

SHERLOCK EXPENSE EVALUATION REPORT

2011 TPA EDITION

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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.

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 TPA has submitted data to this survey, median values are printed in black if the TPA has favorable variance and red if it is unfavorable.

TPAs are notable for the flexibility of their offerings to benefit plan sponsors. Therefore, costs are segmented to reflect this. "Core" administrative services are those that are offered to each employee or member. The products, such as Medical, Dental, Vision and so forth can each be offered to clients on a stand-alone basis. "Non-Core" administrative services are supplemental to "Core" services. These services include Medical Management and Provider Network Management and Services, among others. These products are typically not sold on a stand-alone basis but their offering is normally contingent upon client use of the associated core services. Put a different way, it is possible (though only hypothetically) that members or employees of various core services are mutually exclusive, while people served through non-core services are subsets of those employing core services.

<i>Summary of Medians</i>	<i>Page</i>
Per Member Per Month	2
Per Employee Per Month	4
Percent of Revenue	5

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, per employee 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 rebates, overrides, fees and all other revenues

<i>Functional Area Summary</i>	<i>Page</i>
Sales and Marketing	6
Employer Group Reporting	
Marketing	
Sales	
Advertising and Promotion	
Account and Membership Administration	9
Enrollment / Membership / Billing	
Customer Services	
Claim and Encounter Capture and Adjudication	
Total Information Systems Expenditures (as expensed)	
Corporate Services	12
Finance and Accounting	
Corporate Services	
Corporate Executive & Governance	
Miscellaneous Business Taxes	
Total Core Expenses	15

TAB 3. FUNCTIONAL EXPENSES, ACROSS PRODUCTS, Per Member Per Month, Per Employee Per Month and Per Group Per Month

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 per employee per month basis. Select functional areas are presented on a Per Group Served 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 TPA has submitted data, a red vertical line represents your TPA's value.

All per member or per employee values of non-core services use only the non-core users as a denominator.

<i>Functional Area</i>	<i>Page</i>	<i>Functional Area</i>	<i>Page</i>
<i>Core Administrative Services</i>		<i>Non-Core Administrative Services</i>	
Employer Group Reporting	20	Medical Management / Quality Assurance / Wellness	80
Marketing	22	(a) Pre-Certification	82
Sales	24	(b) Case Management	84
(a) Account Services	26	(c) Disease Management	86
(b) Other Sales	28	(d) Health and Wellness	88
Advertising and Promotion	30	(e) Other Medical Management	90
Enrollment / Membership / Billing	32	Provider Network Management and Services	92
Customer Services	34	(a) Provider Relations Services and Provider Contracting	94
Claim and Encounter Capture and Adjudication	36	(b) Other Provider Network Management and Services	96
(a) Registration & Validation	38	COBRA and HIPAA Administration	98
(b) Processing	40	Mental Health Administration	100
(c) Payment	42		
(d) Provider Maintenance and PPO Repricing	44		
(e) Claims Screening	46		
Total Information Systems Expenditures (as expensed)	48	Functional Expenses, Across Products, Per Group Per Month	
(a) IS Operations & Support Services (incl. App. & Main.)	50		
(b) IS Applications Acquisition and Development	52	<i>Functional Area</i>	<i>Page</i>
Finance and Accounting	54	<i>Core Administrative Services</i>	
(a) Fund Accounting for Self-Insured Accounts	56	Employer Group Reporting	103
(b) Other Finance and Accounting	58	Sales	104
Corporate Services	60	(a) Account Services	105
(a) Human Resources	62	(b) Other Sales	106
(b) Legal and Compliance	64	Enrollment / Membership / Billing	107
(c) Facilities	66	Total Information Systems Expenditures (as expensed)	108
(d) Printing and Mailroom	68	(a) IS Operations & Support Services (incl. App. & Main.)	109
(e) Other Corporate Services	70	(b) IS Applications Acquisition and Development	110
Corporate Executive & Governance	72	Finance and Accounting	
<i>SUBTOTAL</i>	74	(a) Fund Accounting for Self-Insured Accounts	111
Miscellaneous Business Taxes	76	Corporate Services	
<i>TOTAL CORE EXPENSES</i>	78	(b) Legal and Compliance	112

TAB 4. FUNCTIONAL EXPENSES, ACROSS PRODUCTS, Percent of Core or Non-Core Revenue

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 as a 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 TPA has submitted data, a red vertical line represents your TPA's value.

Revenues includes Rebates and Overrides and Fees and All Other Revenue.

Revenue denominators relate to the services provided. Thus, costs of core administrative services are expressed as a percent of core revenues and the cost of each non-core services is expressed as a percent of the revenue for those services.

<i>Functional Area</i>	<i>Page</i>	<i>Functional Area</i>	<i>Page</i>
<i>Core Administrative Services</i>		<i>Non-Core Administrative Services</i>	
Employer Group Reporting	114	Medical Management / Quality Assurance / Wellness	144
Marketing	115	(a) Pre-Certification	145
Sales	116	(b) Case Management	146
(a) Account Services	117	(c) Disease Management	147
(b) Other Sales	118	(d) Health and Wellness	148
Advertising and Promotion	119	(e) Other Medical Management	149
Enrollment / Membership / Billing	120	Provider Network Management and Services	150
Customer Services	121	(a) Provider Relations Services and Provider Contracting	151
Claim and Encounter Capture and Adjudication	122	(b) Other Provider Network Management and Services	152
(a) Registration & Validation	123	COBRA and HIPAA Administration	153
(b) Processing	124	Mental Health Administration	154
(c) Payment	125		
(d) Provider Maintenance and PPO Repricing	126		
(e) Claims Screening	127		
Total Information Systems Expenditures (as expensed)	128		
(a) IS Operations & Support Services (incl. App. & Main.)	129		
(b) IS Applications Acquisition and Development	130		
Finance and Accounting	131		
(a) Fund Accounting for Self-Insured Accounts	132		
(b) Other Finance and Accounting	133		
Corporate Services	134		
(a) Human Resources	135		
(b) Legal and Compliance	136		
(c) Facilities	137		
(d) Printing and Mailroom	138		
(e) Other Corporate Services	139		
Corporate Executive & Governance	140		
<i>SUBTOTAL</i>	141		
Miscellaneous Business Taxes	142		
<i>TOTAL CORE EXPENSES</i>	143		

TAB 5. FUNCTIONAL EXPENSES OF EACH PRODUCT, PMPM and PEPM

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

All per member or per employee values of non-core services use only the non-core users as a denominator.

<i>Product</i>	<i>Page</i>
<i>Per Core or Non-Core Member Per Month</i>	
1. Medical	156
2. Dental	160
3. Vision	164
4. Pharmacy	168
5. Short-Term Disability	172
6. FSA Administration	175
7. Student Health Administration	178
8. Other	182
9. Total, All Lines	185
<i>Per Core or Non-Core Employee Per Month</i>	
1. Medical	190
2. Dental	194
3. Vision	198
4. Pharmacy	202
5. Short-Term Disability	206
6. FSA Administration	209
7. Student Health Administration	212
8. Other	216
9. Total, All Lines	219

TAB 6. FUNCTIONAL EXPENSES OF EACH PRODUCT, Percent of Core or Non-Core 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 as percent of revenue. It includes a statistical analysis of expenses and stacked floating bar charts illustrating the distribution of results.

Revenues includes Rebates and Overrides and Fees and All Other Revenue.

Revenue denominators relate to the services provided. Thus, costs of core administrative services are expressed as a percent of core revenues and the cost of each non-core services is expressed as a percent of the revenue for those services.

<i>Product</i>	<i>Page</i>
<hr/>	
<i>Percent of Core or Non-Core Revenue by Product</i>	
1. Medical	224
2. Dental	228
3. Vision	232
4. Pharmacy	236
5. Short-Term Disability	240
6. FSA Administration	243
7. Student Health Administration	246
8. Other	250
9. Total, All Lines	253

TAB 7. COSTS OF COMPARABLE SERVICES OFFERED THROUGH SIMILAR PRODUCTS OF OTHER UNIVERSES

This section shows the costs of similar services of ASO/ASC products 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. Rating and Underwriting, Broker Commissions, and Actuarial have been omitted from other universes for comparability with TPA reporting conventions. Non-core administrative services as a percent of revenue have also been omitted from other universes due to limitation of revenue data for these services. This set of analyses include a statistical analyses of expenses and stacked floating bar charts illustrating the distributions of results.

Non-Core expenses from other universes are assumed provided to core members. No per-employee data is available from the comparable universes.

<i>Analysis</i>	<i>Page</i>
TPA-Comparable Expenses of Commercial Medical ASO Offered by Independent/Provider-Sponsored Plans	
Per Member Per Month	258
Percent of Revenue	262
TPA-Comparable Expenses of Commercial Medical ASO/ASC Offered by Blue Cross Blue Shield Plans	
Per Member Per Month	265
Percent of Revenue	269
TPA-Comparable Expenses of Commercial Medical ASO/ASC Offered by Independent/Provider-Sponsored and BCBS Plans	
Per Member Per Month	272
Percent of Revenue	276
TPA-Comparable Expenses of Commercial Medical ASO/ASC Offered by All Plans	
Per Member Per Month	279
Percent of Revenue	283
TPA-Comparable Expenses of Stand-Alone Dental Offered by Blue Cross Blue Shield Plans	
Per Member Per Month	286
Percent of Revenue	290

TAB 8. OPERATIONAL METRICS

This section provides an various Operational Metrics for Core and Non-Core Administrative services.

<i>Metric</i>	<i>Page</i>
Enrollment Cost Summary	
Medical Enrollment Transactions per Medical Member	296
x Medical Members per Enrollment FTE	296
= Medical Enrollment Transactions per Enrollment FTE per Year	296
x Medical Enrollment Cost per Medical Enrollment Transaction	296
= Total Enrollment Costs per Enrollment FTE	296
x Enrollment FTEs per 10,000 Medical Members	296
= Medical Enrollment Costs per Medical Member per Month	296
Adjusted Enrollment Cost Summary	
Total Enrollment Transactions per Adjusted Total Member	296
x Adjusted Total Members per Enrollment FTE	296
= Total Enrollment Transactions per Enrollment FTE per Year	296
x Total Enrollment Cost per Total Enrollment Transaction	296
= Total Enrollment Costs per Enrollment FTE	296
x Enrollment FTEs per 10,000 Adjusted Total Members	296
= Total Enrollment Costs per Adjusted Total Member per Month	296
Enrollment Cost Summary	
Total Staffing Cost per Total FTE	297
+ Total Non-Staffing Costs per Total FTE	297
= Total Enrollment Costs per Enrollment FTE	297
x Enrollment FTEs per 10,000 Medical Members	297
= Medical Enrollment Costs per Medical Member per Month	297
Enrollment Transactions per Member	298
Enrollment Transactions per Employee Served	299
Enrollment Cost per Enrollment Transaction	300
Customer Services Cost Summary	
Medical Customer Services Inquiries per Medical Member	301
x Medical Members per Customer Services FTE	301
= Medical Customer Services Inquiries per CS FTE per Year	301
x Medical Customer Services Cost per Medical CS Inquiry	301
= Total Customer Services Costs per CS FTE	301
x CS FTEs per 10,000 Medical Members	301
= Medical CS Costs per Medical Member per Month	301
Adjusted Customer Services Cost Summary	
Total Customer Services Inquiries per Adjusted Total Member	301
x Adjusted Total Members per Customer Services FTE	301
= Total Customer Services Inquiries per CS FTE per Year	301
x Total Medical Customer Services Cost per Total CS Inquiry	301
= Total Customer Services Costs per CS FTE	301
x CS FTEs per 10,000 Adjusted Total Members	301
= Total CS Costs per Adjusted Total Member per Month	301

<i>Metric</i>	<i>Page</i>
Customer Service Cost Summary	
Total Staffing Cost per Total FTE	302
+ Total Non-Staffing Costs per Total FTE	302
= Total Customer Services Costs per CS FTE	302
x CS FTEs per 10,000 Medical Members	302
= Medical Customer Service Cost per Member per Month	302
Customer Services Inquiries per Member	303
Customer Services Inquiries per Employee Served	304
Customer Services Cost per Customer Services Inquiry	305
Customer Services Inquiries per Claim Processed	306
Claims Processed Cost Summary	
Medical Claims Processed per Medical Member	307
x Medical Members per Claims FTE	307
= Medical Claims Processed per Claims FTE per Year	307
x Medical Claims Cost per Medical Claim Processed	307
= Total Claims Costs per Claims FTE	307
x Claims FTEs per 10,000 Medical Members	307
= Medical Claims Costs per Medical Member per Month	307
Adjusted Claims Processed Cost Summary	
Total Claims Processed per Adjusted Total Member	307
x Adjusted Total Members per Claims FTE	307
= Total Claims Processed per Claims FTE per Year	307
x Total Claims Cost per Total Claim Processed	307
= Total Claims Costs per Claims FTE	307
x Claims FTEs per 10,000 Adjusted Total Members	307
= Total Claims Costs per Adjusted Total Member per Month	307
Non-Autoadjudicated Claims Processed Cost Summary	
Medical Non-Autoadjudicated Claims Processed per Medical Member	308
x Medical Members per Claims FTE	308
= Med. Non-Autoadjudicated Claims Processed per Claims FTE per Year	308
x Medical Claims Cost per Medical Non-Autoadjudicated Claims Processed	308
= Medical Claims Cost per Medical Non-Autoadjudicated Claims Processed	308
x Claims FTEs per 10,000 Medical Members	308
= Medical Claims Costs per Medical Member per Month	308
Adjusted Non-Autoadjudicated Claims Processed Cost Summary	
Total Non-Autoadjudicated Claims Processed per Adjusted Total Member	308
x Adjusted Total Members per Claims FTE	308
= Total Non-Autoadjud. Claims Processed per Claims FTE per Year	308
x Total Claims Cost per Total Non-Autoadjud. Claims Processed	308
= Total Claims Costs per Claims FTE	308
x Claims FTEs per 10,000 Adjusted Total Members	308
= Total Claims Costs per Adjusted Total Member per Month	308

<i>Metric</i>	<i>Page</i>
Claims Processed Summary	
Total Staffing Cost per Total FTE	309
+ Total Non-Staffing Costs per Total FTE	309
= Total Claims Costs per Claims FTE	309
x Claims FTEs per 10,000 Medical Members	309
= Medical Claims Costs per Medical Member per Month	309
Claims Processed per Member	310
Claims Processed per Employee Served	311
Claims Cost per Claim Processed	312
Non-Autoadjudicated Claims Processed per Member	313
Non-Autoadjudicated Claims Processed per Employee Served	314
Claims Cost per Non-Autoadjudicated Claim Processed	315
Auto-Adjudicated Claims per Member	316
Auto-Adjudicated Claims per Employee Served	317
Auto-Adjudicated Claims as Percent of Claims Processed	318
Prescriptions	
Scripts per Member	319
Scripts per Employee Served	319
Total Pharmacy Core Costs per Script	319
Provider Services Cost Summary	
Medical Provider Services Inquiries per Medical Member	320
x Medical PS Members per Provider Services FTE	320
= Medical Provider Services Inquiries per Provider Services FTE per Year	320
x Medical Provider Services Cost per Medical Provider Services Inquiries	320
= Total Provider Services Costs per Provider Services FTE	320
x Provider Services FTEs per 10,000 PS Medical Members	320
= Medical Provider Services Costs per Member per Month	320
Adjusted Provider Services Cost Summary	
Total Provider Services Inquiries per Adjusted Total Member	320
x Adjusted Total PS Members per Provider Services FTE	320
= Total Provider Services Inquiries per Provider Services FTE per Year	320
x Total Provider Services Cost per Total Provider Services Inquiries	320
= Total Provider Services Costs per Provider Services FTE	320
x Services FTEs per 10,000 PS Adjusted Total Members	320
= Total Provider Services Costs per Adjusted Total Member per Month	320
Provider Services Cost Summary	
Total Staffing Cost per Total FTE	321
+ Total Non-Staffing Costs per Total FTE	321
= Total Provider Services Costs per Provider Services FTE	321
x Provider Services FTEs per 10,000 PS Medical Members	321
= Medical Provider Services Costs per Medical Member per Month	321
Provider Service Inquiries per Provider Service Member	322
Provider Service Inquiries per Provider Service Employee Served	323
Provider Services Cost per Provider Services Inquiry	324

TAB 9. STAFFING METRICS FOR CORE AND NON-CORE ADMINISTRATIVE SERVICES

This section provides an analysis of staffing costs and ratios.

It includes a statistical analysis of expenses and stacked floating bar charts illustrating the distribution of results.

<i>Metrics</i>	<i>Page</i>
1. Internal Staffing Costs per Internal FTE	326
2. Estimated Outsourced Staffing Costs per Outsourced FTE	330
3. Staffing Costs per Total FTE	334
4. Estimated Outsourced Staffing Costs as a Percent of Total Staffing Costs	338
5. Staffing Costs Per Medical Member Per Month	342
6. Staffing Costs Per Medical Employee per Month	346
7. Internal Staffing Costs as a Percent of Total Functional Costs	350
8. Estimated Outsourced Staffing Costs as a Percent of Total Functional Costs	354
9. Staffing Costs as a Percent of Total Functional Costs	358

Staffing Ratios

<i>Metric</i>	<i>Page</i>
1. Internal FTEs per 10,000 Medical Members	364
2. Estimated Outsourced FTEs per 10,000 Medical Members	368
3. FTEs per 10,000 Medical Members	372
4. Internal FTEs per 10,000 Medical Employees	376
5. Estimated Outsourced FTEs per 10,000 Medical Employees	380
6. FTEs per 10,000 Medical Employees	384
7. Estimated Outsourced FTEs as a Percent of Total FTEs	388
8. FTEs per 10,000 Adjusted Total Members	392

Adjusted Total Members are Medical Members plus other stand-alone product members converted into medical-equivalent members.

TAB 10. PARTICIPANT CHARACTERISTICS

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

<i>Characteristic</i>	<i>Page</i>
2010 Core Member Months	398
2010 Core Average Members	399
2010 Core Employee Months Served	400
2010 Core Average Employees Served	401
2010 Core Average Groups Served	402
Average Group Size (Members/Groups)	403
Average Contract Size (Members/Employees)	404
Mix - Total Product Core Revenues as a Percent of Overall Total Product Core Revenues	405
Percent of Core Rebates and Overrides to Total Core Revenues	406
Percent of Core Fees and All Other Revenues to Total Core Revenues	407
Total Core Rebates and Overrides	408
Total Core Fees and All Other Revenues	409
Total Core Revenues	410
Total Core Revenues PMPM	411
Total Core Revenues PEPM	412
Core Administrative Costs PMPM	413
Core Administrative Costs PEPM	414
Core Administrative Expense as a Percent of Core Revenue	415
Total Core Operating Profit	416
Core Operating Earnings PMPM	417
Core Operating Earnings PEPM	418
Core Operating Margin	419
Proportion of Core Members in Non-Core Services	
Medical Management / Quality Assurance / Wellness	420
Provider Network Management and Services	421
COBRA and HIPAA Administration	422
Mental Health Administration	423
Proportion of Core Employees Served in Non-Core Services	
Medical Management / Quality Assurance / Wellness	424
Provider Network Management and Services	425
COBRA and HIPAA Administration	426
Mental Health Administration	427
Proportion of Core Revenues in Non-Core Services	
Medical Management / Quality Assurance / Wellness	428
Provider Network Management and Services	429
COBRA and HIPAA Administration	430
Mental Health Administration	431
Non-Core Operating Margin	
Medical Management / Quality Assurance / Wellness	432
Provider Network Management and Services	433
COBRA and HIPAA Administration	434
Mental Health Administration	435
Total Operating Margin	436
Membership Adjustment Factor (as a percent of Medical Membership), by Product	437