

# Plan Management Navigator

## *Analytics for Health Plan Administration*



Healthcare Analysts

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*Please see our invitation to participate in the 2020 Sherlock Benchmarks on Page 4.*

### SPILL - OVER EFFECTS BETWEEN MEDICAID AND COMMERCIAL PRODUCTS

While health plans usually offer multiple products, they rarely organize themselves along product lines. In other words, for most plans, it is impractical to operate separate claims, customer services and enrollment functions between their Medicaid and Commercial products. So, for many health plans, their activities in one product may affect activities in other ones.

This is an analysis of the cost relationships of 21 health plans that participated in either our Medicaid or Independent / Provider - Sponsored universes during the 2019 Sherlock Benchmark cycle. We also touch on the effects of the Individual market. We focus on the two expense clusters of Account and Membership Administration and Medical and Provider Management. We excluded Corporate Services to avoid conflation with economies of scale, especially important in this cluster. We also excluded Sales and Marketing since this activity for Medicaid is regulated by states.

#### *Medicaid Focus and Commercial Insured Account and Membership Administration*

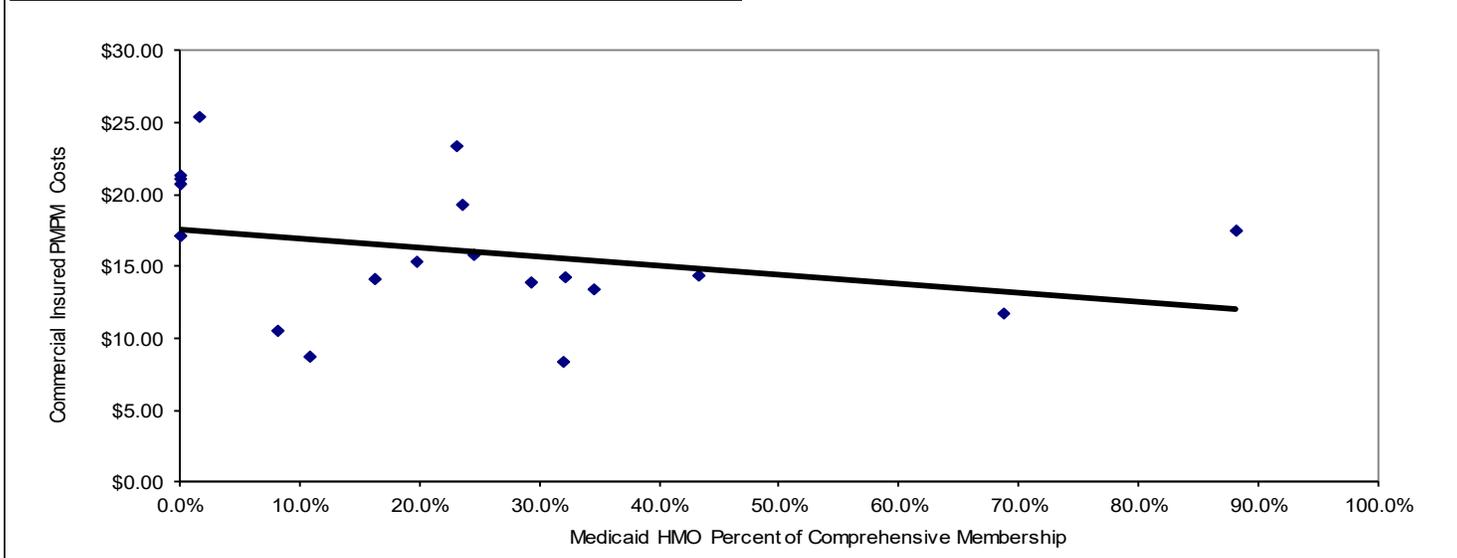
In prior years, we noticed a relationship between a high focus on Medicaid and low Account and Membership Administration costs in other products. The idea may be that, for companies committed to Medicaid, the cost discipline of Medicaid sets a culture of conservative administrative expenses that are replicated in commercial lines.

**Figure 1. Medicaid and Administrative Costs**

Medicaid HMO Focus to Commercial Insured A&M Admin PMPM

R<sup>2</sup> = 10.2%

P-Value = 16.9%



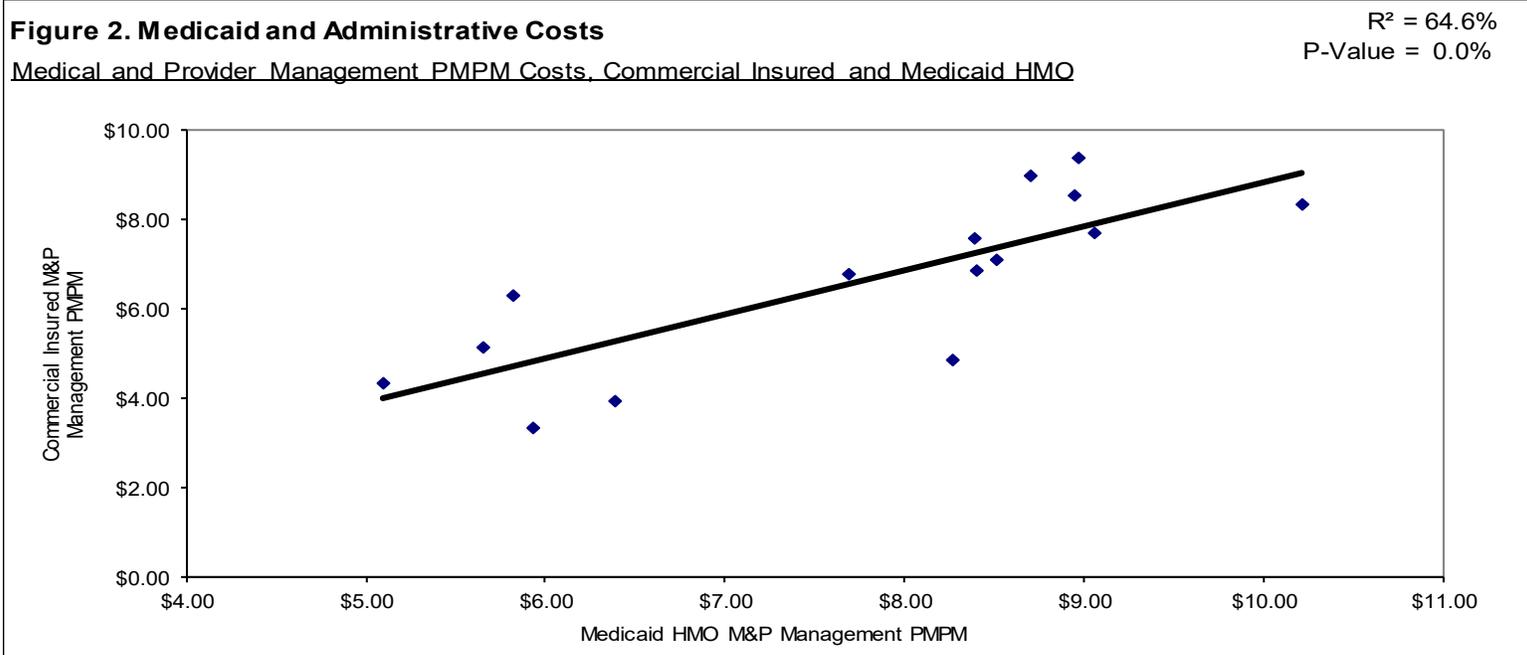
Based on the 2019 cycle, this relationship is weak, if it exists at all. Only 10.2% of the effect is modeled by the regression line, and with a P-Value of 16.9%, it is statistically insignificant. One reason for this may be that there is a positive slope in the relationship between share of the product portfolio that is Medicaid and Medicaid Account and Membership Administration. While that relationship was insignificant, the effect of higher costs with high Medicaid share would have affected the measurement of realization of these purported cultural advantages in costs.

There was a positive slope, though an insignificant relationship, between PMPM costs of Commercial Insured and PMPM costs of Medicaid Account and Membership Administration. This suggests the possibility of a linkage between the costs.

### *Medicaid Focus and Medical and Provider Management*

Figure 2 shows that the greater the PMPM costs for this cluster of functions in Medicaid, the higher its costs for Commercial Insured as well. This is an extremely strong relationship with a P-Value of effectively 0.0% and an R<sup>2</sup> of 64.6%. In other words, nearly two thirds of the differences between the variables are explained by the regression line.

The cause of this appears to be commitment to Medicaid. In Figure 3, we show that the greater the focus on Medicaid, the greater the spending on this product's Medical and Provider Management. This also has a low P-Value and explains 30.5% of the differences in the variables.



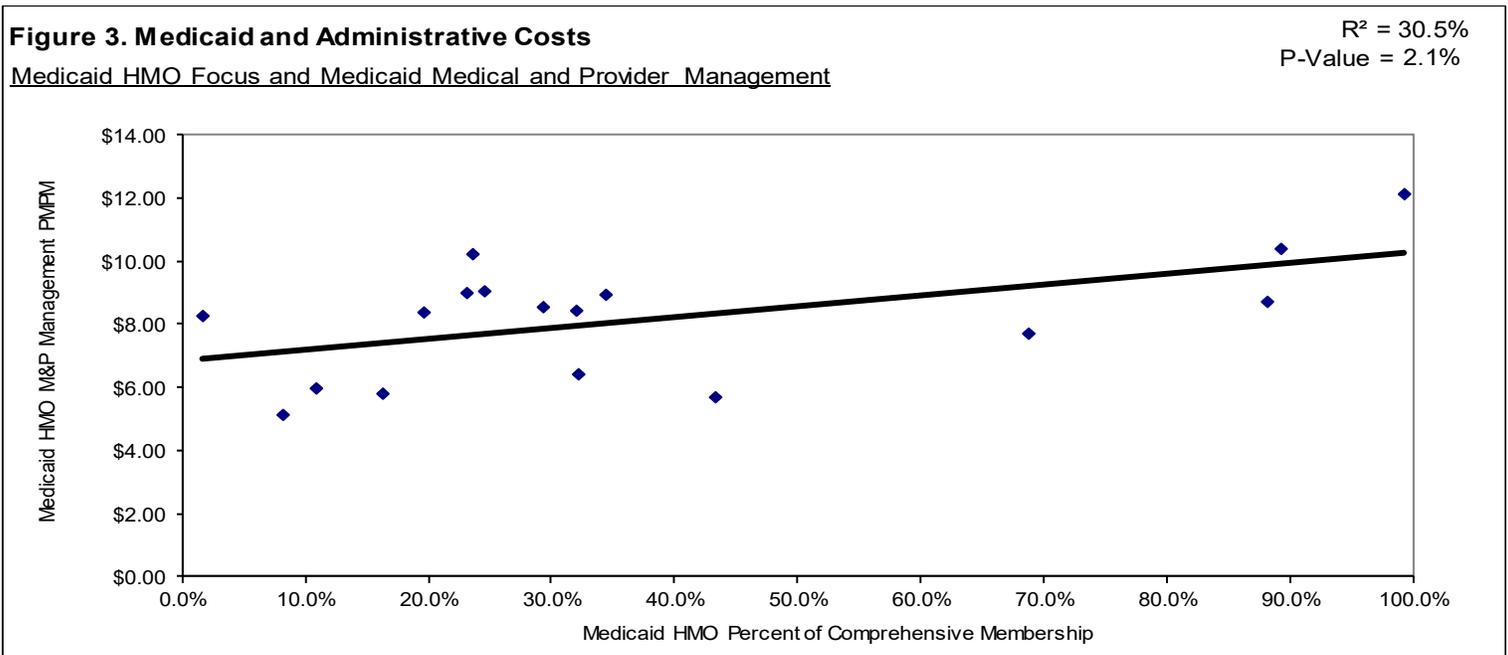
### Role of Individual Products

Sometimes health plans elect to focus on both Medicaid and the individual segment of the commercial market. Both health plans and members benefit from the continuity of coverage as they alternate between Medicaid and the individual market. Moreover, under the Affordable Care Act, subsidies for individuals served through exchanges, made people above Medicaid income eligibility thresholds eligible for low cost insurance.

Interestingly, the greater the share of the commercial insured portfolio that was individual, the lower the Medicaid Medical and Provider Management PMPM costs, seen in Figure 4 on the next page. The same is also true for the relationship between the commercial focus on the individual market and commercial Medical and Provider Management costs, though it did not rise to statistical significance.

We do not know the reason for these negative slopes. One possible explanation is the health plans with a focus on the individual market may have longer-term relationships with members that transfer between Medicaid and Commercial Insured products.

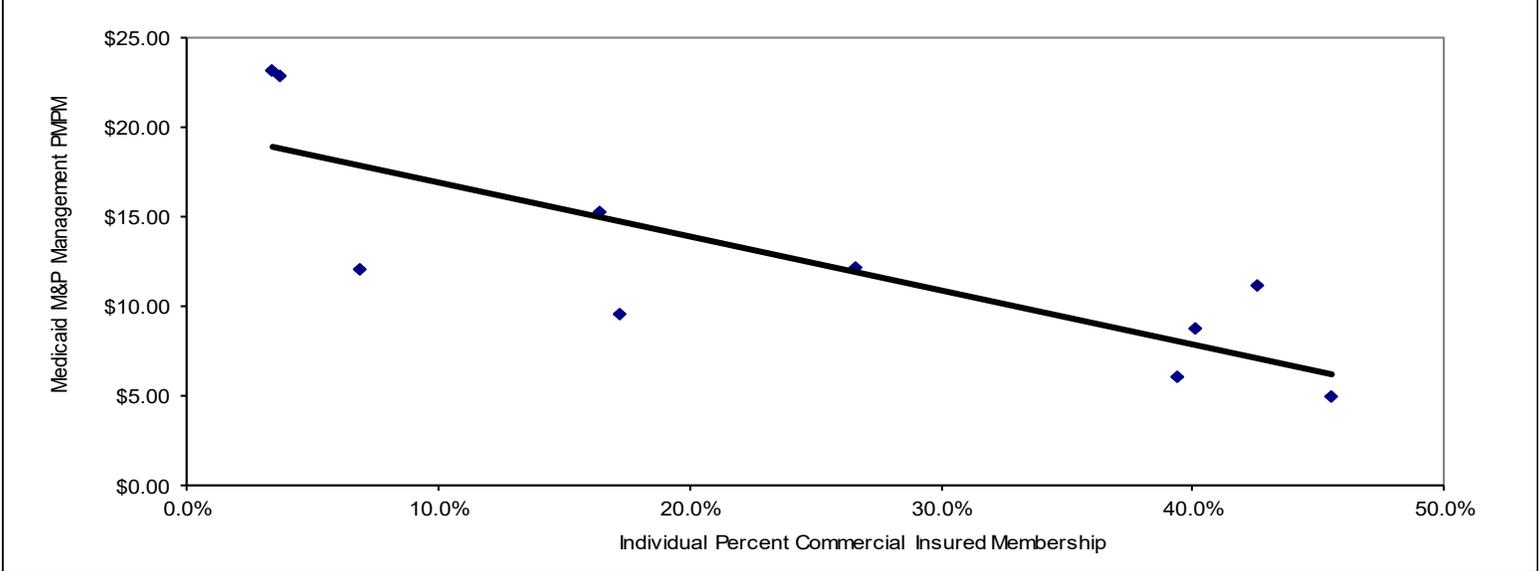
The slopes of the relationships between individual participation in commercial business and Account and membership Administration were both negative though far from significant.



**Figure 4. Medicaid and Administrative Costs**

Percent Commercial Individual, Medicaid HMO Medical and Provider Management PMPM Costs

R<sup>2</sup> = 66.2%  
P-Value = 0.4%



## INVITATION TO PARTICIPATE IN THE 2020 SHERLOCK BENCHMARKING STUDY

In 2020, we will conduct our 23<sup>rd</sup> annual Benchmarking Study for health plans. This study will reflect 2019 calendar year results and will be conducted on the same calendar as last year. We welcome Blue Cross Blue Shield Plans, Independent / Provider - Sponsored plans, Medicaid plans, Medicare plans and other plans.

With cumulative participation of 858 health plan years, health plans serving more than 180 million insured Americans are licensed users of the *Sherlock Benchmarks* since June 2017. Of the 34 U.S.-based Blue Cross Blue Shield primary licensees, twenty serving 50 million people have already committed to participate in the 2020 edition of the *Sherlock Benchmarks* for Blue Cross Blue Shield Plans.

In addition, for those that cannot participate, licensing is available. Please see [sherlockco.com/sherlock-benchmarks/](https://sherlockco.com/sherlock-benchmarks/) for additional information on the *Sherlock Benchmarks*.

### Contact

Please do not hesitate to contact us with questions concerning this analysis or the *Sherlock Benchmarks* on which it is based or your interest in participating in the 2020 Sherlock Benchmarking Study. We can be reached at [sherlock@sherlockco.com](mailto:sherlock@sherlockco.com) or (215) 628-2289.