

Plan Management Navigator

Analytics for Health Plan Administration



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Please see page 5 for our invitation to participate in the 2023 or license the 2022 Sherlock Benchmarks.

OPERATIONAL DRIVERS OF PROVIDER AND MEMBER SERVICES COSTS IN HEALTH PLANS

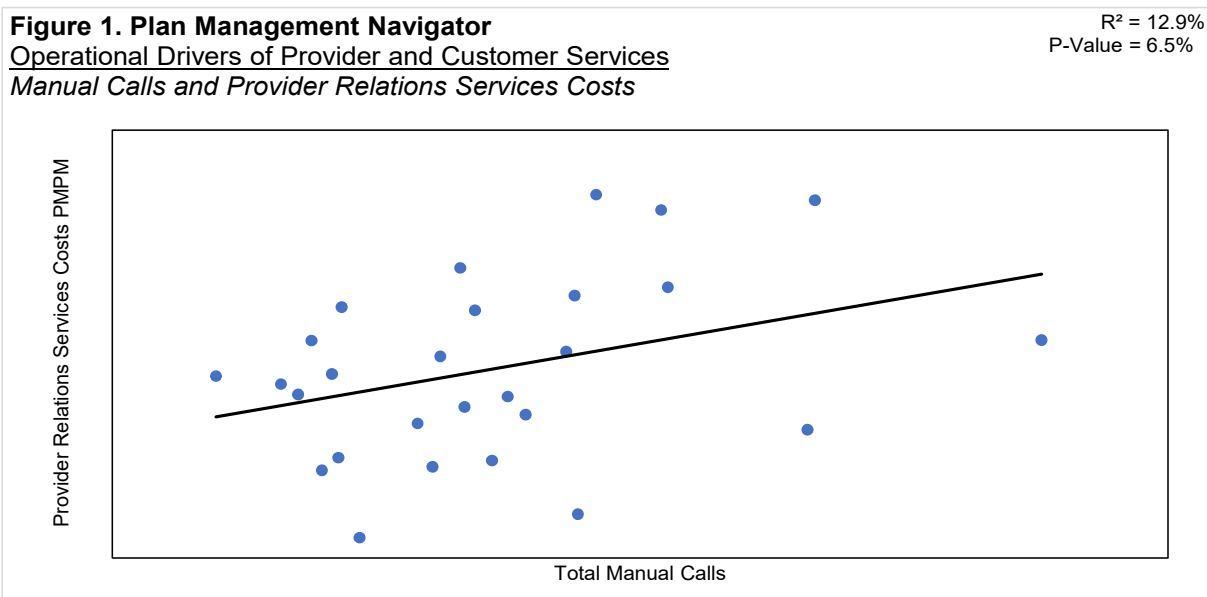
Introduction

This *Plan Management Navigator* looks at operational drivers of functional area expenses for health plans in the Provider Services and Member Services areas. Financial metrics such as PMPMs 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.

In this *Navigator*, we examine the drivers of Provider Relations Services and Members Services. Provider Relations Services is a sub-function under Provider Network Management and Services, while Member Services is a sub-function under Customer Services. Both sub-functions are the initial points of contact for providers and members, respectively.

This analysis includes the results of all 34 plans that participated in the 2022 editions of the *Sherlock Benchmarks*. Note that not all plans supplied the operational metrics within this analysis or serve all products benchmarked.

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.

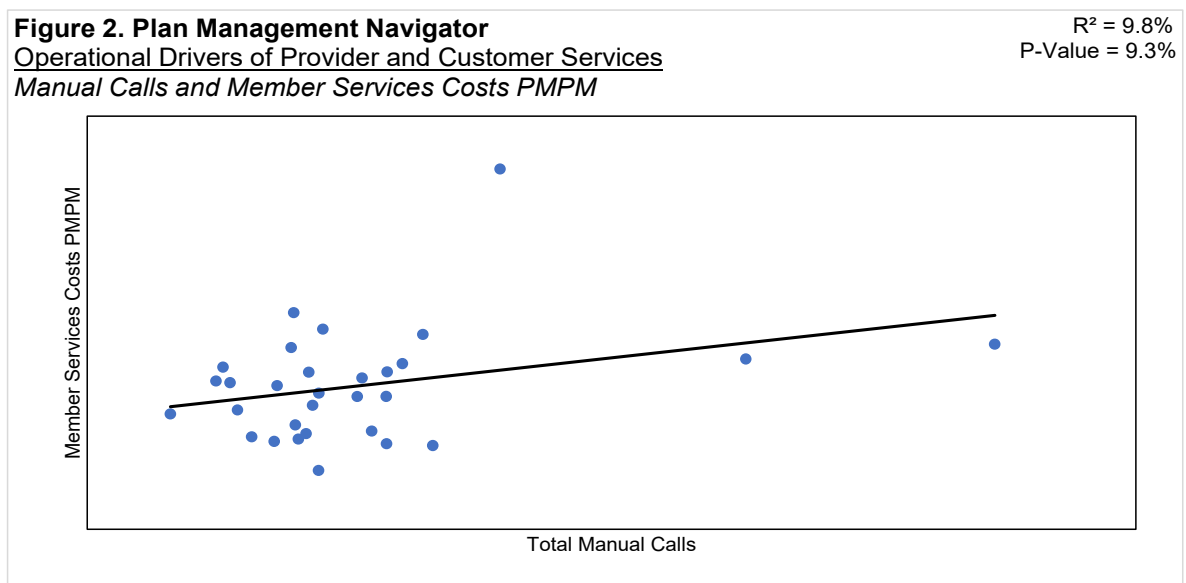


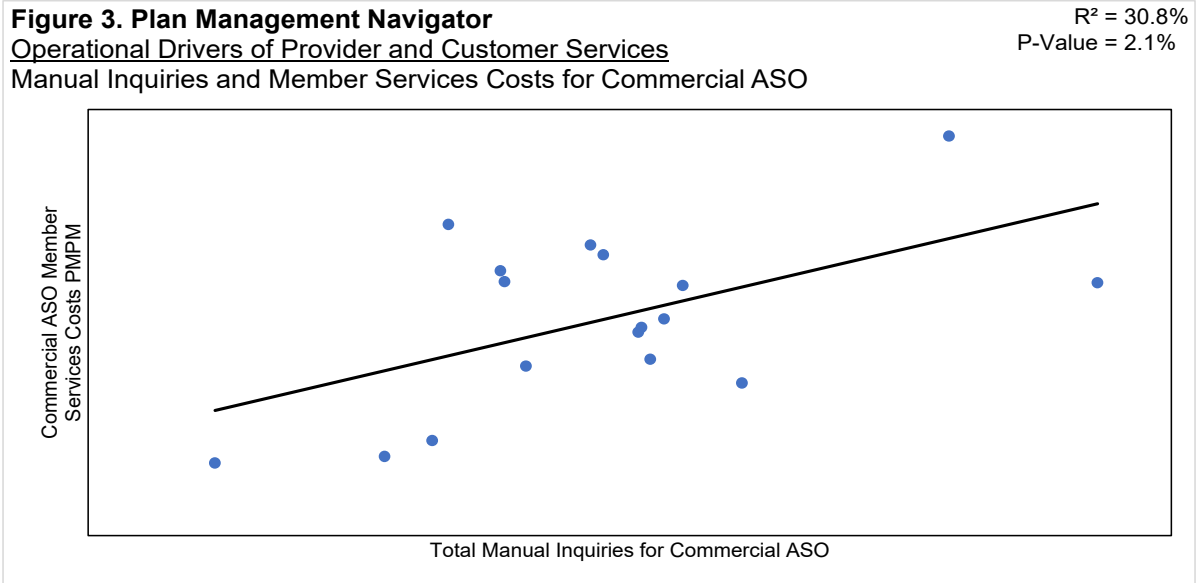
Results of Analyses

Shown in Figure 1, is the analysis of the relationship between As-Reported Comprehensive Total Provider Relations Costs PMPM and Total Provider Manual Calls. The relationship yielded a positive sloping regression line with a P-Value of 6.5% and R² of 12.9%. The regression analysis suggests that the higher the number of Manual Calls, the higher the Provider Relations costs PMPM. Provider Manual Calls are those inbound calls handled by people, usually in a call center setting. While not shown here, a similar positive and a significant relationship was found between Commercial Insured Provider Relations costs and manual calls and Medicare Advantage costs and calls.

Customer Services and its operational metrics yielded similar results as Provider Services. Figure 2 shows the relationship between Comprehensive Total Member Services expenses PMPM and Member Manual Calls. The resulting regression analysis led to a P-Value of 9.3% and a R² of 9.8%. The positive slope suggests that higher manual calls are associated with higher member services costs PMPM. Manual Calls and Member Services expenses were also significant for Commercial Total. Member Services is the largest subfunction of Customer Services.

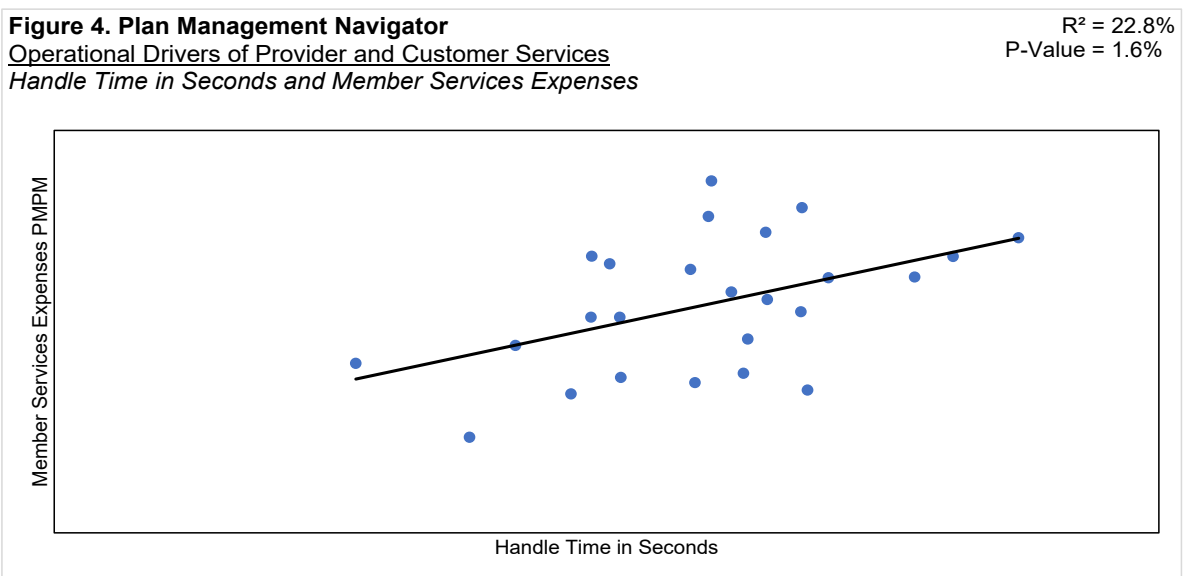
We show in Figure 3 a regression analysis of the relationship between Total Manual Inquiries and Member Services PMPM expenses for Commercial ASO. The relationship resulted in a P-Value of 2.1% and R² of 30.8%. The positive slope suggests that the higher the manual inquiries in ASO leads to higher ASO Member Services costs PMPM. While products as a whole showed this relationship in Figure 3, Commercial ASO was the only unique product to show significance with Manual Inquiries. However, Commercial Total and Comprehensive Total was close to significance with P-Values of 10.2% and 11.5%, respectively.





We also tested Automated Calls against both Provider Services and Customer Services costs. These analyses, however, did not result in any significant associations between the variables. We consider automated calls as those that are fully handled by an automated system. The underlying costs of automated calls typically reside in the Information Systems function.

Figure 4 shows Handle Time in Seconds and Member Services Expenses PMPM for Comprehensive Total. The positive relationship between these two variables implies that the longer the handle time for call center reps, the higher the member services expense PMPM. The regression analysis yielded a P-Value of 1.6% and R² of 22.8%



Conclusion

This edition of *Plan Management Navigator* shows that operational to financial metric relationships in the customer and provider services areas to costs are not only intuitively appealing but also supported empirically. We believe that through these relationships, improvements within operational metrics can lead to improvements in financial performance. Therefore, as a low margin business, modest improvements in health plan administrative performance may lead to sharp growth in enterprise earnings.

Invitation to Participate in the 2023 Sherlock Benchmarking Study

The highly valid, well-populated *Sherlock Benchmarks* provide an unbiased ranking and helps prioritize cost management activities to have the greatest impact on improving your health plan's overall operating performance.

The 2023 study will be the 26th consecutive year, reflecting a cumulative experience of approximately 1,000 health plan years. Health plans serving at least 210 million people are current licensees of the *Sherlock Benchmarks* including most Blue Cross Blue Shield plans, public companies and the largest Independent/Provider-Sponsored health plans.

For the most recent cycle of the *Sherlock Benchmarks*, of the 33 U.S.-based Blue Cross Blue Shield primary licensees, sixteen serving approximately 49.1 million people, participated in the *Sherlock Benchmarks* for Blue Cross Blue Shield Plans. For Independent / Provider - Sponsored Plans, fifteen plans serving 10.6 million people participated in the most recent cycle. Of the 15 members of the Alliance of Community Health Plans that are not focused on public programs or are staff-model plans, six participated in this year's *Sherlock Benchmarking Study* for Independent / Provider - Sponsored health plans. Four of the 10 largest commercial-focused Health Plan Alliance members participated in the prior year's *Sherlock Benchmarks*.

The *Sherlock Benchmarks* have been called the "Gold Standard" by leading health care consultants. Report publication begins in late June but varies by universe. Participation entails efforts on the part of the plans since actionable outputs require relatively granular inputs. However, the cost is relatively modest.

The Blue Cross Blue Shield survey forms were launched earlier this week. The Independent / Provider - Sponsored universe survey will launch in three weeks. In either case, please reach out to us as soon as possible if you're interested in participating.

The *Sherlock Benchmarks* are also available to license. Please reach out to Douglas Sherlock at sherlock@sherlockco.com or 215-628-2289 if you are interested in either participation or licensing. *You will be among good company.*