation within 24 hours. I very much welcome your questions at the end of this presentation. To speed through it, the audience will be muted during the presentation itself.

The thirteen Independent / Provider - Sponsored plans that are the subject of this presentation serve 8.3 million people with comprehensive insurance. The average plan participating in the *Sherlock Benchmarks* this year served 640,000 people and the median membership was 554,000. Of the 16 members of the Alliance of Community Health Plans that are not focused on public programs or are staff-model plans, seven are participating in this year's Sherlock Benchmarking Study for Independent / Provider – Sponsored health plans.

Of the seven largest members of the Health Plan Alliance that are focused on commercial products, five are participating in this year's Sherlock Benchmarking Study for Independent / Provider – Sponsored health plans. Sherlock Benchmark participating plans represent 28.8% of the Health Plan Alliance plans' membership and 36.7% if Medicare and Medicaid plans are excluded.

85% of the plans that participated in the 2020 cycle also participated in 2019. The rate of change discussion is based solely on these eleven continuously participating plans. To get an even stronger read on trends, we reweighted these plans' 2018 costs for the 2019 product mix. So, by assuring the same plans at the same mix, we improve comparability.

Besides the high overlap, the eleven plans that are continuing are similar to the IPS universe a whole. Local cost of living was similar. The continuous plans served an average of 605,000 members and had a median membership of 554,000, similar to the universe as a whole. The product mixes were also similar: while they had higher exposure to higher cost commercial insured and low cost Medicaid they were otherwise similar in Medicare and ASO.

There is a theme in this year's accelerating trends of these IPS plans, which is that they appeared to be investing in their future growth. This was apparent in such functions as Information Systems, Customer Services, Marketing, Provider Network Management and Services and Actuarial.

Operationally, compensation also bested inflation. Staffing ratios were higher and non-labor cost decreased.

<Slide 2>

This slide is how the presentation is organized and I'm going to breeze through it. It shows the topics that I will address and lists the Appendices. Note that the Appendices contain last year's values. It also lists of all the functions in each of the products offered by these IPS plans. By the way, because of the many products offered by these plans, that particular Appendix implies that administrative expenses are segmented into 800 expense/product cells, each of which are separately analyzed.

<Slide 3>

This slide summarizes long term administrative cost trends for Independent / Provider - Sponsored Plans. The percent changes that you see here, and elsewhere in this presentation, are *median* changes in *per member* values. All comparisons and the actual values we present later exclude the effect of Miscellaneous Business Taxes: these taxes include ACA taxes which have proven volatile.

In 2019, shown in the dark blue line Independent / Provider - Sponsored plans had a *real* administrative cost increase of 7.6%, higher than the increase of 3.4% last year. By "real", I mean the growth in expenses within the constant set of plans, standardized by members, after having reweighted the 2018 results to exactly match the product mix offered by those same plans in 2019. You can see growth was the second fastest since 2010: cost trend spiked in 2012 because of the ACA, then accelerated again in 2017, grew more moderately in 2018 but accelerated again in 2019.

Account and Membership Administration loosely matched these total cost trends, with the notable exception of the spike in 2013, delayed one year from the 2012 sharp growth in overall growth trends. The correspondence stems from this cluster representing 40% of administrative costs.

As we'll develop later, the plans *reported* per member administrative cost trends of 6.2%, up from 3.7% in the previous year. The lower reported growth in 2019 results from a mix shift in favor of lower cost products.

<Slide 4>

This slide shows the growth of the various clusters and overall. The comparisons on the prior slide are detailed in this one, in the second and fourth columns. I have circled in blue the 7.6% and 9.3% increases from Slide 3, and the blue-*filled* arced arrow illustrates the changes in the growth rates from the prior year, on a constant mix basis. In other words, the second and fourth columns reflect the eleven continuous plans, whose cost values have been reweighted to eliminate differences due to product mix. You may notice that the total expense growth on a constant mix basis is, counterintuitively, less than the growth of any of the underlying clusters. That is the result of our use of median changes as a measurement of growth. We use this since medians are 50th percentile values, and tend to mute the effects of outliers. But these 50th percentiles are calculated individually, and the plan representing this percentile can differ from cluster to cluster and overall. This is especially the case when cluster's trends are very disbursed, such as in the Corporate Services Cluster.

We have spoken about the increase in growth in Account and Membership Administration, which went from 4.7% to 9.3%, higher than the trend for total costs. Sales and Marketing and Medical and Provider Management growth also increased.

The acceleration in Corporate Services Cluster was especially notable: the growth rates for this cluster were especially broadly distributed.

The first and third columns reflect the as-reported values, that is, before the effect of reweighting to eliminate year-over-year product mix differences. The blue *outlined* arced arrow highlights the growth rates of the continuous plans without that reweighting.

On an as-reported basis, for the 11 continuously participating plans, the median increase in per member costs was 6.2% compared with 3.7% the prior year. Growth accelerated in Medical and Provider Management, declined in Corporate Services and Sales and Marketing, and remained approximately the same in Account and Membership Administration.

Cost trends on an as-reported basis reflected a shift in favor of lower cost products. In total, this was manifest in lower cost growth on an as-reported basis, 6.2% versus 7.6%, when product mix is held constant. The effect of the mix change is to decrease as-reported cost trends by 1.3 percentage points.

In 2019, product mix changed in the continuing plans. While total Commercial declined by 1.4%, median growth was 2.6% in ASO and declined by 0.5% for the insured products. While Medicare Advantage increased by 2.8%, lower cost Supplemental increased by 3.1%. As we develop later, there were many differences between the plans themselves and while the median plan decrease was 0.7% the standard deviation of growth was higher in 2019 than in 2018.

The upshot of this was that, among continuous plans, the median plan mix that was ASO increased by 0.6 percentage points, commercial insured decreased by 0.3 percentage points and both Medicare Advantage and Medicaid increased by 0.2 percentage points. The net effect of this was a mix of business that was lower cost than in the prior year.

<Slide 5>

This shows the rates of change and the most important reasons for the changes, after eliminating the effect of product mix differences. These are the “real” rates of increase so I will spend considerable time on this slide.

While Account and Membership Administration was not the most rapidly growing cluster, because it represents the single largest cluster, it was the greatest source of increase.

Among the functions, Information Systems' trends was most important factor because it is the largest function in this cluster of expenses. The rate of growth in expenses sharply grew to low double-digits from low single-digits. This was the largest increase in the past six years. The sub-function Applications Acquisition and Development was IS's fastest growing sub-function.

We reached out to some of the plans for their thoughts on this acceleration. One plan that had historically enjoyed especially low IS costs cited a greater commitment to invest in its infrastructure. It happens that this plan is also in the midst of geographic expansion and increased emphasis on a relatively new product. Another plan, which recently completed an acquisition of a plan with a robust information system, elected to scale that system over the combined organizations. A third suffered negative operating leverage as membership was weaker than expected.

Customer Services reported the fastest cost growth in the Account and Membership Administration cluster. The low double-digit increase was the largest growth in at least ten years. Enrollment costs PMPM grew at high single-digits after last year's decline.

However, Claim and Encounter Capture and Adjudication reported its first cost decline since 2015, though by less than a percent. This function is ordinarily among the slowest growing.

The Sales and Marketing cluster of expenses also posted cost acceleration, from 1.8% to 7.9%, the second sharpest acceleration among the clusters.

Broker Commissions had growth at mid single-digit rates, but due to its heavy weighting in the Sales and Marketing cluster, was by far the most important factor in Sales and Marketing cluster growth. This is the largest increase in this function since 2010. By contrast, over the past two years, broker Commissions experienced PMPM declines. While broker Commissions for ASO products are very modest per member, it is notable that the median cost is considerably higher than last year. We will be researching reasons for this in July and August.

Marketing expense was the growth leader with increases at mid double-digit rates, the fastest growth since 2012. Product Development and Market Research is a key subcategory of the Marketing function and grew faster than any of the other subfunctions. Often, Marketing costs trend with Information Systems because any new products must be supported by plan infrastructures. Staffing ratios were higher and, while outsourcing remained relatively the same, compensation was slightly less than inflation. Non-labor costs per FTE were much lower. This function can have a significant strategic component, paralleling that of Corporate Executive in some organizations.

Advertising and Promotion growth was higher than 2018 at high single-digit rates and its growth was the most rapid since 2013's ACA-related explosive growth. Two of the plans indicated that this was an investment in entry to new geographic markets. One additional plan spent more to educate its members on the use of its digital tools. In the view of this plan, this too is an investment, one that could lead to decreases in call center costs.

The Medical and Provider Management cluster of expenses posted accelerating cost growth, 9.7% versus 6.9% in 2018. It posted the fastest growth since at least 2012.

Provider Network Management and Services grew faster of the two functions in this cluster, and in fact faster than any year since 2012. Provider Contracting, and particularly its subfunction of Provider Configuration, grew especially rapidly. Network expansion both in and out of home states were cited by three of the plans. Additionally, one plan observed that it increased its commitment to Provider Services. Other Provider Network Management and Services, involved in provider education, report cards and similar activities, was also a key factor in the growth of Provider Management and Services.

Medical Management/ Quality Assurance / Wellness grew about one-half the rate of Provider Network Management and Services. But since it is much larger than that function, Medical Management is the more important sources of cost increase. Notable high growth sub-functions included Disease Management, Utilization Review and Health and Wellness. Staffing ratios tended to increase for this function. One of the plans cited its higher staffing in anticipation of additional members, noting that its growth was similar to increases in its other functions. Another plan increased its staff as it entered new geographic regions.

Growth in the Corporate Services cluster of expenses sharply grew in 2019. Notwithstanding the sharp reversal from a median *decline* of 1.9% to a median *increase* of 9.6%, as the smallest cluster, it had the least effect on the total cost increase. The functions in this cluster include Finance and Accounting, Actuarial, Corporate Services *function,* Corporate Executive & Governance and Association Dues and License / Filing Fees, which all grew in a range of mid-single-digit to low double-digits.

Actuarial growth led the functions at low double-digit rates. The increase in these costs appeared to stem from higher staffing ratio and compensation. Non-labor costs per FTE slightly increased.

Corporate Services *function* has many subfunctions and is by far the largest function in this cluster. Its growth was the distantly second highest but was the most important factor in this cluster's growth. HR and Facilities costs grew fastest. Geographic expansion and business combinations impacted these trends according to three of the plans. Additionally, two of the plans cited heightened regulatory costs in connection with their expansions, which lead to higher growth in legal expenses.

Association Dues and License and Filing Fees and Finance and Accounting also increased at mid-single-digit rates from declines in 2018. Finance and Accounting experienced the fastest growth since 2013. Corporate Executive & Governance grew by mid-single digits rates and was the second fastest growth since 2012. It had a sharp increase in staffing ratios.

<Slide 6>

This slide shows the *reported* rates of change, that is, the values with no adjustments for changes in product mix. These trends, again, are based on continuous plans. Because there is a correspondence between the relative rates of growth and their importance between the constant mix and as-reported renderings, I won't spend a lot of time on this slide.

As noted earlier, the continuously participating plans generally changed their mix a few tenths of a percentage point in favor of lower cost products, such as ASO over insured, so that the apparent growth in expenses was lower than that of the real, constant mix growth. Costs accelerated in this rendering, to 6.2% from 3.7%.

Again, the overall cost trends on an as-reported basis bore a relationship to the constant mix growth, 6.2% compared with 7.6% when adjusted to eliminate mix effects. The differences shown are amplified by several individual plan differences, variously relating to one or more changes in their operations. These include significant changes in product mix, geographic expansion (sometimes out of state), a business combination or staffing up in anticipation of growth.

Growth without mix adjustment is faster in Medical and Provider Management likely associated with the growth in Medicaid and Medicare. A business combination contributed to the increase in Medicaid in one plan and a second noted the heightened health needs of Medicaid expansion members. It is slower in Sales and Marketing likely associated with the growth in ASO products and Medicaid.

The apparent greater differences in Account and Membership Administration and Corporate Services reflect the changes noted above. Greater Medicaid focus also probably contributed to slower growth on an as-reported basis in the Account and Membership Administration cluster. This may owe to the lower health care requirements of the Medicaid population which lead to lower associated administrative expenses. For instance, growth in Customer Services, Enrollment / Membership / Billing and Claims expenses was all lower on an as-reported than a constant mix basis.

Information Systems grew rapidly on an as-reported basis, displacing Customer Services as the fastest growing function in this cluster.

Median Corporate Services Cluster costs actually declined on an as-reported basis. Actuarial and Finance and Accounting grew much slower on an as-reported basis than on a constant mix basis. Health plans spend much less on these two functional areas in their Medicaid and ASO products. Therefore their growth mutes the trends that are otherwise higher on a constant mix basis.

Association Dues and license/Filing Fees was an exception. While such expenses for ASO are much lower than average for the products, they are approximately the same for Medicaid, and are much higher for Medicare Advantage, both of which grew faster than these plans' insured commercial business. While none of the plans suggested it, I suspect that market expansion led to faster growth in this function.

Sales and Marketing also grew slower on an as-reported basis. There were some exceptions to this in that Rating and Underwriting and Advertising and Promotion grew faster. Both of these functions tend to be lower for Medicaid and ASO members.

I touched on the counterintuitive effects of the use of medians in presenting growth trends. The relationships make more sense if you use a different measure. While the median difference between the *growth* in 2019 versus 2018 for Corporate Services is 10 percentage points, it is only 2.7 percentage points if averages are used.

Let me close this part of my presentation with a few summary observations. For the continuously reporting plans, staffing ratios increased to approximately 27 FTEs per 10,000 members serving the Commercial Insured product[1] and increase over last year. This includes the effects of outsourced staffing, discussed later.

A high proportion of the increase was in Information Systems and it was accompanied by declines in staffing in Customer Services. Enrollment / Membership / Billing, and Claim and Encounter Capture and Adjudication also declined. Medical Management / Quality Assurance / Wellness also appeared to notably increase.

Other functions in which plans tended to increase staffing ratios include Rating and Underwriting, Advertising and Promotion, Marketing, Actuarial and Corporate Executive & Governance.

Compensation, which includes benefits, increased at a rate of 4.4%, to a median of $99,000. Compensation growth was notable in Rating and Underwriting, Customer Services, Actuarial and Enrollment / Membership / Billing. Compensation declined in Sales. None of these trends consider the effect of changes in the types of employees included within each function, such as leadership, line or support.

[1] The staffing ratio for the commercial products is estimated based on plan reports for their comprehensive products. Since the plans report all PMPM costs for each function by product, we can estimate product staffing costs using only the assumption that the mix of labor and non-labor costs is the same across all offered products. By focusing on one product we are able to illustrate trends without the distortion of product mix changes.

We estimate that non-labor costs per FTE decreased by low double digits. Areas where non-labor cost growth *declined* especially sharply included Corporate Executive & Governance, Claims, Provider Network Management and Services and Enrollment, Membership and Billing. On the other hand, Customer Services and Rating and Underwriting per FTE non-labor costs *increased* notably. Non-labor costs are affected by changes in staffing ratios and this appears to have been the case in the decline Customer Services staffing ratios.

The mean and median proportions of FTEs that were outsourced[2] are 13.1% and 11.2%, respectively. This is approximately the same as last year. Areas that heavily outsourced included Claims and Information Systems, both with medians in the low teens. Because some of these plans are affiliates of health systems, functions such as Finance and Accounting and Corporate Services sub-functions such as HR, Purchasing and Facilities are, on average, heavily outsourced.

The propensity to outsource is sometimes skewed. So, while the median proportion of Information Systems that is outsourced was 11.3%, the average was 19.8%. The outsourced percents of Corporate Services function was even more dramatic with a median if 1.9% but a mean of 10.8%. Corporate Executive and Governance, Finance and Accounting showed a similar pattern though of much smaller magnitude.

<Slide 7>

To this point, we have focused on rates of change rather than the underlying values of the components of administrative costs. They were based on a constant set of plans over two-year comparison periods.

The next few slides speak to the values of these activities for the entire set of plans: two plans joined this universe and eight plans withdrew, bringing us to 13 plans. We were interested in the reason for the decline in participation and, in order of importance, these were due to staffing changes (such as the loss of relevant officers and analysts), business combinations and reorganization to enable multistate expansion. I suspect that the initial shock of Covid-19 also played a role: while we enjoyed record participation in

[2] Outsourced FTEs are often estimated by the plans based on the compensation and non-labor costs of plans that do not themselves outsource. Otherwise, the plans count them directly in affiliated organizations or in the individual vendors.

the Blue universe, the IPS universe finalized its survey form in New Orleans on March 11 three weeks after the Blues!

Because of the difference between the 2019 and 2020 cycles of plans, and the fact that their product mixes differ, changes between the values is a weak gauge of trend. The median PMPM value of $42.43 was 2.8% greater than the median value of $41.28 last year. The prior year values are shown in Appendix A of this slide deck and are also excerpted on this page. The total medians are higher, and the cost mixes differ. (Recall that this is all after the effect of a reclassification by one of the plans that affects last year's results. The differences are in the Corporate Services cluster row only, and do not affect the totals.)

There is little correspondence with the overall administrative cost trends on Slide 4 and increases that resulted in the values shown here. The growth in Sales and Marketing Cluster values to $11.45 was 21.2%, well above the growth reported earlier. The 4.4% increase in Medical and Provider Management to $7.67 PMPM was lower than the actual acceleration in this cluster among continuing plans. The 0.9% decrease in Account and Membership Administration, to $17.55 PMPM was lower the actual growth. Corporate Services Cluster was lower by 5.8%, to $6.44.

The values were usually more disbursed in 2019 versus 2018, as measured by the coefficient of variation. Overall, and in every cluster except for Sales and Marketing, coefficients of variation were higher in 2019. They increased by *13 percentage points* in Medical and Provider Management.

Similarly, dispersion measured by the differences between the 75th and 25th percentile values expanded. In total, this widened by $6.48 and sharply increased in Account and Membership Administration by $3.30. Corporate Services Cluster and Sales and Marketing also expanded, while Medical and Provider Management narrowed.

<Slide 8>

I have emphasized the effect of product mix changes on trend and this slide shows what I mean. There are significant cost differences between the various products.

For the set of all participating plans, Commercial members were a median of 64.5% of the total comprehensive membership. Administrative expenses for these costs are both higher and lower than the median comprehensive administrative costs, depending on their financing mechanism, which indirectly bears on the group size.

As a sector, Independent / Provider - Sponsored Plans have a heavy commitment to commercial *insured* products, representing 34.9% of comprehensive members. These products' costs are higher than for comparable ASO products largely due to the high per member Sales and Marketing expenses required for small groups and individuals not eligible for self-insurance. The single most important insured product is HMO which costs a median of $48.23 PMPM. The insured Indemnity and PPO follows at $47.71 while POS costs $47.85.

A self-insured group eligible to purchase ASO products possesses the statistical advantages of larger size, which also means that their Sales and Marketing costs are spread through greater numbers of members. The median PMPM costs for ASO, which are not segmented into products, is $22.08 PMPM. I have circled the ASO and insured products.

Medicaid HMO, serving low income people, is a focus of Independent / Provider Sponsored plans or 15.0% of total members. Nine of the plans offer Medicaid HMO (MCO) and five offer CHIP. Medicaid costs a median of $29.09, while CHIP, for children, costs $25.35 PMPM.

Independent / Provider – Sponsored plans also have a high commitment to senior products. The replacement products of Medicare Advantage and Medicare SNP serve a median 7.7% of comprehensive members and a median of 21.9% of revenues.

Medicare products are relatively high cost at $101.65 and $171.10 PMPM for Medicare Advantage and Medicare Special Needs Plans, respectively. Individuals represent approximately 92% of the membership for the regular Medicare Advantage product.

Note that Medicare Supplement is almost exactly the average cost product at $42.87 PMPM. We include this as a comprehensive product in the *Sherlock Benchmarks* though it pays only when Medicare does not. This is a minor product serving on *average* 1.6% of total members and is only offered by 6 plans.

Plans in this year's panel did not offer specialty products in sufficient numbers to produce reliable benchmark values. By specialty products, we mean stand-alone Part D, Stand-Alone Dental or Managed Long-Term Services and Support. Only one of the plans offered Medicare Cost, so it has not been reported here.

<Slide 9>

This is similar to the previous slide, only expenses are expressed in percents. The median administrative expense relative to premiums was 8.3% lower than the value for last year of 8.6%. (By the way, we are using premium equivalents here.) In many respects, the relationships between the costs of various products measured in percents parallel those measured in costs PMPM. The ASO products have a very low median value of 5.9%, substantially lower than the ratios for insured products that range from 8.0% for POS to 10.5% for Indemnity and PPO.

Medicaid products' ratios are low, measured PMPM. Similarly, Medicaid HMO is a low cost percent product at 7.3%. On the other hand, CHIP is relatively high at 11.1%.

The PMPM and percent expense ratios diverge in products for seniors. Medicare Advantage costs, while more than twice commercial insured PMPM, has an administrative cost ratio only 0.4 percentage points higher than the median for similar commercial HMO products at 10.5%. SNP, at 9.0% is lower than the commercial HMO product though its PMPM costs are almost four times as high.

Senior products covering only part of the scope of benefits are still higher cost as a percent but moderate cost PMPM. So, Medicare Supplement, a moderate cost on a PMPM basis is, at 25.1%, the high cost product.

<Slide 10>

This slide shows the administrative expenses by cluster of functions. Overall, costs were 8.3% of premium equivalents, lower than the 8.6% last year.

The distribution of expenses changed. While Sales and Marketing grew by 0.1 percentage points to 2.2% of premium equivalents, the three other clusters each declined by 0.1 percentage points. Medical and Provider Management and Account and Membership Administration were 1.5% and 3.6%, respectively. The ratio for Corporate Services Cluster was 1.3% of premium equivalents.

<Slide 11>

The plans that participated in this year's study had costs that were $42.43 PMPM versus $41.28 last year. In this presentation, I've emphasized growth holding the universe constant but changes in participation plus changes in product mix also made a difference.

The as-reported cost trends increased by 6.2%, higher than last year's increase of 3.7%. Once we back out the effect of product mix differences, the trend was 7.6%, higher than 3.4% in the prior year.

While there was a dispersion in the results, the growth in Marketing, Provider Network Management and Services and Information Systems suggests the effects of investment in adaptation to the future. Information Systems was the most important reason for administrative expense increase in 2019.

Other functional areas showing growth are also associated with laying the groundwork for expansion. These include Actuarial, Customer Services and even Association Dues and License and Filing Fees.

This presentation, (transcript and slides) will be posted on our web site, hopefully later today. In addition to the slides presented so far, the deck includes last year's values and some descriptive materials about our benchmarking process.

Thank you for your participation in our presentation. I will open this for questions, but before I do, I want to offer some general comments.

First, this year marks the 23rd year of the Sherlock Benchmarks, and the 18th for the IPS universe. Cumulatively, I estimate that by year end our cumulative experience will be approximately 895 health plan years, and will include Independent / Provider – Sponsored Plans, Medicaid Plans and Medicare Plans. Later this summer, we will host similar web conferences for Medicare and Medicaid plans. Additional information, including tables of contents on the Benchmarks themselves are found on the website. Call me if we can elaborate.

Second, I should say that our comments are inferences from the surveys of the plans. Except when we offer anecdotes we don't have any information concerning health plans their strategic plans.

Third, on a personal note, we at Sherlock Company have sincerely missed you. It has been a difficult few months for all of us and you owing to adaptation to COVID-19, and while we have spoken and emailed some of you while working from our homes, this process is not seamless. So, we are happy to be back in an environment that allows us all to communicate with fewer frictions.

Fourth, I also want to thank the participating plans for their efforts during this most difficult of survey cycles. Our primary contacts all have other responsibilities to honor and they completed the survey forms, participated in conference calls, and fielded our follow up calls with good humor and with the happy sounds of domestic life in the background. Since the subject matter of this web conference is free of charge and beneficial to health plans that do not or cannot participate in the study, I hope you share my gratitude.

Fifth, I would also like to thank my very talented colleagues for their hard work and professionalism, especially at this difficult time. Some of our team welcomed new babies, making their efforts especially heroic.

Finally, I would like to remember Sherlock Company's great debt to Randall Allen Edwards, whose vision was the catalyst for the Sherlock Benchmarks almost a quarter of a century ago. Before his retirement, Randy was the Chief Financial Officer of Blue Cross and Blue Shield of Georgia. Randy passed away last month. Let light perpetual shine upon him.

Now I would like answer, as best as I can, any questions you may have on the trends process of this analysis.

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Questions and Answers

Q. Was there a general increase/ acceleration in investments across Info Systems across both IPS and Blues or just IPS plans?

A. Independent / Provider – Sponsored Plans grew faster than Blue Plans and also more sharply accelerated. IPS plan growth, excluding the effect of mix changes, went from low single digits to low double digits. For Blues, growth decelerated from mid-double digits to high single digits.

Q. How did you account for inflation in the year to year comparison?

A. We don't make any adjustments for inflation, which averaged 1.8% in 2019 (BLS, CPI-U). Similarly, we don't make any adjustments for cost of living because of high variability in cost of living in plan service areas and the effect of outsourcing.

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I want to close by hoping that none of you and yours were directly affected by the coronavirus but, if you were, I hope that you or they made a speedy and complete recovery.

Thank you again for your participation in this web conference. In early September, we will have similar web conferences on the results of the Medicare and Medicaid plans. We hope that you will consider participating in those web conferences as well.

Once again, I want to thank everyone involved in the 18th annual edition of the IPS benchmarks for their insights and hard work. Participation pays off in lower costs for the plans but we hope that the results benefits the industry as a whole.

This is Douglas Sherlock of Sherlock Company.