



MANAGE WHAT YOU MEASURE

Managing what you measure, in a competitive environment, implies measurement against leaders in your industry.

The Sherlock Benchmarks are the health plan industry's metrics informing the management of administrative activities. They are compiled from validated surveys of health plans serving 51 million Americans and provide cost norms and operational drivers for your key administrative activities.

Insights on activities under the direct control of health plan managers

The Sherlock Benchmarks are the “gold standard” of health plan administrative cost benchmarks. Health plans use them to determine whether their administrative costs are competitive, to prioritize for improvement among numerous health plan activities and to identify cost drivers that, overall and within functions, can help implement those improvements.

Health plan managers oversee both health care and administrative costs. But, of the two, administrative activities can be more directly managed. This ongoing responsibility is complicated by health plan strategic commitments to automation, customer experience, vertical integration and broadening of its product portfolio.

This complexity underscores that it is most efficient to formulate the management of administrative costs systematically, a fact reflected in health plans’ annual budget cycles. In this dynamic environment, achieving an optimal balance of low costs and successful adaptation begins with an objective assessment, culminating in communication and teamwork in execution.

Characteristics of the Sherlock Benchmarks

- Universes are based on Sherlock Company’s proprietary surveys of approximately 30 health plans serving 51 million Americans.
- Multiple universes: Larger Plans, Blue Cross Blue Shield, Independent / Provider-Sponsored, Medicare, Medicaid and TPAs. Regardless of your product focus or organization type we have Benchmarks that match your health plan.
- Highly granular:
 - Segmented by approximately 12 Products: HMO, Indemnity & PPO, ASO, Medicare Advantage, Medicaid, among others.
 - Approximately 70 functions or subfunctions ranging from Rating and Underwriting, Customer Services, Provider Contracting, Actuarial and subfunctions of Corporate Services.
 - Market segment information: small group, middle market, large group.
 - Every function and subfunction is displayed for each product or market segment.
 - Granularity supports our validation.
- All information is from 2023, the most recently available calendar year.
- Supported by 400 hundred pages of documentation, the *Common Guidelines*. Cost, product and other metric definitions and calculations are developed in consultation with participating health plans.
- The metrics are mutually exclusive and collectively exhaustive so that your plan can achieve a comprehensive explanation for any cost variances. The Sherlock Benchmarks make possible your development of Issue Trees and Pareto charts.
- Financial metrics’ drilldowns are supported by extensive operational metrics.
- Health plans serving more than 203 million Americans are users of the Sherlock Benchmarks since June 2021.
- Now completing our 27th year, the Benchmarks are based on the experience of 1,000 health plan years of participation.
- We are independent and minimize the potential for conflicts of interest.

Sherlock Benchmark Reports

The Benchmark Reports are analyses of Sherlock Company's proprietary surveys. We validate the responses, normally referencing other sources including audited financials. The result is that there are up to 1,300 pages of content plus 400 pages of supporting definitions and calculation notes.

The following Reports are all included with the Sherlock Benchmarks though the Financial Metrics may be licensed separately.

- **Financial Metric Benchmarks.** Costs for each functional area are standardized by PMPM and percents of revenue, and further segmented by product and by market segment. Also included are longitudinal comparisons, specialty service analyses, selected finance and accounting topics, information systems allocations to supported functional areas, and selected universe characteristics.
- **Operational Metric Benchmarks.** Operational metrics help explain the "why" of any cost variances. They are the non-financial metrics of activities that affect the financial performance. They include staffing ratios, compensation and non-labor expenses plus extensive department-specific metrics such as cost per claim, enrollment cost per member transaction or cost per provider service inquiry. Some functions with identifiable outputs are further analyzed into additional metrics of productivity, unit cost and member demand for the activity. All key operational areas, such as enrollment, provider contracting, information systems, claims and customer services, are supported by these high ROI metrics.
- **Staffing and Compensation Benchmarks.** Staffing ratios, compensation and non-labor expenses are segmented by function, and estimated by product and market segment. Outsourcing and labor intensity is also calculated for each function.
- **Medical Management Benchmarks.** This includes operational requirements of precertification, case management, disease management, nurse information line, utilization review and appeals and quality assurance and wellness. Ratios of member requirements, staffing and staff composition are provided.

- **Health Care Utilization Metrics.** Pricing and utilization rates are reported for 35 different health services and up to 11 separately-segmented products. Health services include several categories of acute care and other inpatient facility care, several categories of outpatient care, five categories of professional services, four types of pharmaceutical care plus eight other services such as lab, home health and injectibles.

Sherlock Benchmark Cost Standardization Maximizes Applicability

Health plans differ in size, product mix, market mix and organization status. So, to promote applicability to your health plan, the Sherlock Benchmarks express cost values PMPM and as a percent of revenues. Operational metrics are also same-sized so, for instance, staffing is expressed as staffing ratios.

The Sherlock Benchmarks also accommodate differences in product mix, which are differences in benefit designs. The expenses of each of the up to 12 products are segmented into 70 functional areas or approximately 800 function/expense cells. This allows you to compare each of your products individually and compare your organization as a whole by reweighting the product cost Benchmarks to match your health plan's mix. Like products, functions are similarly reported for each market segment. While somewhat redundant to product segmentation, market segmentation helps you consider the effects of the unique operating characteristics of individual, small group and large group markets.

Organization status can also be managed to advance applicability. For instance, please note the multiple universes mentioned above. Approximately two-thirds of the Independent / Provider - Sponsored plans are owned by health systems.

Reports are delivered in Excel® as well as PDF format.

Sherlock Benchmarks: *You will be among good company.*

Sherlock Company publishes the “gold standard” of financial and operational benchmarks for health plans. Founded in 1987, Sherlock Company’s Benchmarks are used to enhance operational performance and competitive position. They also support strategic initiatives ranging from management of the product portfolio, vendor negotiations, outsourcing and business combinations.

The validated, well-populated Sherlock Benchmarks help prioritize cost management activities to have the greatest impact on improving your health plan’s operating performance.

Due Diligence and Contact Information

Are your health plan’s costs competitive taking its business mix into account?

sherlockco.com/test-drive

What are the products and metrics in the Sherlock Benchmarks?

sherlockco.com/sherlock-benchmarks

Who do I speak with for further questions or for licensing?

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Racing work boats is our metaphor for the performance improvements desired by health plans. Photograph Copyright © Jill Jasuta.

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