

SHERLOCK EXPENSE EVALUATION REPORT

2011 MEDICAID-ORIENTED PLANS EDITION **Volume I: Financial Metrics**

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[Sections 2-8 contain directories to locate specific product lines, expense categories or respondent characteristics.](#)

TAB 2. SUMMARY ANALYSES

This section summarizes the SEER financial benchmarks. It includes a summary of median values, a functional area summary and a year-over-year comparison.

The median values for each functional area and product are shown in this section. It is intended to provide an immediate and accessible metric of central tendency for administrative costs in each product / expense cell. If your plan has submitted data to this survey, median values are printed in black if the plan has favorable variance and red if it is unfavorable.

<i>Summary of Medians</i>	<i>Page</i>
Per Member Per Month	2
Percent of Revenue	4

The functional area summary provides a high level analysis by four functional area clusters. Data is organized by cluster and is presented on a per member per month and percent of revenue basis. It includes histograms illustrating the distribution of results for each of the product / expense cells. The blue vertical line is the median. If your plan has submitted data, a red vertical line represents your plan's value. All of the expense classifications reported by the respondents have been summarized as shown below.

Revenues are defined as premiums or self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses.

<i>Functional Area Summary</i>	<i>Page</i>
Medical and Provider Management	6
Provider Network Management and Services	
Medical Mgmt. / Quality Assurance / Wellness	
Account and Membership Administration	8
Enrollment / Membership / Billing	
Customer Services	
Claim and Encounter Capture and Adjudication	
Total Information System Expenditures (as expensed)	
Corporate Services	10
Finance and Accounting	
Actuarial	
Corporate Services	
Corporate Executive and Governance	
Association Dues and License/Filing Fees	
Subtotal - Core Functions	12
Sales and Marketing	14
Rating and Underwriting	
Product Development / Market Research	
Sales	
Commissions (external)	
Advertising and Promotion	
Subtotal - Before Miscellaneous Business Taxes	16
Miscellaneous Business Taxes	18
Total	20

A year-over-year comparison is also provided, showing expense trends since 2005. To assure comparability, only respondents reporting in both comparison years are reflected. Note that such plans are a subset of the universe as a whole.

<i>Year-over-Year Comparison</i>	<i>22</i>
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TAB 3. FUNCTIONAL EXPENSES, ACROSS PRODUCTS

This section provides an analysis of specific functional expenses across product lines. Values for each functional area are presented regardless of whether services are provided internally or outsourced. It is presented on a per member per month and percent of revenue basis. It includes histograms illustrating the distribution of results for each of the product / expense cells. The blue vertical line is the median. If your plan has submitted data, a red vertical line represents your plan's value.

Revenues are defined as premiums or self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses.

<i>Functional Area</i>	<i>Page</i>	<i>Functional Area</i>	<i>Page</i>
Core Functions			
Provider Network Management and Services	26	(c) Information Systems Applications Acquisition and Developmen	78
(a) Provider Relations Services	28	(d) IT Security Administration and Enforcement	80
(b) Provider Contracting	30	Finance and Accounting	82
(d) Other Provider Network Management and Services	32	Actuarial	84
Medical Mgmt. / Quality Assurance / Wellness	34	Corporate Services (HR, Facilities, Legal, Regulatory)	86
(a) Pre-Certification	36	(a) Human Resources	88
(b) Case Management	38	(b) Legal	90
(c) Disease Management	40	(c) Facilities	92
(d) Nurse-based Counseling	42	(i) Other Corporate Services	94
(e) Health and Wellness	44	Corporate Executive and Governance	96
(f) Quality Components	46	Association Dues and License/Filing Fees	98
(h) Utilization Review	48	Subtotal - Core Functions	100
(i) Other Medical Management	50		
Enrollment / Membership / Billing	52	Sales and Marketing - Related Functions	
(a) Enrollment and Membership	54	Rating and Underwriting	102
(b) Billing	56	Marketing (except Advertising and Promotion)	104
Customer Services	58	(a) Product Development and Market Research	106
(a) Member Services	60	(b) Member and Group Communication	108
(b) Printed Materials and Other	62	(c) Other Marketing	110
Claim and Encounter Capture and Adjudication	64	Sales	112
(a) Coordination of Benefits (COB) and Subrogation	66	Commissions (external)	114
(d) Imaging	68	Advertising and Promotion	116
(e) Other Claim and Encounter Capture and Adjudication	70	Subtotal - Marketing	118
Total Information System Expenditures (as expensed)	72	SUBTOTAL - Before Miscellaneous Business Taxes	120
(a) Information Systems Operations and Support Services	74	Miscellaneous Business Taxes	122
(b) Information System Application and Maintenance	76	TOTAL	124

TAB 4. FUNCTIONAL EXPENSES OF EACH PRODUCT, PMPM

This section provides an analysis of the expense composition of each product line. All expenses for each product line are included in each table. Data is presented on a per member per month basis. It includes a statistical analysis of expenses and stacked floating bar charts illustrating the distribution of results.

<i>Product</i>	<i>Page</i>
1. All Products	128
2. Comprehensive Total	133
3. Total Commercial Products	138
4. Insured Commercial Products	143
5. Medicaid Low Income	148
6. Medicaid SSI for Adults	153
7. Medicaid Child SSI	158
8. Medicaid Dual Eligible	163
9. Total Medicaid HMO	168
10. Medicaid Child Buy-In	173
11. Medicaid Family Buy-In	178
12. Medicaid Total	183
13. Commercial HMO, Insured	188
14. Commercial POS, Insured	193
15. Commercial Indemnity & PPO, Insured	198
16. Commercial ASO	203
17. Medicare Advantage	208
18. Medicare SNP	213
19. Medicare Total	218

TAB 5. FUNCTIONAL EXPENSES OF EACH PRODUCT, Percent of Revenue

This section provides an analysis of the expense composition of each product line. All expenses for each product line are included in each table. Data is presented on a per member per month basis. It includes a statistical analysis of expenses and stacked floating bar charts illustrating the distribution of results.

Revenues are defined as premiums or self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses.

<i>Product</i>	<i>Page</i>
1. All Products	224
2. Comprehensive Total	229
3. Total Commercial Products	234
4. Insured Commercial Products	239
5. Medicaid Low Income	244
6. Medicaid SSI for Adults	249
7. Medicaid Child SSI	254
8. Medicaid Dual Eligible	259
9. Total Medicaid HMO	264
10. Medicaid Child Buy-In	269
11. Medicaid Family Buy-In	274
12. Medicaid Total	279
13. Commercial HMO, Insured	284
14. Commercial POS, Insured	289
15. Commercial Indemnity & PPO, Insured	294
16. Commercial ASO	299
17. Medicare Advantage	304
18. Medicare SNP	309
19. Medicare Total	314

TAB 6. EXPENSES OF SPECIALTY AND OTHER SELF-CONTAINED SERVICES

This section provides an analysis of specialty and other self-contained net or total expenses across product lines. Data is presented to distinguish between whether services are provided internally or outsourced. Values are presented on a per member per month and percent of revenue basis. It includes histograms illustrating the distribution of results for each of the product / expense cells. The blue vertical line is the median. If your Plan has submitted data, a red vertical line represents your Plan's value.

Pharmacy and Mental Health Metrics : Revenues are defined as premiums or premium equivalents. Premiums and equivalents include pharmacy and mental health.

COB and Subrogation and Provider Audit / Billing Validation Metrics : Revenues are defined as premiums or premium equivalents excluding pharmacy and mental health.

	<i>Pharmacy</i>	<i>Page</i>	<i>Mental Health</i>	<i>Page</i>
Internal				
Administration	Administration	320	Administration	332
Benefits	Gross Benefits	322	Benefits	334
Rebates	Rebates	324		
Net Benefits	Net Benefits	326		
Total (or Net)	Total Internally Managed	328	Total Internally Managed	336
External				
Administration	Internal Contract Management		Internal Contract Management	
Benefits	Capitation		Capitation	
Total (or Net)	Total Outsourced		Total Outsourced	
Total	Combined Total	330	Combined Total	338
	<i>COB and Subrogation</i>			
Internal				
Administration	Recoveries	340		
Benefits	Administration	342		
Rebates				
Total (or Net)	Total Internally Managed	344		
External				
Administration	Recoveries Received			
Benefits	Internal Contract Management			
Total (or Net)	Net Recoveries, Outsourced			
Total	Combined Total	346		

TAB 7. COSTS OF MEDICAID PLANS OFFERED BY OTHER UNIVERSES

This section provides an analysis of Medicaid HMO plans that are offered by other universes in Sherlock Company's benchmarking study for 2011. Data is presented on a *per member per month* and a *percent of revenue* basis. It includes a statistical analysis of expenses and stacked floating bar charts illustrating the distribution of results.

Revenues are defined as premiums or self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses.

<i>Product</i>	<i>Page</i>
Expenses of Medicaid HMO Offered by Independent / Provider-Sponsored Plans	350
Expenses of Medicaid HMO Offered by Blue Cross Blue Shield Plans Plans	360
Expenses of Medicaid HMO Offered by Independent / Provider-Sponsored Plans and BCBS Plans	370
Expenses of Medicaid HMO Offered by All Plans	380

TAB 8. PARTICIPANT CHARACTERISTICS

This section provides a profile of the respondents. We summarize membership, groups served, revenues, medical expenses, profit margin and other key attributes.

<i>Characteristic</i>	<i>Page</i>
2010 Member Months (Individual and Group)	392
2010 Average Members - Individual and Group	393
2010 Average Members - Individual	394
2010 Average Members - Group	395
2010 Individual Membership as Percent of Total Product Membership	396
2010 Group Membership as Percent of Total Product Membership	397
2010 Average Number of Groups Served	398
2010 Average Group Size (Member Months / Groups Months)	399
Change in Average Membership	400
Mix - Member Months as a Percent of Comprehensive Total Member Months	401
Mix - Premiums and Self-Funded Fees as a Percent of Overall Total Premiums and Self-Funded Fees	402
Mix - Premiums and Premium Equivalents as a Percent of Overall Total Premiums and Premium Equivalents	403
Premiums/Self Funded Fees	404
Premium Equivalents (For ASO Calcs)	405
Premiums/Self Funded Fees (excluding Rx and M.H.)	406
Premiums/Premium Equivalents (excluding Rx and M.H.)	407
Premiums or Self Funded Fees PMPM	408
Premium & Premium Equivalents PMPM	409
Premiums/Self Funded Fees PMPM (excluding Rx and M.H.)	410
Premiums/Premium Equivalents PMPM (excluding Rx and M.H.)	411
Health and Other Benefit Costs PMPM	412
Health and Other Benefit Costs PMPM (excluding Rx and M.H.)	413
Health Benefits Ratio (Benefits / Premiums & Premium Equivalents)	414
Health Benefits Ratio (Benefits / Premiums & Premium Equivalents) (excluding Rx and M.H.)	415
Administrative Costs PMPM (excluding Rx and M.H.)	416
Administrative Expense Ratio (excluding Rx and M.H.)	417
Administrative Expense Ratio (Premium and Fees Including Rx and M.H.)	418
Administrative Expense Ratio (Premium Equivalents Including Rx and M.H.)	419
Administrative Expense Ratio (Premium Equivalents excluding Rx and M.H.)	420
Operating Earnings PMPM	421
Operating Margin	422