

# *World Congress Leadership Summit on Health Care Reform*



## *How Health Care Reform Will Impact Insurance Plans*

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September 24, 2010

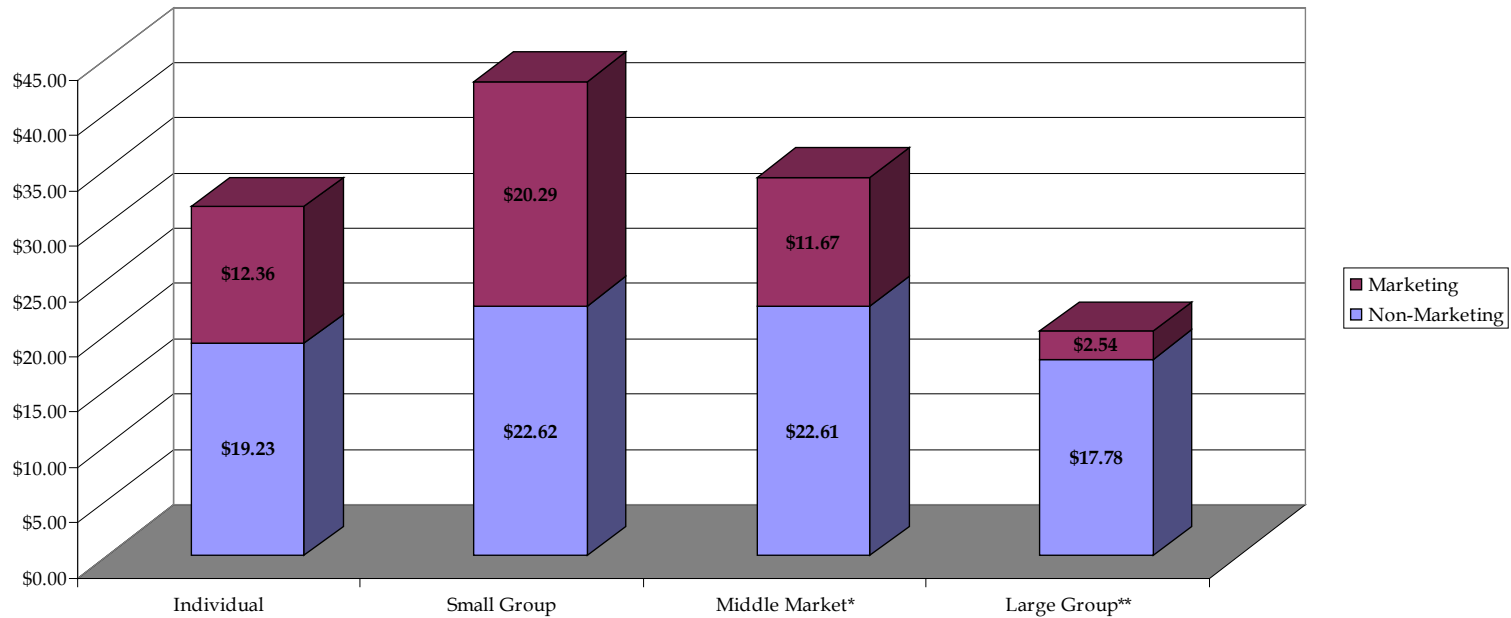
*Photograph of A. Aubrey Bodine, Copyright © Jennifer B. Bodine.*



# *It Costs More to Administer Small and Individual Members Because of Marketing*

Figure 1. World Congress Leadership Summit

Administrative Costs of Selected Blue Cross and Blue Shield Plans: Marketing and Non-Marketing



*\*Insured, Excluding Small and Individual*

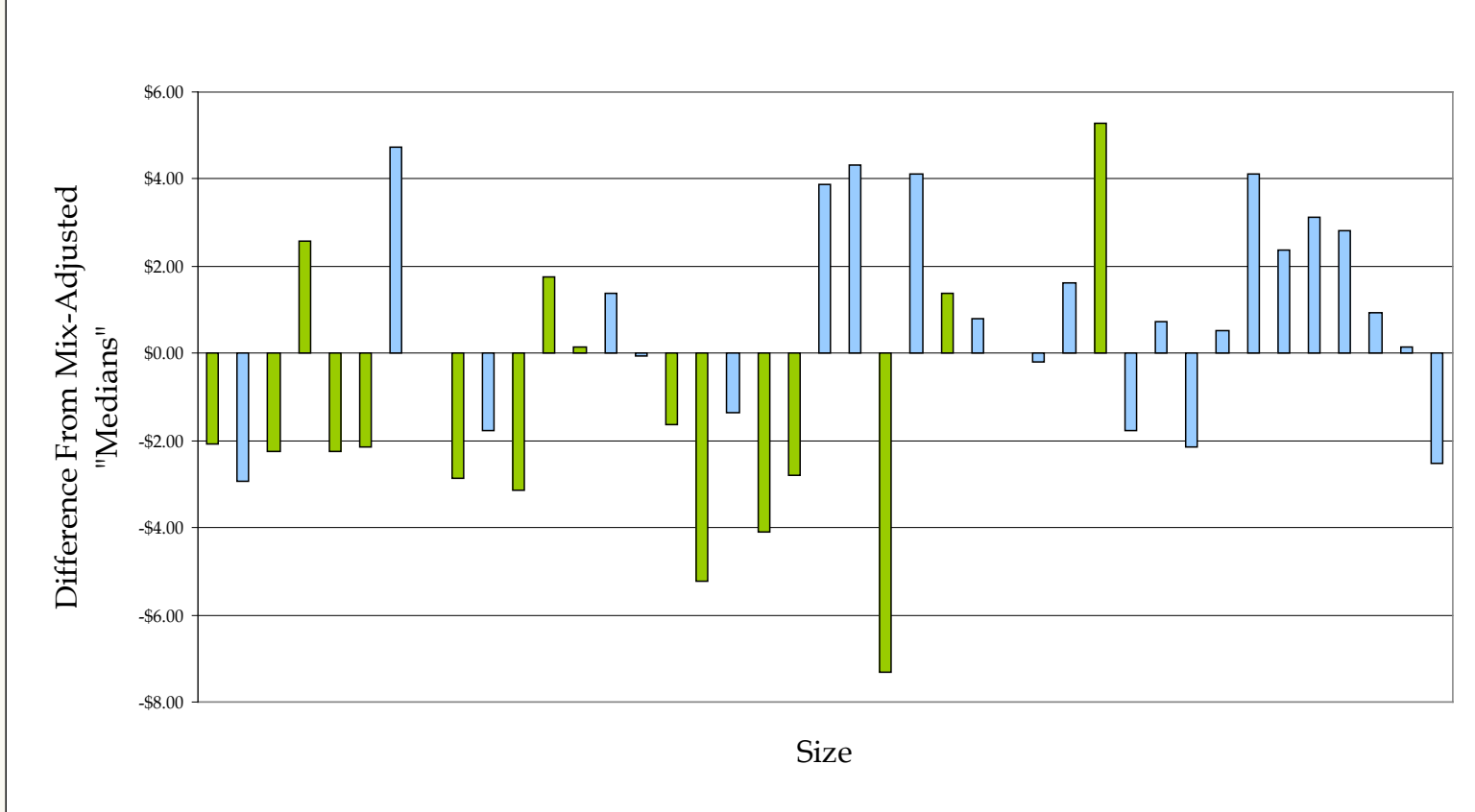
*\*\*ASO/ASC*

*Note: Administrative Expenses Average 9.7% of Premiums and Equivalents. August 2010 Plan Management Navigator.*



# Economies of Scale in Administrative Expenses is Rare and Effects are Modest

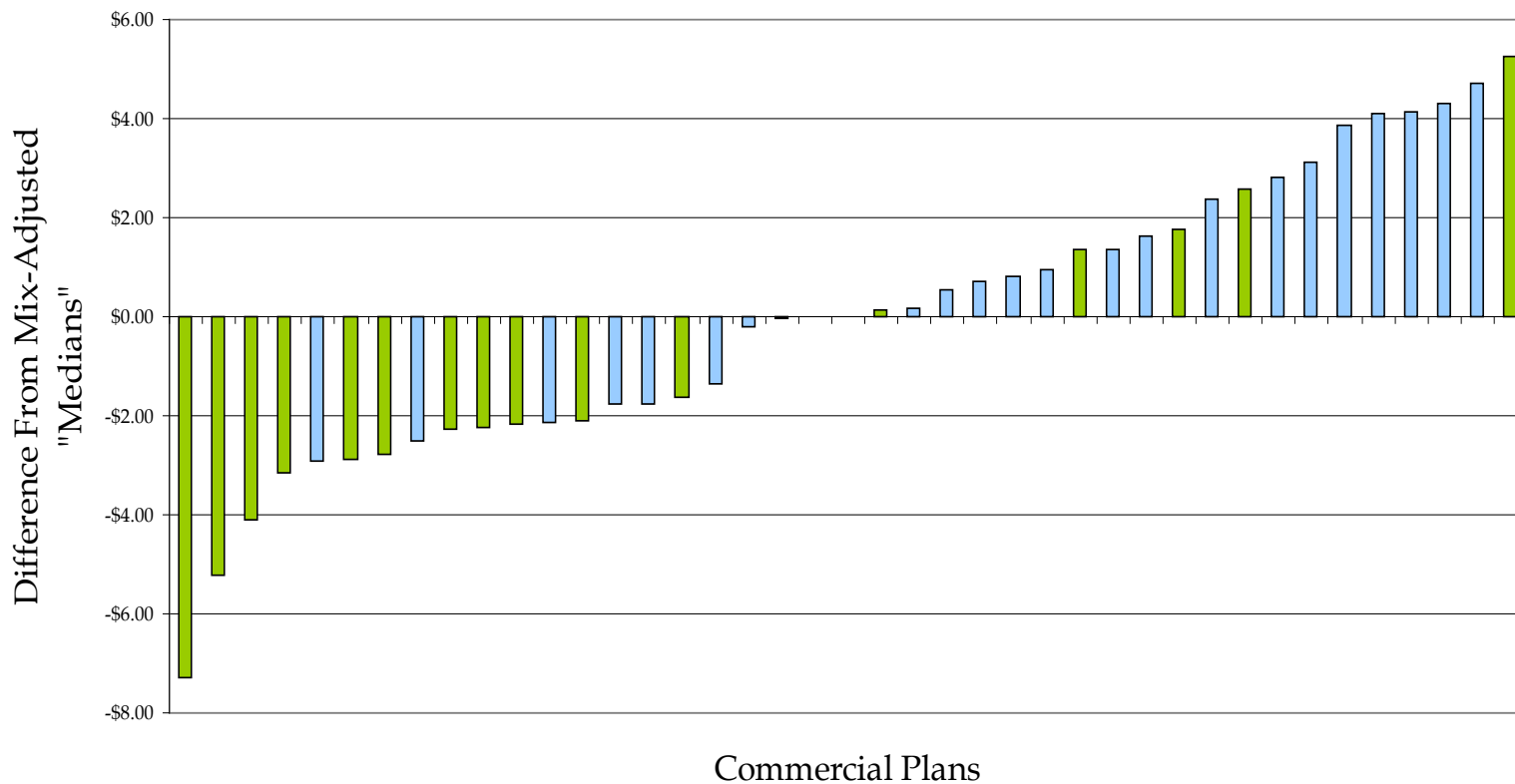
**Figure 2. World Congress Leadership Summit**  
Health Plan Account and Membership Administration By Size, Constant Mix



Blue: BCBS  
Green: IPS

# Type of Plan Does Not Affect Cost Difference

Figure 3. World Congress Leadership Summit  
Ranking of Health Plan Account and Membership Administration, Constant Mix



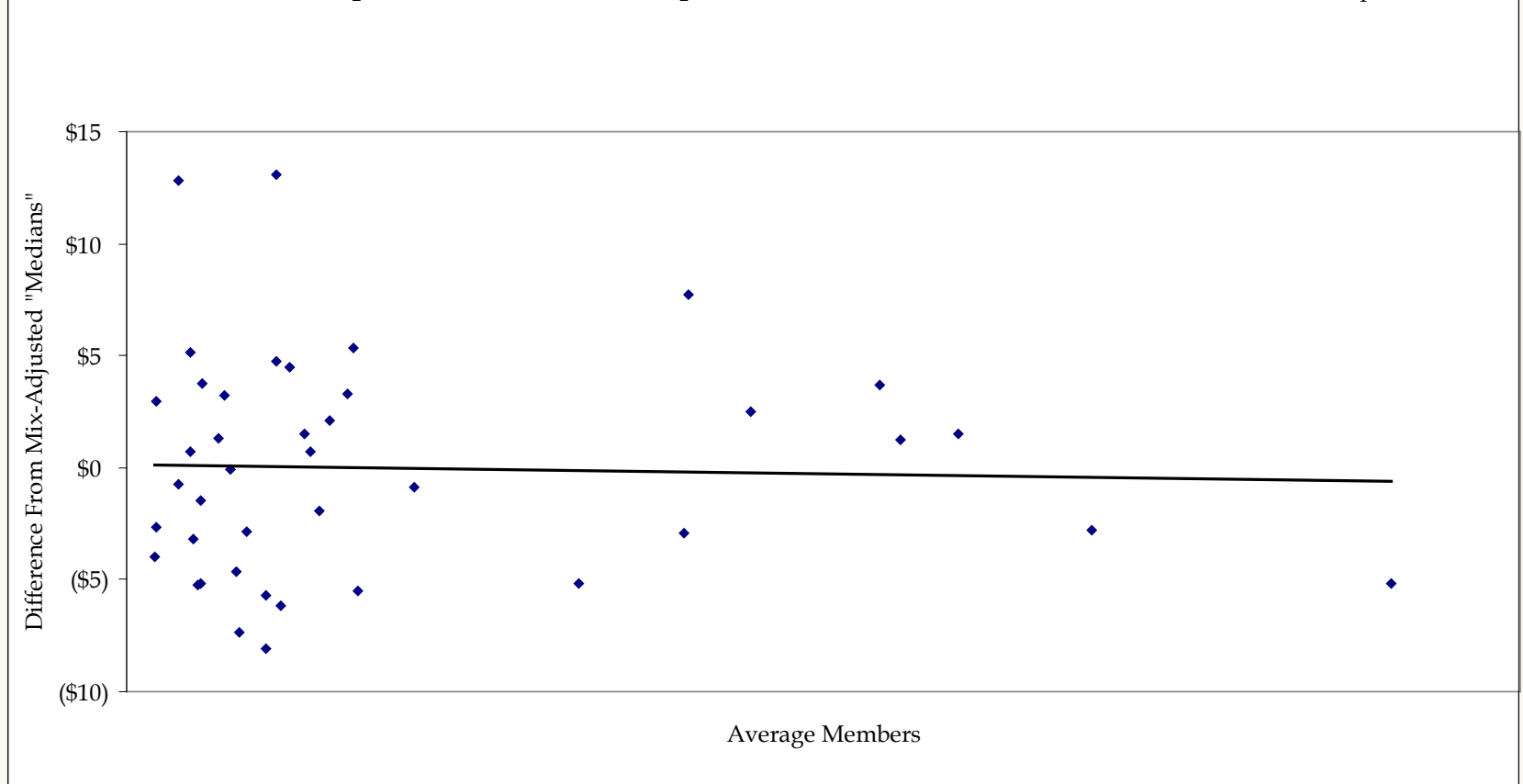
Blue: BCBS  
Green: IPS

# Even Including Corporate Services, Scale Makes No Difference

**Figure 4. World Congress Leadership Summit**

Account and Membership Administration & Corporate Services Versus Scale

$R^2 = 0.1\%$   
p-value=82.1%



# Outsourcing: One Strategy For Cost Management

**Figure 5. World Congress Leadership Summit**  
Trends in Outsourcing

	2007	2008	2009
Total Information Systems Expenditures (as expensed)	19.5%	20.1%	23.2%
(a) Information Systems Operations and Support Services	10.1%	15.9%	14.0%
(b) Information Systems Application and Maintenance	17.0%	20.9%	23.4%
(c) Information Systems Applications Acquisition and Development	31.9%	33.9%	32.9%
(d) IT Security Administration and Enforcement	5.3%	6.1%	10.8%
Total, All Functions	8.2%	8.7%	11.1%

Source: September 2010 Plan Management Navigator

