Plan Management Navigator
Analytics for Health Plan Administration

Healthcare Analysts

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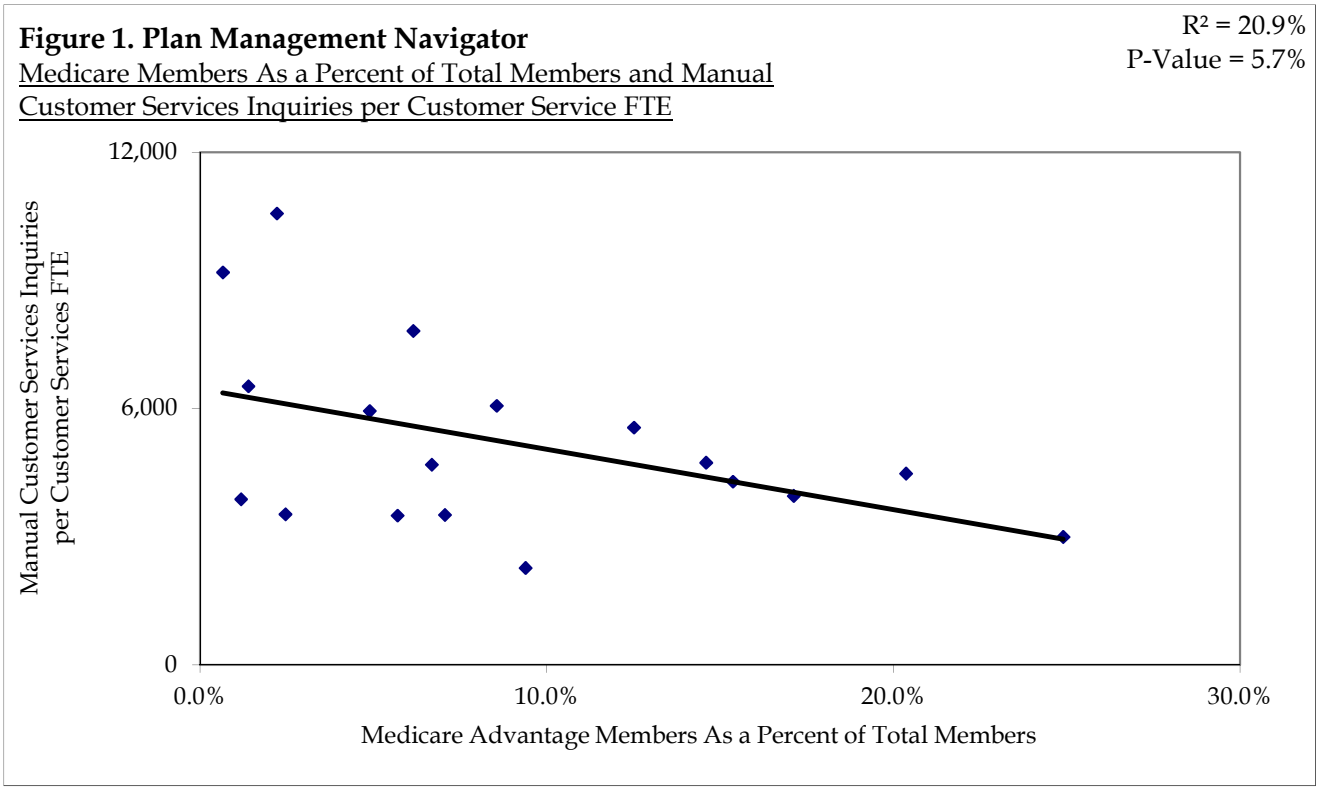
Considering Demographics When Measuring Employee Productivity

Background: This is the third of a series of Plan Management Navigators *focused on Medicaid and Medicare plans. They expand upon presentations made before Independent Provider-Sponsored and Blue Cross Blue Cross Plans in San Antonio in March in connection with the 18th Annual Sherlock Benchmarking study for health plans. The regression analysis based presentations were intended to draw comments from the participants on the scope of metrics to be included in the Benchmarking Study, and to sharpen the definitions of those metrics.*

Productivity is central to achieving best practice in health plan administration. After all, the PMPM costs for a function can be derived from the staffing ratio and the total cost per FTE. In turn, the total cost per FTE is itself the product of the unit cost of the activity and productivity, measured by those activities executed per FTE. The complication is that the needs of your population may well constrain productivity, at least as it is calculated. If a plan manager does not these legitimate needs into account, then overall performance may suffer.

Figure 1 illustrates what we mean. The line regresses the proportion of members that are Medicare Advantage against the annual Number of Manual Customer Service Inquiries per FTE. The slope is that for every 1.0 percentage point increase in Medicare mix corresponds with an 141 annual decline in the number of inquiries handled per FTE. The R^2 of 20.9% means that the regression explains that proportion of the differences in the data points. The P-Value of 5.7% means that it is unlikely that no relationship exists between productivity and percent of membership that is Medicare Advantage.

Figure 1. Plan Management Navigator
Medicare Members As a Percent of Total Members and Manual Customer Services Inquiries per Customer Service FTE



One reason for this relationship is that handle times tend to be higher for Medicare Advantage compared with commercial members. Calculated in seconds, call times were approximately 20% higher for Medicare Advantage members served by the Independent / Provider - Sponsored universe.

There are a number of other use patterns of seniors that may bear on employee productivity. Medicare Advantage members are far less likely than Commercial members to employ automated call systems, especially when those Medicare Advantage products are sold by Blue Cross Blue Shield Plans. Medicare Advantage members are much more likely to make inquiries concerning claims status or benefit lookups than Commercial Group members. Appeal rates are much higher for Medicare Advantage members than they are for Commercial members in the IPS universe. In addition, the number of manual inquiries per Medical Member is 3.5 times higher than for Commercial members.

If a health plan does not consider the demographic-related requirements of its members, unfortunate outcomes can follow. Years ago, a health plan elected not to participate in the Sherlock Benchmarking Study believing that its costs were low, especially in the customer services area. When it finally did participate, its customer services costs were indeed low. Unfortunately so was its level of customer satisfaction. This may have had a major impact on other performance characteristics; its member retention rate was low and its membership growth was low as well.

Sherlock Benchmarks. The Sherlock Benchmarks are considered the "gold standard" for management of health plan administrative expenses. Health plans serving more than 109 million people are users of the 2014 editions. Most Blue Cross Blue Shield Plans use the benchmarking studies and nearly one-half participate. The 23 participating plans in the Independent /Provider-Sponsored universe serve approximately 10 million members. We circulated the Blue and IPS surveys to their respective universes in late March.

Medicare and Medicaid surveys will begin later. Because of the time required by finance and accounting personnel to prepare Medicare Advantage bids, we will distribute our Medicaid and Medicare benchmarking surveys in early June. ***We are actively recruiting participants for these universes.*** All functional area costs are segmented by product so it is noteworthy that the 16 so-far committed plans offering Medicaid recruited in other universes serve approximately 1.9 million Medicaid members. Also, the 29 plans offering Medicare Advantage in other universes serve approximately 2.2 million Medicare Advantage members. The results for many of these plans will be included in the 2015 Sherlock Benchmarks.

Please contact Douglas B. Sherlock, CFA if you are interested in considering participation. He can be reached at sherlock@sherlockco.com.