

RECENT OPERATIONAL METRIC TRENDS – ACCOUNT AND MEMBERSHIP ADMINISTRATION

Overview

In this edition of *Navigator*, we focus on the Account and Membership cluster of functions. This cluster includes the functional areas of Enrollment/Membership/Billing, Customer Services, Claim and Encounter Capture and Adjudication and Information Systems.

The underlying logic of viewing these four functions as a cluster are their interrelationships. Information Systems portals can drive down Customer Services costs, autoadjudication can drive down Claims costs and an inefficient claims function can increase Customer Services costs.

This edition of *Navigator* is part of a series that reports and analyzes trends of operational metrics from the most recent Blue Cross Blue Shield edition of the *Sherlock Expense Evaluation Report (SEER)*. The key functional areas we review are Sales and Marketing, Enrollment, Customer Services, Provider Network Management and Services, Claim and Encounter Capture and Adjudication, Information Systems, Corporate Services and HR / Compensation / Staffing. The functional area of Sales and Marketing was discussed in the previous issue of *Navigator* and the remaining functional areas will be addressed in the next edition.

The Blue Cross Blue Shield edition of *SEER* reflects the results of 22 Plans, serving more than one half of all states. Other universes include Independent/Provider-Sponsored plans, Medicaid plans and Medicare plans.

Operational metrics provide in-depth analyses, which facilitate drill-downs in the key functional areas. The metrics are logically organized to highlight the effects of primary demand, productivity, unit costs, staffing ratios and costs per employee. Many other metrics reinforce the insights from these expense drivers. When used in conjunction with the Volume I financial metrics, the operational data provides an even more granular view of how a plan is operating.

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PARTICIPATION IN 2010 PERFORMANCE BENCHMARKS

The challenging operating environment for health plans has convinced many managers that effective management of operating costs is central to their plans' long-term success. The weak employment environment creates pressures on revenue yields and membership, forcing rationalization of operating costs. The weak credit environment heightens plan sponsor interest in self-insurance, which increases the visibility of administrative expenses to customers. Finally, health care reform heightens the interest in operating costs by regulators and lawmakers.

Benchmarking helps firms determine whether they are operating at best practice for costs and, if not, what functional areas provide the highest return on management's efforts in improvement. If improving your plan's performance is on your company's agenda for 2010, we invite you to consider participation in Sherlock Company's benchmarking surveys.

We have a very strong network of plans. Fifty-one plans serving nearly 40 million insured Americans participated in our benchmarking studies in 2009. At least seven additional plans have committed to participate in 2010. Our universes consist of Medicare plans, Medicaid plans, Independent/Provider-Sponsored plans and Blue Cross Blue Shield plans. Other universes that may more precisely match your needs are under consideration.

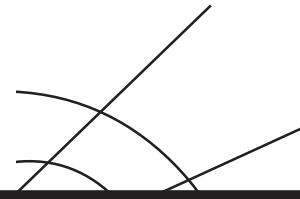
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Account and Membership Admin.: *From Previous Column*

We did not endeavor to provide a single global theme or explanation in the following results. Health plan operational improvements are executed incrementally, and the 85% repeat participation rates in our longest-lived universes of the *Sherlock Expense Evaluation Report (SEER)* illustrate this.

In each section, we identify the operational area, list the functions that comprise it and briefly summarize trends in the functional area. Then the primary findings for the area are listed in bullet point format under relevant subtopic headings.

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Account and Membership Admin.: From Page 1

Methodology

We describe change, if any, by comparing the central values for the current year versus the prior year. The most current year was the 2009 edition of *SEER*, comprised of 2008 data. "This year" or "current year" refers to 2008 results. Descriptions of the magnitude of changes were subjective.

Enrollment/Membership/Billing

The functional area of Enrollment/Membership/Billing focuses on the processing, recording and maintenance of the relationship of the members for the Enrollment portion. Membership is the recording of any changes in demographic information and Billing is the process of calculating, documenting and the submitting of invoices. This year, the area of Enrollment/Membership/Billing had lower costs, along with a higher staffing ratio. Staffing costs per FTE were relatively flat, while costs per transaction declined. However, there were more transactions per member, but this was somewhat compensated for with higher productivity.

Enrollment Cost Summary

- Enrollment costs per member per month (PMPM) were lower this year.
- The Enrollment staffing ratio was higher this year.
- Enrollment costs per FTE were lower.
- There were more Enrollment transactions per member this year.
- Enrollment non-staffing costs per FTE declined this year, while the Enrollment staffing costs remained about the same.
- Enrollment productivity increased this year.

Group Enrollment Pathways

- Groups had more transactions per group this year.
- The share of total transactions that were group increased this year.

Member Enrollment Pathways

- The number of member transactions per member grew over the previous year.
- The share of total transactions that are member versus group remained constant this year. Member transactions include additions,

changes and deletions for members of existing groups.

- A larger number of non-online electronic member transactions per member required no manual intervention.
- Non-online electronic member transactions per member increased this year.

Enrollment Processing Speed

Group Transactions

- Group processing days for renewals increased. The group processing days are calculated from the receipt of the renewal to when the group was enrolled.
- The average group processing days for *new* groups were unchanged this year.
- The share of group transactions that were processed within 15 days increased this year. The number of group transactions were segmented by those reported within 15 calendar days, 30 calendar days, and over 30 calendar days. This differs from the group processing days for renewals, the first bullet point in this section, because this is the share of transaction falling in these segments and the group processing days of renewal is an average amount of days.
- The share of group transactions that were processed within 30 days grew significantly this year.

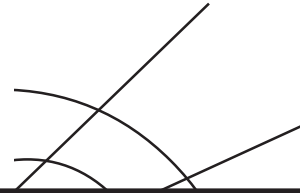
Member Transactions

- The average member processing days has increased. This is the number of days to enroll a member from the receipt of the application to the date of eligibility.
- The share of member transactions processed within 15 days declined, as did the share of member transactions processed within 30 days.
- There was a decrease in the number of member applications per member.
- The share of member applications that were returned decreased this year. A returned application is a member application that is incomplete.

Enrollment Quality

- There was an increase in group enrollment accuracy. Group enrollment accuracy is the percent of accurate group-level transactions.
- The member enrollment accuracy remained stable this year. Member enrollment accuracy is the percent of accurate member-level





transactions. Both group and member accuracy were self-reported by the plans.

- There was no change in the percent of members satisfied with the Enrollment function.
- The percent of cards received within 30 days of receiving paperwork remained stable in the most recent study.
- More cards were issued per member this year.

Billing Activities

- There was a decline in the number of total bills issued per member per year.
- The percent of bills going out on time for groups was unchanged.

Membership Activities

- The average age of membership was higher this year.
- There is a shift away from members below 45 years old and an increase in those older than 65.
- There was a shift more towards local membership and away from national membership. "National" is defined as customers (groups) with more than 5,000 employees and more than 10% of membership out of the plan's service area.

Customer Services

The functional area of Customer Services responds to, processes, resolves and provides information for transactions or inquiries of customers. Customer Services costs decreased this year due in part to a lower staffing ratio. Staffing costs per FTE and total costs per FTE each increased over the previous year. The manual inquiry volume was greater this year, while the cost per manual inquiry was lower. In addition, productivity appears to have increased over the previous year.

Customer Services Cost Summary

- Customer Services costs PMPM are less this year.
- Members had more manual inquiries this year. Manual inquiries includes manual calls, paper/written manual inquiries and manual electronic inquiries.

- Employee productivity increased. This is measured as manual inquiries per FTE per year.
- Customer Services costs per manual inquiry declined this year.
- The Customer Services staffing ratio decreased.
- Total Customer Services costs per FTE increased this year.
- Both Non-Labor and Staffing Costs per FTE grew over the previous year.

Customer Service Pathway

- The number of automated electronic inquiries per member increased this year. These inquiries are electronic (Web) and are handled by an automated system.

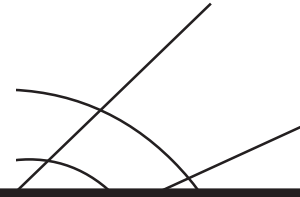
Customer Services Inquiry and Utilization

- The number of individual and group manual inquiries per member per year was higher, as was the number of manual inquiries for Medicare Supplemental.
- Individual members increased their share of total inquiries this year.
- This year individual members increased their share of manual calls.
- Individual members increased their share of paper / written inquiries this year.
- This year individual members maintained their share of manual electronic inquiries.
- The total costs per Customer Services inquiry was down this year.
- The number of total inquiries per member was up overall, as was the number of inquiries for individual members. The number of inquiries per group member remained stable this year.
- The share of total inquiries that were received and answered by a rep appears to have crept up this year, especially for individual members.

Call Quality

- The Customer Services inquiry accuracy rate increased this year. This is the percent of inquiries that were closed accurately.
- Average speed of answer (ASA) increased for Customer Services this year.
- There was a decrease in the ASA level at 30 seconds. This is the percent of calls answered within 30 seconds.





- The call abandonment rate remained the same. This is the percent of calls that are terminated by the callers before the rep answers.
- The percent of calls received with busy signals decreased this year.
- The percent of calls that are transferred from the original rep remained stable.
- There was a decline in the percent of calls that were put on hold.
- The length of time required for each call decreased this year.
- The percent of calls blocked increased over the previous year.
- There was an increase in the amount of days required to resolve inquiries this year.
- The percent of inquiries that were resolved within 7 days remained the same.
- The cycle time to close appeals, grievances and complaints increased.
- Email response time to inquiries was faster this year.
- The percent of appeals that were overturned (completely or partially) decreased.
- There were fewer appeals per member this year.

Claim and Encounter Capture and Adjudication

The functional area of Claims and Encounter Capture and Adjudication primarily focuses on the coordination of benefits and treatment of claims submitted, including the routing, resolution of disputes, the payment of claims and other various activities. The number of claims processed per member increased this year, as did the productivity of the claims area. The cost per claim processed declined over the previous year, while the staffing ratio also decreased. Labor costs per FTE were static and the Non-Labor costs per FTE were higher, which resulted in higher claims processing costs per FTE. On a per member per month (PMPM) basis, the claims processing costs declined over the previous year.

Claims Processing Cost Summary

- Claims processed per member was up this year.
- Claims processing productivity increased this year.
- There was a decline in the cost per claim processed.
- Claims processing costs per FTE were up this year.

- The claims processing staffing ratio declined over the previous year.
- Claims processing costs PMPM were down this year.

COB and Subrogation Costs

- Coordination of Benefits (COB) and Subrogation costs PMPM were up this year.
- COB and Subrogation costs per FTE were up, as was the staffing ratio.
- Health care costs per COB FTE increased this year.

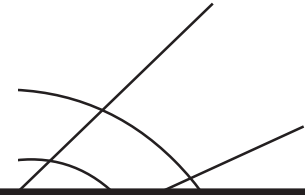
Claims Pathway

- Claims *receipts* per member decreased this year.
- The number of *adjudicated* claims per member increased this year, especially for individual commercial members.
- The overall autoadjudication rate decreased this year. The autoadjudication rate is the percent of total claims processed that did not require manual intervention.
- The autoadjudication rate for commercial members increased over the previous year, while the Medicare Supplemental autoadjudication rate declined.
- The overall share of adjudicated claims that required manual intervention increased this year.
- The share of *commercial* adjudicated claims that required manual intervention increased over the previous year, as did the group claims requiring manual intervention.
- There was a decline in the number of paper receipts per member this year.
- The number of paper receipts per group member declined this year, while the number of paper receipts per commercial member increased.
- The share of total receipts that are paper decreased over the previous year.
- The share of total receipts that are electronic increased this year, while the share of adjudicated claims that are reworked remained unchanged.

Claims Processing Costs

- The overall cost per claim processed decreased this year.
- The cost per total commercial claim processed was less, while the individual com-





mercial cost per claim processed also declined over the previous year.

- The cost per claim processed for group members increased this year.
- There was a decline in the cost per Medicare Supplemental claim processed.
- There was a decline in the share of claims that are processed on a Local platform.
- There was an increase in the share of claims that are processed on an FEP platform.
- There was a decline in the share of claims that are processed on a BlueCard platform.
- The cost per claim for the Local platform were higher.
- The cost per claim for the FEP platform were lower.
- The claims processing staffing costs per FTE were about the same, while the non-staffing costs were a higher share of claims processing costs this year.

Speed of Processing

- Payment speeds have improved, due to a decline in the average days from incurred to receipt and a decrease in the average days from receipt to approved. The average days from approved to payment increased.
- There was a decline in the share of claims paid over 30 days.
- The share of claims paid in less than 7 days increased this year.

Quality

- There was an increase in the claims accuracy, in both dollars and frequency, this year.
- The customer satisfaction with claims decreased slightly.

COB Analysis

- There was an increase in the COB and Subrogation recoveries per dollar of COB cost this year.
- The share of total recoveries that are COB increased this year, as did the share of total recoveries that are subrogation.
- The share of total recoveries that are other types of recoveries decreased this year.

Information Systems

The functional area of Information Systems consist of the sub-functional areas of Operations and Support Services, Applications and Maintenance, Application Acquisition and Development and IT Security Administration and Enforcement. These areas together keep the lights running for the plan, developing software and supporting it, growing the business through new developments and maintaining the security of the information systems.

Total Information Systems (IS) costs were higher this year, which was contributed to by a high staffing ratio. The non-staffing costs per FTE were down this year, while the staffing costs per FTE increased. There was a decline in the number of total FTEs per IS FTE. The IS costs per total FTE increased this year. There was an increase in the cost per production job this year, along with an increased production job staffing ratio. The number of production jobs per member declined this year, while the number of production jobs per FTE per year also decreased.

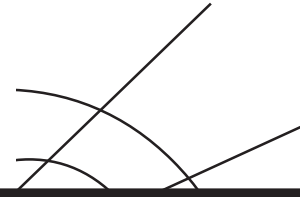
Information Systems Cost Summary

- Information Systems costs PMPM increased this year.
- IS staffing ratio increased this year.
- There was a decline in the IS cost per IS FTE, while the IS costs per total FTE was higher.
- The number of total staff to IS staff decreased this year.
- Staffing costs per FTE increased this year, while the non-staffing cost per FTE declined.

Focus of Investment in Information Systems

- Capital expenditures per member decreased for data network, engineering, desktop services and other, but capital expenditures for data center and voice network and telephony increased this year.
- The average life of platforms remained static.
- The overall book value of IS per member increased, especially in the data center platform.
- There was an increase in the overall book value of hardware per member, especially in the data center platform.
- The overall book value of software per member was higher, especially in the data center platform.
- The overall average life of software declined this year.





Total Information Systems Costs, Accrual Basis, PMPM

- The internal personnel costs PMPM increased this year, particularly for desktop services and service desk platforms.
- There was an increase in the consultant contractor costs PMPM in the sub-functional area of Application Acquisition and Development.
- The hardware depreciation and maintenance costs PMPM grew this year.
- There was a significant increase in the overall software amortization costs PMPM, especially in the data center platform and the sub-functional area of Application Acquisition and Development.
- The outsourced costs PMPM decreased overall, and in particular in the data center platform.

Platform Analysis

- The number of users supported for the voice network & telephony platform increased, as did the annual cost per user supported.
- Capital expenditures per member increased for the voice network & telephony platform this year.
- The number of users supported decreased for the data network platform, while the cost per user also decreased this year.
- Data center capital expenditures per member increased this year, while accrual costs per member decreased.
- The utilization rates of the data center platform declined this year.
- There was a decrease in capital expenditures per member for the desktop services platform this year, while the costs per user increased.
- Total capital expenditures per member increased slightly, while total accrual costs and book value per member grew.

Desktop Helpdesk

- There was a decline in the number of helpdesk calls per user.
- The number of users per helpdesk FTE increased this year.
- There was a decline in the number of calls per helpdesk FTE this year, while the cost per call increased.

- The helpdesk cost per FTE decreased this year and the staffing ratio increased slightly.
- There was a slight increase in the helpdesk cost PMPM this year.
- The ASA for desktop helpdesk increased this year; the first level problem resolution decreased and the average handle time grew.

Activities of Information Systems, by Supported Function

- The share of applications that are Enrollment and Billing decreased this year, as did the share of daily job runs.
- The share of applications and the share of daily job runs that are Claim Encounter Capture and Adjudication remained the same this year.
- The share of applications that are Customer and Provider Services declined this year, while the share of daily job runs increased slightly. ♣

2010 Benchmarks: From Page 1

We have unparalleled experience. Now beginning our thirteenth survey, we have 397 health plan years of experience. Our data definitions, metrics, “scrubbing” procedures and analysis methods are well-developed. Our experience means our benchmarks achieve a high degree of insight for your efforts.

Our benchmarks are generally accepted. Including licensees, health plans serving more than one-half of all insured Americans are current users of our benchmarks. They are also relied upon for advocacy and health policy purposes.

We are structurally sound. Reliability is enhanced by its voluntary participation, freedom from conflicts of interest and incentives against the “tragedy of the commons.”

If your plan would like to consider participation, we invite you to give us a call at 215-628-2289 or email us at sherlock@sherlockco.com. We will launch the surveys beginning in March 2010 to reflect 2009 calendar year results. ♣

