Plan Management Navigator

Analytics for Health Plan Administration

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COVID-19 Adaptations by Blue Cross Blue Shield Plans in 2020

Federal and state governments, faced with the acute threat and uncertain magnitude of the coronavirus, shut down much of the US economy in early 2020. Since most working age people receive health insurance through their employers, we had anticipated that health plan enrollment would decline, and that the remaining membership would shift towards Medicaid. Participants in the *Sherlock Benchmarks* may recall the budget models we developed for them incorporating the effects of economies of scale and product mix changes on prospective costs and staffing ratios.

The *Sherlock Benchmarks* for Blue Cross Blue Shield Plans provide a window to health plan adaptation to this event. The 14 Plans participating in 2021 served over 41 million people in 2020, or 61% of the Blue Cross Blue Shield members not served by publicly-traded companies. Since 13 of them also participated last year, these Plans provide a unique insight on health plan adaptation.

In preparing for this year's benchmarking study, the panel of Blue Cross Blue Shield participants considered how to measure the cost effects of adaptations to COVID-19. Among the costs they identified as possible sources of increase were:

- Services for seniors, including member care packages, advertising/member communications, car management expansion and education.
- Facilities, including enhanced cleaning and facility updates for safety.
- Additional staffing, including a 50% salary premium for "hazard pay."
- Information Systems, including information technology services and equipment costs, higher employee use of the helpdesk, investments in information technology security.
- Health care service related, including telehealth and COVID testing.

The panel debated how to address these expenses and concluded that to exclude such expenses from the body of the benchmarking study would have been opaque, subjective and possibly distort the body of the resulting reports. Instead, the panel decided to include COVID-19 expenses as normal expenses as well as report them in an optional schedule.

The results have proven interesting. Among continuously participating Plans, the effect on Plans was muted. Commercial Membership did in fact decline, at a median rate of 1.5%, as Medicaid membership increased at a median rate of 10.2%. Medicare Advantage increased at a median rate of 6.3%. FEP also grew. In all, membership grew at a median rate of 0.5%: six Plans reported membership declines while seven grew.

Declines in membership could have raised PMPM costs for the Plans if they exhibited fixed costs. But, based on preliminary results from the Blue Cross Blue Shield universe, cost growth was sharply below that of the prior year.

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This was true in total, and across all clusters of expenses but most notable in Account and Membership Administration. We expect to report much greater detail on cost trends in the *Plan Management Navigator* in about two weeks.

Had costs increased above the normal trend in 2020, especially in Plans where membership declined, it would have been consistent with the assumption of significant fixed costs. Not only did costs not surge, but the two Plans with the steepest membership declines posted declines in per member costs. Economies of scale are modest in the health insurance industry in part because so many of the employees directly serve members or providers. Nearly one-third are in Member Services, Other Claim and Encounter Capture and Adjudication, Enrollment/Membership/Billing and Provider Services. With the addition of Medical Management/Quality Assurance/Wellness, Provider Configuration and Benefit Configuration, such people-intensive activities compose more than one-half of all Plan employees.

As noted previously, the Plans decided to include any unusual expenses associated with adaptation to COVID-19 in the main body of the Benchmarks. Only four of the 14 Plans elected to complete the optional schedule detailing epidemic adaptation costs. Of those Plans, the mean COVID-19 costs were $0.43 PMPM, with a median of $0.33 PMPM. Information Systems composed nearly one-half of these expenses. Facilities costs distantly followed. Medical Management / Quality Assurance / Wellness was below Facilities with Other Medical Management (chiefly health policy and medical directors) and Health and Wellness as central contributors. Marketing, with its product strategy and leadership focus, was also a notable contributor. The reported COVID-19 expense amounts to approximately 1% of total administration and 0.1% of premium equivalents.

The response rate itself reflected the modest effect of COVID-19 adaptation on costs. Recall that overall cost growth was lower than the prior year. Some Plans noted that, at an early stage, they had tracked these unusual expenses but that as the year progressed, they noticed that the net effects were modest. Indeed, some observed offsets: while Facility costs increased, travel expenses associated with Sales declined. While we cannot know the cost experiences of the Plans that did not complete the optional schedule, it may be that only the Plans that did complete it incurred expenses that they viewed as worth the effort of measuring. In that case these modest expenses would overstate the adaptation costs of the Plans.

Moreover, COVID adaptation also illustrated the softness of the theory of economies of scale for health plans. Information Systems costs, which has intuitive appeal as a source of scale economies, was sometimes cut dramatically. For this function, PMPM costs declined in five of the Plans, and three of those had declines in membership. For example, one Plan had a sharp decline in new investment for information systems: because of IT's short accounting life, this resulted in a decline in PMPM Information Systems costs.

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Update on Blue Cross Blue Shield Benchmarks Publications

We expect to publish the Sherlock Benchmarks along with other related materials in the coming weeks. The dates below are probable. We hope that you can participate in the web conference.

June 17, 2021	Release Date of Financial Metrics (Volume I)
June 21, 2021	Publication of summary 2020 results of Blue Cross Blue Shield Plans in *Plan Management Navigator*
June 24, 2021, 2:00 Eastern Daylight Time	Web Conference on the 2020 results of Blue Cross Blue Shield Plans. We will provide information on participation with the *Plan Management Navigator*.

Update on Medicare and Medicaid Universes

We will launch the survey on June 8, 2021. This date is intended to avoid the June 7 deadline for Medicare Advantage bids. Please let us know soon if you are interested in participation so that we can get the paperwork complete prior to that time.

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