

# Plan Management Navigator

## *Analytics for Health Plan Administration*



Healthcare Analysts

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### MODEL FOR CHANGES IN MIX AND SCALE: INVITATION TO DISCUSSION THIS WEEK

More than 36 million people have filed claims for unemployment since the second week in March. This spike may lead to declines in health plan membership and a shift in their product mixes. Commercial membership, especially insured as compared with ASO, is especially susceptible to declines, with Medicaid and Medicare Advantage increasing in proportion or even in numbers of enrollees.

We have recently developed a model to efficiently estimate costs and staffing of these membership changes. This *Navigator* invites *health plans* that are participants and licensees of 2019 Blue Cross Blue Shield and Independent / Provider - Sponsored editions of the *Sherlock Benchmarks* to participate in a web conference to discuss how you can use this model. For consultants that are licensees, we can provide this briefing upon request. The presentation will demonstrate the use of the model and respond to questions.

Please let us know of your interest by emailing us at [sherlock@sherlockco.com](mailto:sherlock@sherlockco.com). The model was sent to several of your colleagues, but we are more broadly announcing this since it is possible that it would be of interest to a broader audience within your organization. Verified health plan users will be provided with information on how to participate in the calls.

The call for the users of the 2019 editions of the Blue Cross Blue Shield Benchmarks are slated for Wednesday, May 20 at 2:45 PM Eastern, and will be Thursday, May 21 at 2:45 PM Eastern for users of the Independent / Provider - Sponsored edition. We expect that the presentation will take about 20 minutes, but we can field questions for a longer period.

### *Background*

The purpose of the model is to efficiently estimate costs and staffing if membership changes. To perform this, you use your plan's information, the *Sherlock Benchmarks* and scale slopes based on the *Sherlock Benchmarks*.

Economies of scale occur when unit costs decline as volume increases. By the same token, when economies of scale are present, unit costs increase as volume declines. Economies of scale occur when a mix of fixed and variable unit costs are required for production. As units decline, the greater the share of fixed costs will be borne by each remaining unit. For health plans, units are administrative activities necessary to support each member. Unit costs are PMPM costs and Staffing Ratios, or as we express them, FTEs per 10,000 members. Sherlock Company scale studies measure this effect, and this analysis will help you apply them.

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For instance, if the plan has fewer commercial members, the increased *relative* proportion of Medicare may make Medical Management increase because of Medicare population's more intense requirements, and Provider Contracting increase because it is subject to scale. This model captures both effects.

As an organization, your health plan may have its own internal models and the input of various leaders to develop budgets in this complex environment. But, based on the *Sherlock Benchmarks*, this model can provide a second look incorporating the effects of changes in mix and coverage of fixed costs. It provides a simplified, readily accessible additional input to help inform the budgeting process in the current volatile enrollment environment.

Please let us know if you can participate by reaching out to [sherlock@sherlockco.com](mailto:sherlock@sherlockco.com). We will reply sending you sign-in information.