

# *SHERLOCK EXPENSE EVALUATION REPORT*

## **2011 MEDICARE-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	3

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 System 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. Data is presented to account for 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 attributable to pharmacy and mental health.

<i>Functional Area</i>	<i>Page</i>	<i>Functional Area</i>	<i>Page</i>
Rating and Underwriting	20	(f) Quality Components	68
Marketing	22	(h) Utilization Review	70
(a) Product Development and Market Research	24	(i) Other Medical Management	72
(b) Member and Group Communication	26	Claim and Encounter Capture and Adjudication	74
(c) Other Marketing	28	(a) Coordination of Benefits (COB) and Subrogation	76
Sales	30	(d) Imaging	78
Commissions (external)	32	(e) Other Claim and Encounter Capture and Adjudication	80
Advertising and Promotion	34	Total Information System Expenditures (as expensed)	82
Enrollment / Membership / Billing	36	(a) Information Systems Operations and Support Services	84
(a) Enrollment and Membership	38	(b) Information System Application and Maintenance	86
(b) Billing	40	(c) Information Systems Applications Acquisition and Developmen	88
Customer Services	42	(d) IT Security Administration and Enforcement	90
(a) Member Services	44	Finance and Accounting	92
(b) Printed Materials and Other	46	Actuarial	94
Provider Network Management and Services	48	Corporate Services	96
(a) Provider Relations Services	50	(a) Human Resources	98
(b) Provider Contracting	52	(b) Legal	100
(d) Other Provider Network Management and Services	54	(c) Facilities	102
Medical Mgmt. / Quality Assurance / Wellness	56	(i) Other Corporate Services	104
(a) Pre-Certification	58	Corporate Executive & Governance	106
(b) Case Management	60	Association Dues and License/Filing Fees	108
(c) Disease Management	62	<b>SUBTOTAL - Before Miscellaneous Business Taxes</b>	110
(d) Nurse-based Counseling	64	Miscellaneous Business Taxes	112
(e) Health and Wellness	66	<b>TOTAL</b>	114

**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. Comprehensive Total	118
2. Total Commercial	121
3. Insured Commercial	124
4. ASO/ASC Commercial	127
5. Public Sector	130
6. Medicare Advantage	133
7. Medicare PFBS	136
8. Medicare SNP	139
9. Medicare Total	142
10. Commercial HMO, Insured	145
11. Commercial POS, Insured	148
12. Commercial Indemnity & PPO, Insured	151
13. Medicaid HMO	154
14. Stand Alone Medicare Part D	157

**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. Comprehensive Total	162
2. Total Commercial	165
3. Insured Commercial	168
4. ASO/ASC Commercial	171
5. Public Sector	174
6. Medicare Advantage	177
7. Medicare PFFS	180
8. Medicare SNP	183
9. Medicare Total	186
10. Commercial HMO, Insured	189
11. Commercial POS, Insured	192
12. Commercial Indemnity & PPO, Insured	195
13. Medicaid HMO	198
14. Stand Alone Medicare Part D	201

## 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 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>
<b>Internal</b>				
Administration	Administration	206	Administration	216
Benefits	Gross Benefits	208	Benefits	218
Rebates	Rebates	210		
Total (or Net)	Total Internally Managed	212	Total Internally Managed	220
<b>Outsourced</b>				
Administration	Internal Contract Management	NA	Internal Contract Management	NA
Benefits	Capitation	NA	Capitation	222
Total (or Net)	Total Outsourced	NA	Total Outsourced	NA
<b>Total</b>	<b>Combined Total</b>	<b>214</b>	<b>Combined Total</b>	<b>224</b>
	<i>COB and Subrogation</i>	<i>Page</i>		
<b>Internal</b>				
Administration	Recoveries	226		
Benefits	Administration	228		
Total (or Net)	Total (Net Recoveries), Intern. Mgd.	230		
<b>Outsourced</b>				
Administration	Recoveries Received	NA		
Benefits	Internal Contract Management	NA		
Total (or Net)	Total (Net Recoveries), Outsourced	NA		
<b>Total</b>	<b>Combined Total (Net Recoveries)</b>	<b>232</b>		

## TAB 7. COSTS OF MEDICARE ADVANTAGE PLANS OFFERED BY OTHER UNIVERSES

This section provides an analysis of Medicare Advantage plans that are offered by other universes in Sherlock Company's benchmarking study for 2010. 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>Universe</i>	<i>Page</i>
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<i>Per Member Per Month</i>	236
<i>Percent of Revenue</i>	239
Blue Cross Blue Shield Plans	
<i>Per Member Per Month</i>	242
<i>Percent of Revenue</i>	245
Independent / Provider-Sponsored Plans and BCBS Plans	
<i>Per Member Per Month</i>	248
<i>Percent of Revenue</i>	251
Medicare, Medicaid, Independent / Provider-Sponsored Plans and BCBS Plans	
<i>Per Member Per Month</i>	254
<i>Percent of Revenue</i>	257

## TAB 8. PARTICIPANT CHARACTERISTICS

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

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2010 Group Membership as Percent of Total Product Membership	267
2010 Average Number of Groups Served	268
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Premiums or Self Funded Fees PMPM	279
Premium & Premium Equivalents PMPM	280
Premiums/Self Funded Fees PMPM (excluding Rx and M.H.)	281
Premiums/Premium Equivalents PMPM (excluding Rx and M.H.)	282
Health and Other Benefit Costs PMPM	283
Health and Other Benefit Costs PMPM (excluding Rx and M.H.)	284
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Health Benefits Ratio (Benefits / Premiums & Premium Equivalents) (excluding Rx and M.H.)	286
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