Plan Management Navigator

Analytics for Health Plan Administration

Healthcare Analysts

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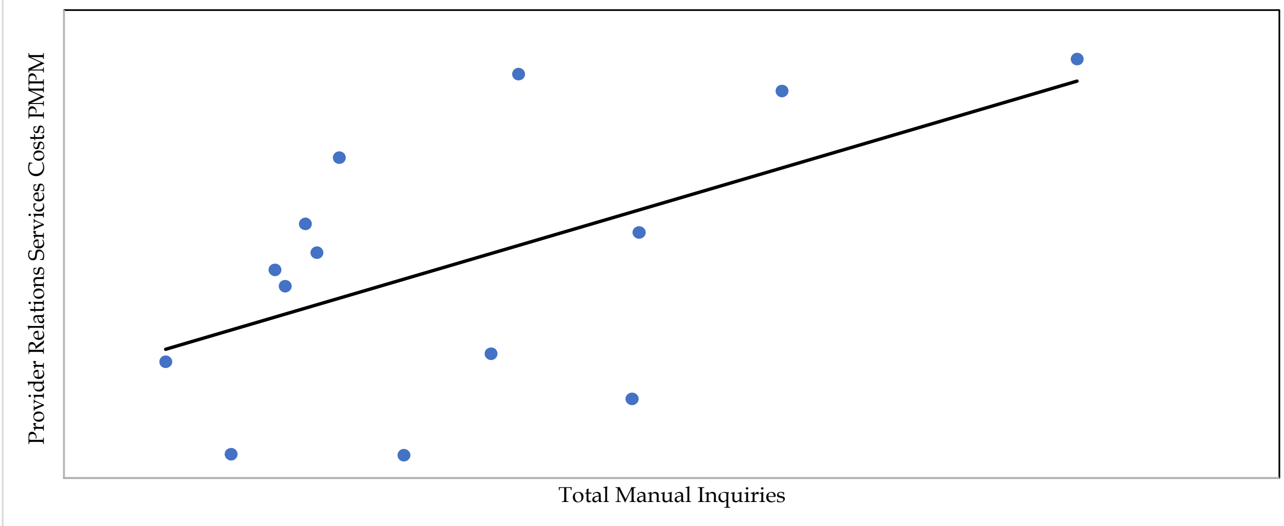
Please see page 7 for our invitation to participate in the 2022 or license the 2021 Sherlock Benchmarks.

OPERATIONAL DRIVERS OF MEDICARE ADVANTAGE COSTS

Health plans closely watch their administrative costs because of the economics of their businesses. On a percent of premium basis, they are very low margin business, about 3% as we report in *PULSE*. In the ASO products, costs are a very high proportion of the fees, thereby affecting pricing strategy. So, modest improvements in administrative performance may give rise to a sharp improvement in earnings and/or far more attractive growth prospects.

Financial metrics such as PMPMs (or percents of premiums) are the way these costs are measured. But improvements are actually implemented operationally through enhancements in productivity, unit cost, member use rates and so forth. This edition of *Plan Management Navigator* shows that operational metric relationships to costs are not only intuitively appealing but also supported empirically. We focused on Medicare in support of that universe of the *Sherlock Benchmarks*. Recall that we published a Medicaid focused study last month and, among other things, all of the scale studies support Independent / Provider – Sponsored and Blue Cross Blue Shield Plans.

The 2021 editions of the *Sherlock Benchmarks* are the source of this analysis. Twenty-seven plans across all universes served Medicare Advantage members reflecting 2.1 million collective Medicare Advantage members, or approximately 8% of all Medicare Advantage members. The following analyses reflects Medicare PMPM Costs and Medicare Operational Metrics.



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Results of Analyses

We performed analyses on the Provider Relations (a Provider Network Management and Services sub-function), Customer Services, and Claim and Encounter Capture and Adjudication. We also analyzed Enrollment / Membership / Billing, an important function with concrete operational outputs but no statistically significant relationships were observed.

For this analysis, we consider relationships to be significant with P-values of 10% or less. Meanwhile, the R^2 describes the degree to which all the data points are found on the slope. We think most of the relationships illustrated below make intuitive sense, but their slopes add to the users' quantification of these relationships between operating results and expenses.

In addition, because the relationships shown here tend to validate management and analyst intuitions, the relationships modeled in these analyses validate the *Benchmarks* themselves.

While all of the plans included in this study have products other than Medicare Advantage, all the dependent and independent variables in these analyses are exclusively from their MA products.

Provider Relations Services is a sub-function of Provider Network Management and Services. This area is the initial point of contact for provider inquiries. Shown in Figure 1, the analysis between Provider Relations Costs PMPM and Total Manual Inquiries yielded a positive relationship with a R^2 of 30.6% and a P-value of 4.0%. The regression analysis shows that the higher the Total Manual Inquiries, the higher the Provider Relations costs PMPM.

The positive slope seen in Figure 2, found on the next page, shows that the higher the *Total* Provider Inquiries (these may include written and manually responded electronic inquiries), the higher the Provider Relations Costs PMPM. This regression resulted in a R^2 of 35.9% and P-Value of 6.7%.

Figure 3 standardizes Provider Services Inquiries by the number of Claims Processed. The idea behind this standardization is that a processed claim may be a topic of a provider inquiry; the more claims may lead to more inquiries. The relationship shows higher Provider Services Inquiries per 100 Claims associated with higher Provider Relations Costs. The R^2 was 33.4% and P-Value was 4.9%.

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Figure 2. Plan Management Navigator $R^2 = 35.9\%$

Operational Drivers of Medicare Advantage Costs P-Value = 6.7%

The Effect of Total Provider Inquiries on Provider Relations Services

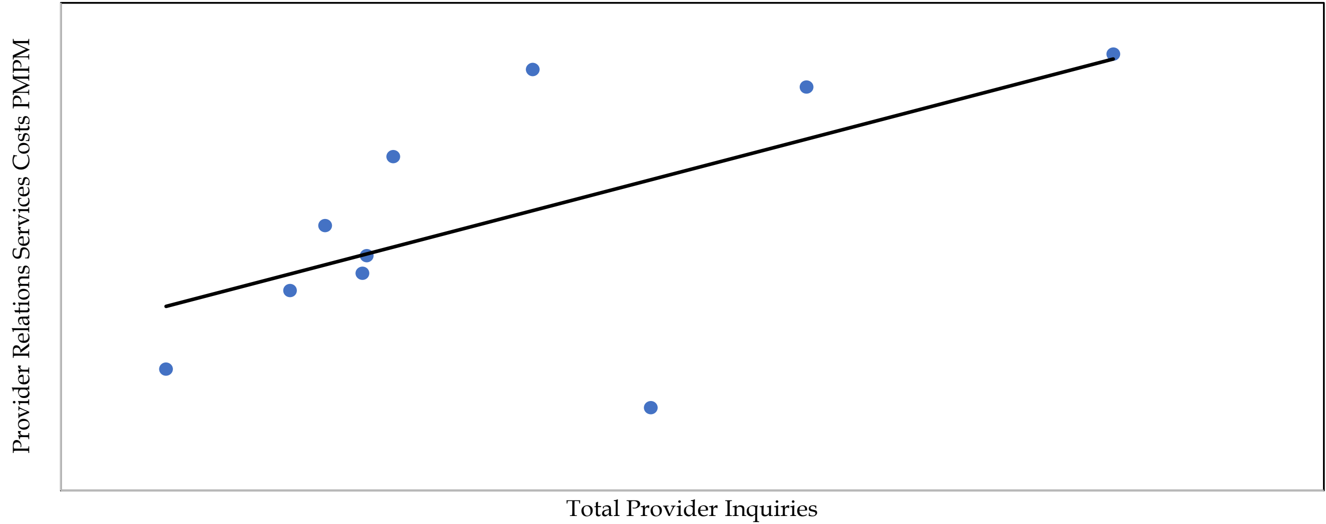

Figure 3. Plan Management Navigator $R^2 = 33.4\%$

Operational Drivers of Medicare Advantage Costs P-Value = 4.9%

The Effect of Provider Svcs. Inquiries per 100 Claims & Provider Relations Services

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Customer Services' activities were also a subject of our analyses. This activity is focused on communication with plan members. The relationship shown in Figure 4 is that the longer the length of time to handle a customer service call the higher the PMPM Customer Services costs. The regression analysis resulted in a R^2 of 25.0% and a P-Value of 4.9%. Presumably, longer calls lead to higher cost per inquiry and lower productivity.

Claim and Encounter Capture and Adjudication costs in this functional area are those that are not autoadjudicated. Accordingly, they are associated with the manual processing of claims. Figure 5 shows PMPM Claims costs regressed against Electronic Claims Autoadjudicated, these are claims that require no manual intervention during the receipt of the claim and in its processing.

The negative slope shows that the greater the number of Electronic Claims Autoadjudicated, the lower the Per Member Per Month Claims costs. In other words, the more the claims processing activity is automated, the less manual activity is found in the Claim and Encounter Capture and Adjudication function. The regression resulted in a R^2 of 22.8% and P-Value of 3.9%.

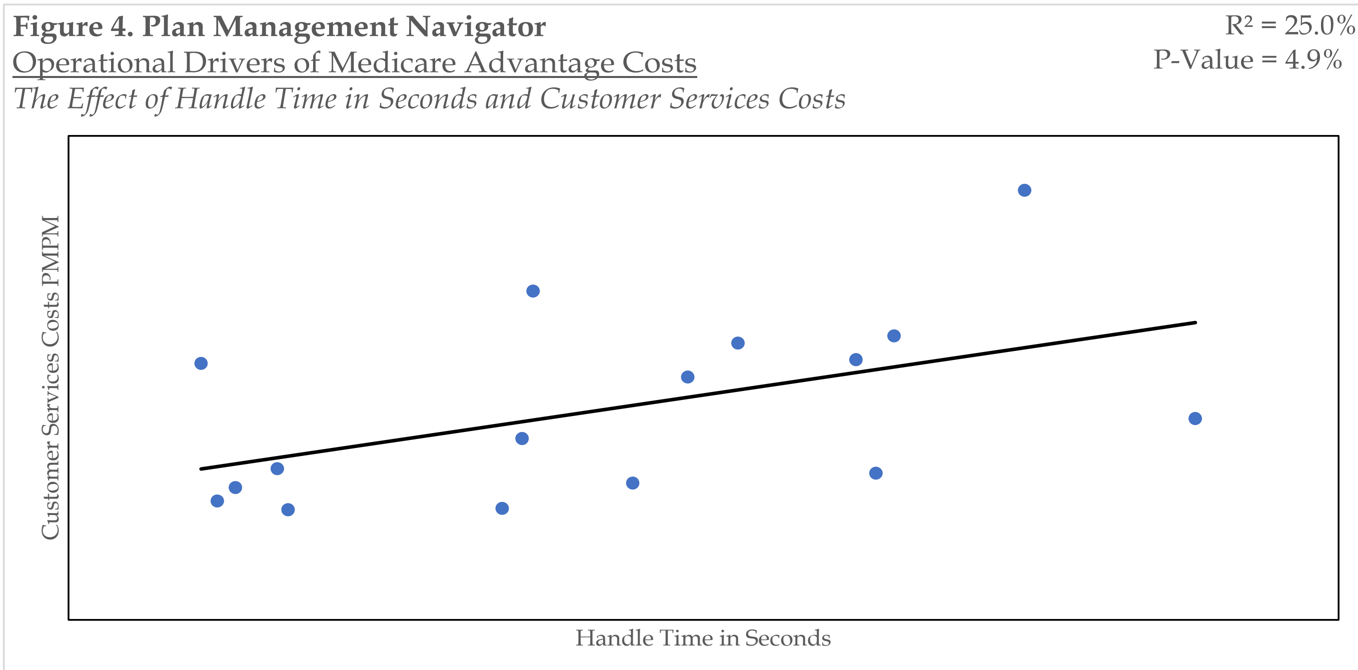

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Figure 6 shows a similar relationship to Figure 5, with Total Claims Autoadjudicated PMPY exhibiting an inverse relationship with Claims costs PMPM. (Total Claims Autoadjudicated also includes paper claims autoadjudicated.) The regression analysis yielded a R^2 of 23.7% and a P-Value of 3.5%.

Figure 5. Plan Management Navigator

Operational Drivers of Medicare Advantage

The Effect of Electronic Claims Autoadjudicated on Claims

R^2 = 22.8%
P-Value = 3.9%

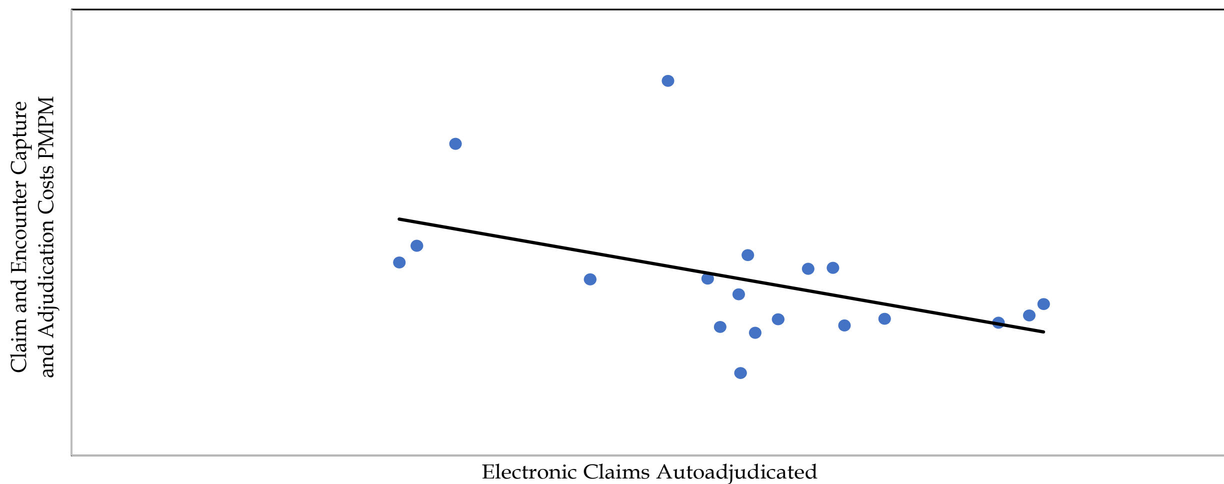

Figure 6. Plan Management Navigator

Operational Drivers of Medicare Advantage

The Effect of Total Claims Autoadjudicated PMPY and Claims

R^2 = 23.7%
P-Value = 3.5%

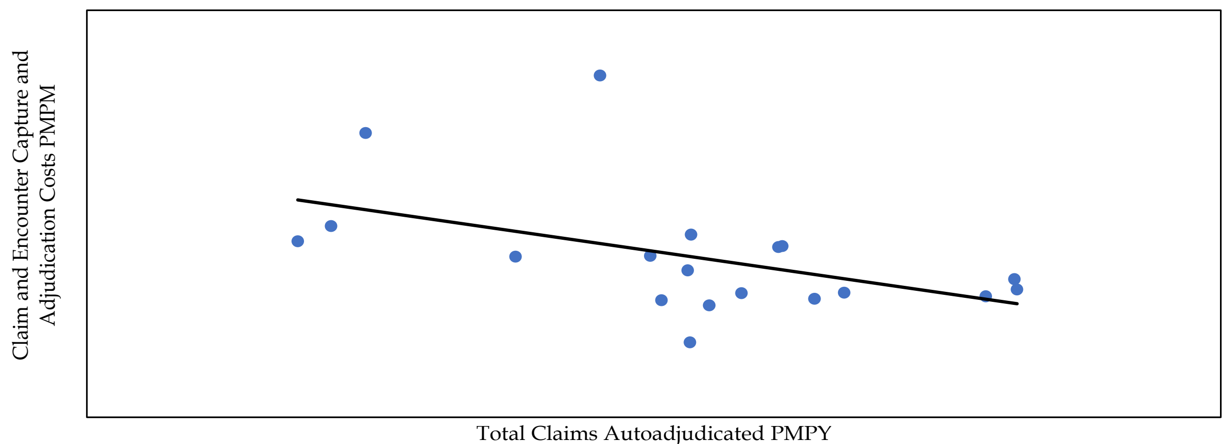

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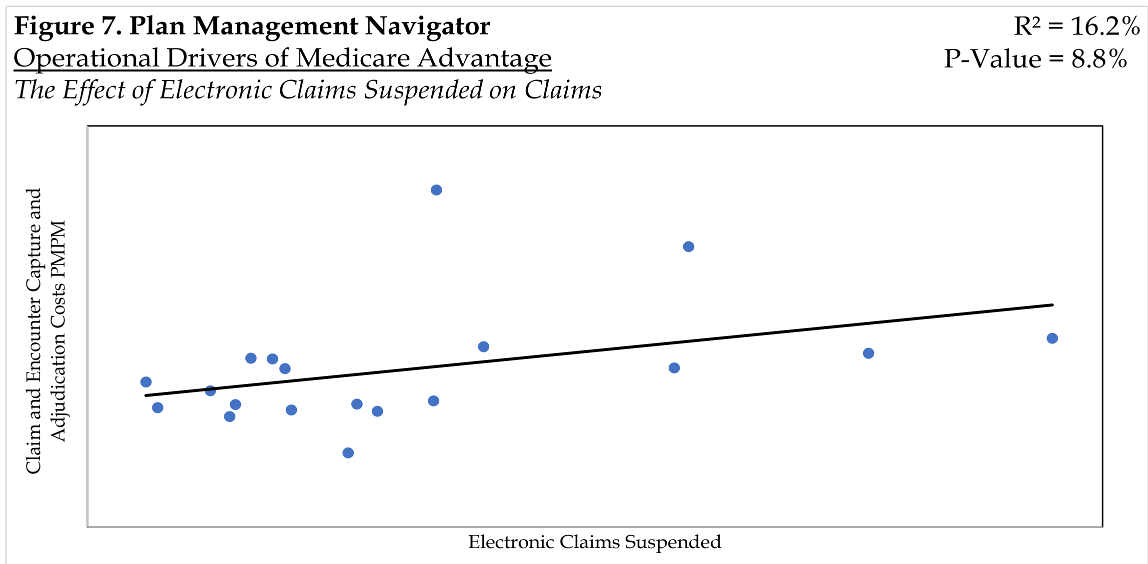
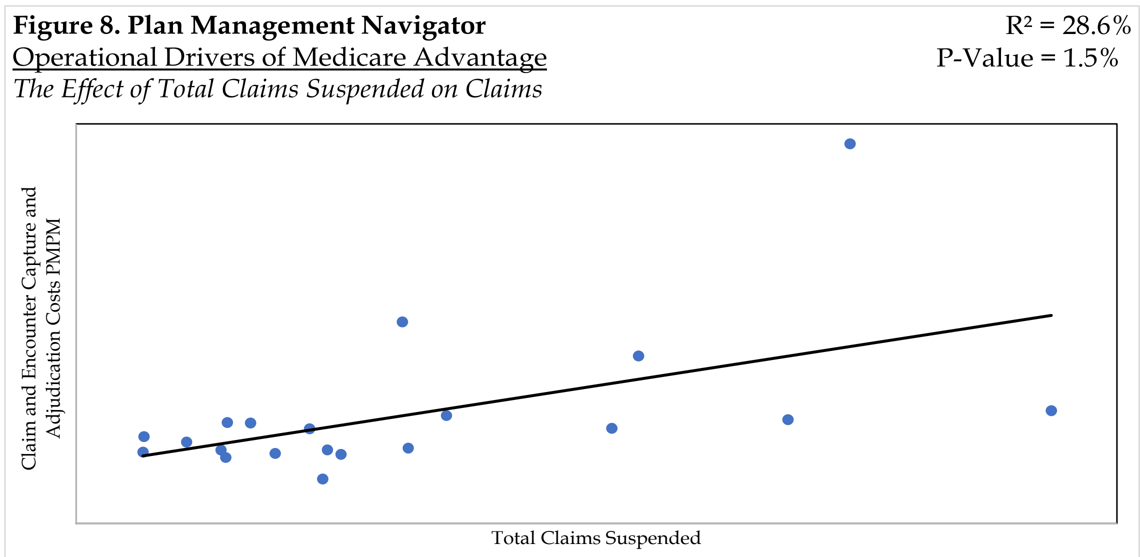
Figure 7 shows the number of Electronic Claims Suspended and the effect on Claims costs PMPM. Suspended Claims are those that have issues that must be manually resolved by the Claims function prior to the completion of processing. In this case, such claims were electronically submitted. This relationship resulted in a R^2 of 16.2% and a P-Value of 8.8%. This relationship shows that the greater the number of claims submitted electronically that are suspended is associated higher Claims costs.

Figure 8 shows a similar relationship between Total Claims Suspended (a claim "suspended" is defined above) and Claims costs PMPM. The R^2 was 28.6% and the P-Value was 1.5%. The higher the number of Total Claims Suspended (includes suspended claims submitted in paper form) the higher the costs PMPM in Claims.





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Sherlock Benchmarks: Participation and Licensing

Participation in *Sherlock Benchmarks*

We are now completing our panels for the 2022 *Benchmarks* universes of Blue Cross Blue Shield Plans and Independent / Provider – Sponsored Plans. It will be based on plans' 2021 calendar year results. Eighteen Blue Cross Blue Shield Plans and sixteen Independent Provider Sponsored Plans have committed to participate in this cycle. If your plan has an interest in participating in either of these universes, please reach out immediately so we can execute a mutual confidentiality agreement: *the surveys will be distributed in this week and in three weeks in these respective universes.*

In June, we will launch the Medicaid and Medicare universes. As with the other universes, we encourage you to reach out to us to get the process started. *You will be among good company.*

Licensing the *Sherlock Benchmarks*

For those that cannot participate, licensing is available. Please see the following link https://sherlockco.com/sherlock-benchmarks for additional information on the *Sherlock Benchmarks*. By the way, the Reports shown on that page are also the Reports received by the participants. The difference is that each participant edition is tailored to that participating health plan.

We can be reached at sherlock@sherlockco.com, or 215-628-2289. We look forward to working with you.

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