



MANAGE WHAT YOU MEASURE

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

The **Sherlock Benchmarks** are the health plan industry's metrics informing the management of administrative activities. They are based on validated surveys of health plans serving 60 million Americans and provide costs and their drivers on 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 specific activities and to identify cost drivers that, overall and within functions, can help implement those improvements.

Health plan managers oversee all their costs, both health care and administration. But administrative activities can more directly managed than health care costs. Optimization of administration can amplify earnings during favorable health cost trends, while the effects of unfavorable health care trends can be muted.

Characteristics of the Sherlock Benchmarks

- Universes are based on Sherlock Company’s proprietary, confidential surveys of more than 30 health plans serving 60 million Americans.
- Multiple universes of health plans: Larger Plans, Blue Cross Blue Shield, Independent / Provider-Sponsored, Medicare, Medicaid. Regardless of your product focus or organization type we have Benchmarks that compare with 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.
 - Some Market Segment information: small group, middle market, large group.
 - Each function displayed for each product or market segment.
- All information is from the most recently available calendar year, 2021.
- Supported by hundreds of pages of documentation, the *Common Guidelines*.
- Cost, product and other metric definitions and calculations are developed in consultation with participating health plans.
- Validated for completeness and reconciled with other sources including audits.
- Mutually exclusive and collectively exhaustive. A comprehensive explanation for your plan: Issue Trees and Pareto charts are possible. This approach also helps enable our validation.
- Extensive operational metrics support drilldowns.
- Health plans serving more than 200 million Americans are users of the Sherlock Benchmarks since June 2019.
- Now completing our 25th year, the Sherlock Benchmarks are based on the experience of nearly 1,000 health plan years of participation.
- Independent. Our ownership is independent and we are free of conflicts of interest.

Sherlock Benchmark Reports

The Benchmark Reports are summaries of Sherlock Company's proprietary surveys. We validate the responses and present the metrics free of conflicts of interest. There are up to 1,300 pages of content plus 400 pages of supporting definitions and calculation notes.

These Reports are all included with the *Sherlock Benchmarks* though the Financial Metrics may be licensed alone.

- **Financial Metric Benchmarks.** While you are responsible for the health care for many your members, you manage the administrative services for all of them. Costs are standardized by percents of revenue and PMPM functional area costs, segmented by product, and by market segment. Longitudinal comparisons, specialty service analyses, selected finance and accounting topics, information systems allocations to supported functional area, and selected universe characteristics are also included.
- **Operational Metric Benchmarks.** Whether it's staffing ratios, compensation metrics or department-specific measures like average speed of answer or cost per claim, we deliver high ROI metrics. Drilldown ratios include factors driving functional and total costs, including staffing ratios, compensation and non-labor expenses. Also includes extensive function-specific metrics such as cost per claim, cost per member or provider service inquiry. All key operational areas are reflected here, including enrollment, provider contracting, information systems claims and customer services.
- **Staffing and Compensation Benchmarks.** Staffing ratio, compensation and non-labor expenses are segmented by function, and estimated by product and market segment. Outsourcing and labor intensity is 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 use, process, staffing, staff composition are provided.
- **Health Care Utilization Metrics.** Pricing and utilization rates for 35 different health services and separately-segmented products for up to 11 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 and Analysis

The Sherlock Benchmarks are designed to be applicable to your health plan. Cost values are expressed PMPM and as a percent of fees. Operational metrics are also same-sized so, for instance, staffing is expressed as staffing ratios.

In effect, health plan administrative expense lines are segmented into 70 functional areas and up to 12 products, or approximately 800 function/expense cells. The allows you to look at each of your products individually and also to look at your organization as a whole by reweighting the Benchmarks to match your mix.

Like products, functions are similarly divided among market segments. While somewhat redundant to product segmentation, market segmentation helps identify the unique operating characteristics of individual, small group and large group markets.

Sherlock Benchmarks permit drilldowns into the sources of PMPM variances. All functions are analyzed by drivers of staffing ratios, non-labor costs and compensation. Some functions, with identifiable outputs are further analyzed into additional metrics of productivity, unit cost and primary demand for the activity.

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 overall 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?

Douglas B. Sherlock, CFA
President
Sherlock Company
P.O. Box 444
Gwynedd Valley, PA 19437
215-628-2289
sherlock@sherlockco.com



Racing work boats is our metaphor for the performance improvements desired by health plans. Photograph by Ray K. Saunders.