

SHERLOCK EXPENSE EVALUATION REPORT

2011 BLUE CROSS BLUE SHIELD EDITION

Volume I: Financial Metrics

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Sections 2-10 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>
Sales and Marketing	6
Rating and Underwriting	
Marketing	
Sales	
Commissions (external)	
Advertising and Promotion	
Medical and Provider Management	8
Provider Network Management and Services	
Medical Management / Quality Assurance / Wellness	
Account and Membership Administration	10
Enrollment / Membership / Billing	
Customer Services	
Claim and Encounter Capture and Adjudication	
Total Information Systems Expenditures (as expensed)	
Corporate Services	12
Finance and Accounting	
Actuarial	
Corporate Services	
Corporate Executive & Governance	
Association Dues and License / Filing Fees	
Miscellaneous Business Taxes	
Total Expenses	14
Year-over-Year Comparisons	16
Year-over-Year Comparisons	
Year-over-Year Comparisons, Product Mix-Adjusted	

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.

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>
Rating and Underwriting	20	Claim and Encounter Capture and Adjudication	78
(a) Employer Group Reporting	22	(a) Coordination of Benefits (COB) and Subrogation	80
(b) All Other Rating and Underwriting	24	(b) BlueCard Home and Custom Par Fees	82
Marketing	26	(c) Medicare Crossover Fees	84
(a) Product Development and Market Research	28	(e) Other Claim and Encounter Capture and Adjudication	86
(b) Member and Group Communication	30	Total Information Systems Expenditures (as expensed)	88
(c) Other Marketing	32	(a) Information Systems Operations and Support Services	90
Sales	34	(b) Information Systems Application and Maintenance	92
(a) Account Services	36	(c) Information Systems Applications Acquisition and Development	94
(b) Other Sales	38	(1) Stage III Amortization Costs	96
Commissions (external)	40	(2) Pre-Planning Project Costs	98
Advertising and Promotion	42	(d) IT Security Administration and Enforcement	100
Enrollment / Membership / Billing	44	Finance and Accounting	102
Customer Services	46	Actuarial	104
Provider Network Management and Services	48	Corporate Services	106
(a) Provider Relations Services	50	(a) Human Resources	108
(b) Provider Contracting	52	(b) Legal	110
(c) Provider Audit / Billing Validation	54	(c) Facilities	112
(d) Other Provider Network Management and Services	56	(d) OPEB	114
Medical Management / Quality Assurance / Wellness	58	(e) Audit	116
(a) Pre-Certification	60	(f) Purchasing	118
(b) Case Management	62	(g) Imaging	120
(c) Disease Management	64	(h) Printing and Mailroom	122
(d) Nurse-based Counseling	66	(i) Other Corporate Services	124
(e) Health and Wellness	68	Corporate Executive & Governance	126
(f) Quality Components	70	Association Dues and License / Filing Fees	128
(g) Medical Informatics	72	SUBTOTAL	130
(h) Utilization Review	74	Miscellaneous Business Taxes	132
(i) Other Medical Management	76	TOTAL	134

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*	138
2. Insured Commercial	142
3. ASO / ASC Commercial	146
4. Total Commercial	150
5. Comprehensive Total	154
6. Commercial HMO, Insured	158
7. Commercial HMO, ASO/ASC	162
8. Commercial POS, Insured	166
9. Commercial POS, ASO/ASC	170
10. Indemnity & PPO, Insured	174
11. Indemnity & PPO, ASO/ASC	178
12. FEP	182
13. Medicare Advantage	186
14. Medicaid HMO	190
15. Medicare Supplemental	194
16. Stand Alone Medicare Part D	198
17. Stand Alone Dental	202

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 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>
1. All Products*	208
2. Insured Commercial	212
3. ASO / ASC Commercial	216
4. Total Commercial	220
5. Comprehensive Total	224
6. Commercial HMO, Insured	228
7. Commercial HMO, ASO/ASC	232
8. Commercial POS, Insured	236
9. Commercial POS, ASO/ASC	240
10. Indemnity & PPO, Insured	244
11. Indemnity & PPO, ASO/ASC	248
12. FEP	252
13. Medicare Advantage	256
14. Medicaid HMO	260
15. Medicare Supplemental	264
16. Stand Alone Medicare Part D	268
17. Stand Alone Dental	272

*All Products consists of Comprehensive Total plus Stand-Alone Part D and Stand-Alone Dental.

TAB 6. FUNCTIONAL EXPENSES OF INDIVIDUAL PRODUCTS, SMALL GROUPS, MIDDLE MARKET AND NATIONAL ACCOUNTS

This provides an analysis of the expense composition of all products sold to individuals, national accounts, and small groups regardless of the products sold to them. Data is presented on a per member per month and percent of revenue basis. It includes floating stacked bar graphs illustrating the distribution of results.

Similar Middle Market exhibits are also provided. These results are inferred, however, rather than polled. Values are calculated as those of Commercial Insured products less Individual and Small Group. Note that we have implicitly assumed that Commercial ASO/ASC members are equivalent to Large Group. The combined Commercial Insured PMPM and Percent of Actual Revenue values are shown beginning on pages 142 and 212, respectively.

National Accounts are defined as Control Plan Accounts for the purposes of this study and should exclude FEP. National Accounts are customers (groups) with 5,000 or more employees and 10% or greater membership out of the plan's service area.

Here, revenues are defined as premiums or premium-equivalents. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses.

<i>Analysis</i>	<i>Page</i>
1. Individual Products, Per Member Per Month	278
2. Individual Products, Percent of Revenues	282
3. Small Groups, Per Member Per Month	286
4. Small Groups, Percent of Revenues	290
5. Middle Market, Per Member Per Month	294
6. Middle Market, Percent of Revenues	298
7. National Accounts, Per Member Per Month	302
8. National Accounts, Percent of Revenues	306

TAB 7. EXPENSES OF SPECIALTY, OTHER SELF-CONTAINED SERVICES AND HEALTH SAVINGS ACCOUNTS

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 Metrics : Revenues are defined as premiums or premium equivalents. Premiums and equivalents exclude pharmacy and mental health.

	<i>Pharmacy</i>	<i>Page</i>	<i>Mental Health</i>	<i>Page</i>
Internal				
Administration	Administration	312	Administration	322
Benefits	Gross Benefits	314	Benefits	324
Rebates	Rebates	316		
Total (or Net)	Total Internally Managed	318	Total Internally Managed	326
Outsourced				
Administration	Internal Contract Management	NA	Internal Contract Management	328
Benefits	Capitation	NA	Capitation	330
Total (or Net)	Total Outsourced	NA	Total Outsourced	332
Total	Combined Total	320	Combined Total	334
	<i>COB and Subrogation</i>		<i>Health Savings Accounts (HSAs)</i>	<i>Page</i>
Internal				
Administration	Recoveries	336	Average Membership	346
Benefits	Administration	338	Percent of Average Total Membership	346
Total (or Net)	Total (Net Recoveries), Internally Mgd.	340		
Outsourced				
Administration	Recoveries Received	NA		
Benefits	Internal Contract Management	NA		
Total (or Net)	Total (Net Recoveries), Outsourced	NA		
Total	Total Combined Net Recoveries	342		

TAB 8. STOP LOSS METRICS

Stop Loss insurance is often sold to self-insured (ASO/ASC) customers of health plans. Since stop-loss has different economic characteristics than ASO/ASC but they are often sold together, it can be illuminating to look at stop-loss and ASO/ASC products as though they were combined.

In this section, we report the proportion of ASO/ASC membership that purchases stop-loss coverage and the costs and revenues of the product on a stand-alone basis. We also report the combined economics of the ASO/ASC plus the stop loss insurance to get a complete view of these complementary products. These analyses are performed with and without prescription drug and mental health benefits, expenses and associated revenues.

<i>Metric</i>	<i>Page</i>
Stop-Loss Sold Members as a Percent of Total Self-Insured Members	348
Stop-Loss	
Including Pharmacy and Mental Health	348
Excluding Pharmacy and Mental Health	348
Self-Insured Fees Plus Stop-Loss	
Including Pharmacy and Mental Health	349
Excluding Pharmacy and Mental Health	349
Self-Insured Premium-Equivalents Plus Stop-Loss	
Including Pharmacy and Mental Health	350
Excluding Pharmacy and Mental Health	350

TAB 9. INFORMATION SYSTEMS EXPENSES, ALLOCATED BY SUPPORTED FUNCTIONAL AREA

This section provides an analysis of functional expenses, allocating Information Systems to the functional areas that it supports. These allocations are then analyzed to determine the impact on each functional area, how it varies between functional areas and the importance of staffing costs relative to the reallocated expenses.

This analysis is based on Comprehensive Total data. Revenues are defined as premiums and self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses. "Loaded" means that the information systems allocations have been added to the reported functional area costs.

<u>Analysis</u>	<u>Page</u>
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TAB 10. PARTICIPANT CHARACTERISTICS

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

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2010 Member Months - Individual and Group	378
2010 Average Members - Individual and Group	379
2010 Average Members - Individual	380
2010 Average Members - Group	381
2010 Individual Membership as Percent of Total Product Membership	382
2010 Group Membership as Percent of Total Product Membership	383
2010 Average Number of Groups Served	384
2010 Average Group Size (Group Members / Groups)	385
Change in Average Membership	386
Change in Average Number of Groups Served	387
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Mix - Premiums and Self-Funded Fees as a Percent of Overall Total Premiums and Self-Funded Fees	389
Mix - Premiums and Premium Equivalents as a Percent of Overall Total Premiums and Premium Equivalents	390
Premiums/Self Funded Fees	391
Premium Equivalents	392
Premiums/Self Funded Fees (excluding Rx and M.H.)	393
Premiums/Premium Equivalents (excluding Rx and M.H.)	394
Premiums or Self Funded Fees PMPM	395
Premium & Premium Equivalents PMPM	396
Premiums/Self Funded Fees PMPM (excluding Rx and M.H.)	397
Premiums/Premium Equivalents PMPM (excluding Rx and M.H.)	398
Health and Other Benefit Costs PMPM	399
Health and Other Benefit Costs PMPM (excluding Rx and M.H.)	400
Health Benefits Ratio (Benefits / Premiums & Premium Equivalents)	401
Health Benefits Ratio (Benefits / Premiums & Premium Equivalents) (excluding Rx and M.H.)	402
Administrative Costs PMPM (excluding Rx and M.H.)	403
Administrative Expense Ratio (Premiums and Fees excluding Rx and M.H.)	404
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