

# *SHERLOCK EXPENSE EVALUATION REPORT*

## **2009 INDEPENDENT / PROVIDER-SPONSORED 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	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>
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Commissions (external)	
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Finance and Accounting	
Actuarial	
Corporate Services	
Corporate Executive / Governance	
Association Dues and License/Filing Fees	
Miscellaneous Business Taxes	
<b>Total Expenses</b>	<b>14</b>
<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 2003. 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	Claim and Encounter Capture and Adjudication	60
Product Development / Market Research	22	Total Information System Expenditures (as expensed)	62
Sales and Marketing (except Advertising and Promotion)	24	(a) Information Systems Operations and Support Services	64
(a) Member and Group Communication	26	(b) Information System Application and Maintenance	66
(b) All Other Sales and Marketing	28	(c) Information Systems Applications Acquisition and Development	68
Commissions (external)	30	(1) Internet/eCommerce	70
Advertising and Promotion	32	(2) Stage III Amortization Costs	72
Enrollment / Membership / Billing	34	(3) Pre-Planning Project Costs	74
Customer Services	36	(d) IT Security Administration and Enforcement	76
Provider Network Management and Services	38	Finance and Accounting	78
(a) Provider Relations Services	40	Actuarial	80
(b) Provider Contracting	42	Corporate Services	82
(c) Other Provider Network Management and Services	44	(a) Human Resources	84
Medical Mgmt. / Quality Assurance / Wellness	46	(b) Legal	86
(a) Pre-Certification	48	(c) Facilities	88
(b) Case Management	50	(d) Other Corporate Services	90
(c) Disease Management	52	Corporate Executive / Governance	92
(d) Nurse-based Counseling	54	Association Dues and License/Filing Fees	94
(e) Health and Wellness	56	SUBTOTAL	96
(f) Other Medical Management	58	Miscellaneous Business Taxes	98
		TOTAL	100

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**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.

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1. All Products	104
2. Comprehensive Total	107
3. Total Commercial	110
4. Insured Commercial	113
5. ASO/ASC Commercial	116
6. Medicare Total	119
7. Commercial HMO, Insured	122
8. Commercial POS, Insured	125
9. Commercial Indemnity & PPO, Insured	128
10. Medicare Supplemental	131
11. Medicare Advantage	134
12. Medicare SNP	137
13. Medicare Cost	140
14. Medicaid HMO	143
15. Stand Alone Medicare Part D	146

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**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	150
2. Comprehensive Total	153
3. Total Commercial	156
4. Insured Commercial	159
5. ASO/ASC Commercial	162
6. Medicare Total	165
7. Commercial HMO, Insured	168
8. Commercial POS, Insured	171
9. Commercial Indemnity & PPO, Insured	174
10. Medicare Supplemental	177
11. Medicare Advantage	180
12. Medicare SNP	183
13. Medicare Cost	186
14. Medicaid HMO	189
15. Stand Alone Medicare Part D	192

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## 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>				
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Benefits	Gross Benefits	198	Benefits	208
Rebates	Rebates	200		
Total (or Net)	Total Internally Managed	202	Total Internally Managed	210
<b>Outsourced</b>				
Administration	Internal Contract Management	NA	Internal Contract Management	NA
Benefits	Capitation	NA	Capitation	212
Total (or Net)	Total Outsourced	NA	Total Outsourced	214
<b>Total</b>	Combined Total	204	Combined Total	216
	<i>COB and Subrogation</i>	<i>Page</i>		
<b>Internal</b>				
Administration	Recoveries	218		
Benefits	Administration	220		
Total (or Net)	Total (Net Recoveries), Internally Mgd.	222		
<b>Outsourced</b>				
Administration	Recoveries Received	NA		
Benefits	Internal Contract Management	NA		
Total (or Net)	Total (Net Recoveries), Outsourced	NA		
<b>Total</b>	Total Combined Net Recoveries	224		

## TAB 7. COSTS CHARGED BY PARENT ORGANIZATION

These analyses are intended to measure the scope of costs that are charged to the health plan from its parent organization (e.g. legal services, accounting, etc.). They can also provide a gauge of the reasonableness of such services, though it should be understood that this application is limited since the precise nature of the services for which the parent bills is unknown.

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

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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.

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