

# Plan Management Navigator

## *Analytics for Health Plan Administration*



Healthcare Analysts

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## SHERLOCK BENCHMARKS “TEST DRIVE”

*“I’m a great believer that if you don’t measure it, you can’t manage it.”*

Joseph R. Swedish  
Chairman, President and CEO  
Anthem, Inc.

For measurement to be manageable, it must have a context. Your member services average speed of answer is 30 seconds is manageable when it differs from a prior measurement, a target value or a norm. The *Sherlock Benchmarks* provide the norm for measurement of administrative costs and, since they are developed from a population of health plan respondents, they reflect, and can serve as technically-feasible target values.

For a health plan, developing actionable context may require a significant commitment in time and cost. Fortunately, we offer an application that allows your plan to experiment with the Benchmarks at no cost and minimal effort. Called the [Sherlock Benchmark Calculator](#), it is found here.

The Sherlock Benchmark Calculator, at its simplest, provides the expected PMPM costs for your health plan, given its product mix, and its characteristics reflected in its most applicable universe. If you elect to supply your administrative cost information, the Calculator also computes your PMPM values and variance from the Benchmarks.

An image of the Calculator is shown nearby. In this instance, the Calculator shows the results of a health plan with 175,000 members, on average. Of these, 100,000 are Commercial HMO Insured, 25,000 are Medicare Advantage and 50,000 are in Medicaid HMO. The health plan is most similar to Independent / Provider – Sponsored plans and that universes’ values were selected for each of the products.

The Calculator yields expected costs of \$49.55 PMPM for the health plan, its Benchmark Value. This represents the median values for each product for the selected universe, weighted by the health plan’s product mix. Those median product values are published in [Plan Management Navigators](#), found on the Sherlock Company website.

In this instance, the health plan’s own total administrative costs is available for comparison purposes, which is \$100 million annually. This yields a PMPM value of \$47.62 ( $\$100 \text{ million} \div 175,000 \div 12$ ). This is shown to be \$1.93 lower or 3.9% than the Benchmark Value, a favorable variance.

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When applying the Calculator to your own health plan, you may notice that the PMPM estimates from the Calculator may be remarkably close to your actual results. The reason is that our approach takes into account your unique product mix. This adjustment is effective since the underlying values reflect cost values for that have been segmented by product by the participants, then compiled by us for benchmarking purposes. Put a different way, the application of the Sherlock Benchmark Calculator to your health plan's results is the exact complement of how the Benchmarks are themselves populated, thereby obviating the need to segment your own health plan costs.

Because of the simplicity of the Calculator approach, the lower costs of this health plan require interpretation beyond its scope. Unanswered questions include:

- Does the health plan achieve low costs through low strategic costs in distribution or medical management?
- Does the health plan have particular strengths in such areas as claims, information systems and customer services?
- Does the health plan's performance stem in part from its size, relative to its peers?
- Has the plan achieved its results through superior processes, as reflected in low staffing ratios?

The *Sherlock Benchmarks* themselves can answer these questions.

While this approach has value as an initial gauge of your own plan's performance, it can also be helpful in analyses of your competitors. Understanding your competitors' administrative costs may be helpful in anticipating its strategies.

Also, the Calculator permits a comparison between you and your peers that eliminates the effect of product mix differences between the organizations. The approach is indirect since the comparison would be between your variances from your Benchmark Value with your competitors' variance from its own Benchmark Value. For instance, if your variance is a favorable one of 3.9% and your peer's PMPM Administrative Expense the same as its Benchmark Value, your performance is superior, notwithstanding your product mix differences. Since it is unlikely that you would have access to your competitor's internal financials, publicly available values such as Statutory Statements and SEC documents can provide values for administrative expenses and for membership.

The Sherlock Benchmark Calculator can be a useful tool to "test drive" the [Sherlock Benchmarks](#). While simplified, this application is an efficient way to determine your relative costs, and those of your competitors.

## Sherlock Benchmark Calculator

You can compare your health plan, or any health plan you are interested in, to the *Sherlock Benchmarks* by applying the plan's values to this Calculator.

Please note that the values in the *Sherlock Benchmarks* for the various universes exclude miscellaneous business taxes. These are generally impossible to manage and mostly stem from the Affordable Care Act.

The values that populate this calculator are from past editions of *Plan Management Navigator*, [linked here](#). Other information concerning our *Sherlock Benchmarks* can be [found here](#).

### EXPECTED PMPM COSTS, OR BENCHMARK VALUE: \$49.55

Your Total Annual Administrative Expenses	\$ <input type="text" value="100,000,000"/>	Optional
Total Average Members	175,000	
Your PMPM Administrative Expenses	\$47.62	
Variance from Benchmark	(\$1.93)	
Percent Variance from Benchmark	(3.90%)	

PRODUCTS	AVERAGE MEMBERS	UNIVERSE
Commercial HMO Insured	<input type="text" value="100,000"/>	IPS ▾
Commercial HMO ASO/ASC	<input type="text" value="0"/>	Blue ▾
Commercial POS Insured	<input type="text" value="0"/>	Blue ▾
Commercial POS ASO/ASC	<input type="text" value="0"/>	Blue ▾
Indemnity & PPO Insured	<input type="text" value="0"/>	Blue ▾
Indemnity & PPO ASO/ASC	<input type="text" value="0"/>	Blue ▾
Commercial ASO Total	<input type="text" value="0"/>	IPS ▾
FEP	<input type="text" value="0"/>	Blue ▾
Medicare Advantage	<input type="text" value="25,000"/>	IPS ▾
Medicare SNP	<input type="text" value="0"/>	IPS ▾
Medicare Cost	<input type="text" value="0"/>	IPS Only
Medicare Supplement	<input type="text" value="0"/>	Blue ▾
Medicaid HMO	<input type="text" value="50,000"/>	IPS ▾
Medicaid CHIP	<input type="text" value="0"/>	IPS ▾
Stand-Alone Part D	<input type="text" value="0"/>	Blue ▾
Stand-Alone Dental	<input type="text" value="0"/>	Blue ▾

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