

SHERLOCK EXPENSE EVALUATION REPORT

2011 LARGER PLANS 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 (except Advertising and Promotion)	
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
<i>Year-over-Year Comparisons</i>	<i>16</i>
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 (except Advertising and Promotion)	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 Devel	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. Medicare Supplemental	190
15. Stand Alone Medicare Part D	194
16. Stand Alone Dental	198

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*	204
2. Insured Commercial	208
3. ASO / ASC Commercial	212
4. Total Commercial	216
5. Comprehensive Total	220
6. Commercial HMO, Insured	224
7. Commercial HMO, ASO/ASC	228
8. Commercial POS, Insured	232
9. Commercial POS, ASO/ASC	236
10. Indemnity & PPO, Insured	240
11. Indemnity & PPO, ASO/ASC	244
12. FEP	248
13. Medicare Advantage	252
14. Medicare Supplemental	256
15. Stand Alone Medicare Part D	260
16. Stand Alone Dental	264

*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 208, 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>
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3. Small Groups, Per Member Per Month	278
4. Small Groups, Percent of Revenues	282
5. Middle Market, Per Member Per Month	286
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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	304	Administration	314
Benefits	Gross Benefits	306	Benefits	316
Rebates	Rebates	308		
Total (or Net)	Total Internally Managed	310	Total Internally Managed	318
Outsourced				
Administration	Internal Contract Management	NA	Internal Contract Management	NA
Benefits	Capitation	NA	Capitation	NA
Total (or Net)	Total Outsourced	NA	Total Outsourced	NA
Total	Combined Total	312	Combined Total	320
	<i>COB and Subrogation</i>		<i>Health Savings Accounts (HSAs)</i>	<i>Page</i>
Internal				
Administration	Recoveries	NA	Average Membership	NA
Benefits	Administration	NA	Percent of Average Total Membership	NA
Total (or Net)	Total (Net Recoveries), Internally Mgd.	NA		
Outsourced				
Administration	Recoveries Received	NA		
Benefits	Internal Contract Management	NA		
Total (or Net)	Total (Net Recoveries), Outsourced	NA		
Total	Total Combined Net Recoveries	NA		

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	324
Stop-Loss	
Including Pharmacy and Mental Health	324
Excluding Pharmacy and Mental Health	324
Self-Insured Fees Plus Stop-Loss	
Including Pharmacy and Mental Health	325
Excluding Pharmacy and Mental Health	325
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Including Pharmacy and Mental Health	326
Excluding Pharmacy and Mental Health	326

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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	328
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2010 Group Membership as Percent of Total Product Membership	333
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Mix - Member Months as a Percent of Comprehensive Total Member Months	338
Mix - Premiums and Self-Funded Fees as a Percent of Overall Total Premiums and Self-Funded Fees	339
Mix - Premiums and Premium Equivalents as a Percent of Overall Total Premiums and Premium Equivalents	340
Premiums/Self Funded Fees	341
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Premiums/Self Funded Fees (excluding Rx and M.H.)	343
Premiums/Premium Equivalents (excluding Rx and M.H.)	344
Premiums or Self Funded Fees PMPM	345
Premium & Premium Equivalents PMPM	346
Premiums/Self Funded Fees PMPM (excluding Rx and M.H.)	347
Premiums/Premium Equivalents PMPM (excluding Rx and M.H.)	348
Health and Other Benefit Costs PMPM	349
Health and Other Benefit Costs PMPM (excluding Rx and M.H.)	350
Health Benefits Ratio (Benefits / Premiums & Premium Equivalents)	351
Health Benefits Ratio (Benefits / Premiums & Premium Equivalents) (excluding Rx and M.H.)	352
Administrative Costs PMPM (excluding Rx and M.H.)	353
Administrative Expense Ratio (Premiums and Fees excluding Rx and M.H.)	354
Administrative Expense Ratio (Premium and Fees including Rx and M.H.)	355
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