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SHERLOCK BENCHMARKS

Third-Party Administrator Edition - 2023



SHERLOCK COMPANY

December 2023

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TABLE OF CONTENTS

Tab 1. Introduction and Background

- Background, Organization, Conventions, Calculations and Procedures

Tab 2. Functional Expenses, PMPM

- Contains Core and Non-Core services associated with the Medical product.
- Presented on a Per Member Per Month basis.

Tab 3. Functional Expenses, PEPM

- Contains Core and Non-Core services associated with the Medical product.
- Presented on a Per Employee Per Month basis.

Tab 4. Functional Expenses, PGPM

- Contains Core services associated with the Medical product.
- Presented on a Per Group Per Month basis.

Tab 5. Functional Expenses, Percent of Revenue

- Contains core services associated with the Medical product.
- Presented on a Percent of Revenue basis.

Tab 6. Expenses of Comparable Services Offered Through Products of Other Universes

- Includes Independent / Provider-Sponsored, Blue Cross Blue Shield, and TPA Plans
- Presented on a PMPM and Percent of Revenue basis.

Tab 7. Staffing Ratios and Compensation

- This section provides an analysis of staffing costs, staffing ratios and propensity to outsource.

Tab 8. Operational Metrics

- Includes various Operational Metrics for Core and Non-Core Administrative services.

Tab 9. Participant Characteristics

- Selected Characteristics of Participants
- Includes Membership, Product Mix, Groups Served, Revenues, Health Care Costs, Earnings and Segment Summary

[Tabs 2-9 contain their own Tables of Contents, with links, to locate specific product lines, expense categories or respondent characteristics.](#)

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INTRODUCTION AND BACKGROUND

The 2023 Edition of the Sherlock Benchmarks

Thank you for licensing the *Sherlock Benchmarks* for Third-Party Administrators. The *Sherlock Benchmarks* (*Sherlock Expense Evaluation Report* or *SEER*) represent the cumulative experience of 26 consecutive years and approximately 1,000 health plan years of participation.

In a competitive environment, “managing what you measure” requires measurement against the 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 63 million Americans and provide costs and their drivers on key administrative activities.

TPAs are intrinsically focused on administrative cost management since, unlike health insurance plans which also bear health care cost variance risk, TPAs bear only administrative expenses. On the other hand, TPAs consider their willingness to customize to meet the needs of their customers as central to their position in the market. Potentially, customization entails higher costs. So, TPAs endeavor to optimize between the constraints of cost management and client service.

The goal of the *Sherlock Benchmarks* is to aid in TPAs’ achievement of optimal costs. That is, to incur only those costs that are necessary to meet TPAs’ strategic objectives. In that way, the Benchmarks establish a norm so that, above those

levels, expenses should be justified with an ROI. The measurement of a return on investment is challenging but may ultimately be a prerequisite of more rapid growth or a decline in health benefit trends.

The *Sherlock Benchmarks* assist in performance improvements for TPA’s by facilitating comparisons between them and their universe as a whole. It helps quantify TPAs’ relative performance and identifies sources of variance at a highly granular level. *Sherlock Benchmarks* are unusually comprehensive and a highly valid analytical tool. The *Sherlock Benchmarks* help operational and financial managers optimize costs:

- Identify whether TPAs are operating at best-of-class costs.
- Prioritize functional areas for optimization.
- Discern key drivers of function variances such as staffing ratios or compensation levels.
- Draw attention to operational metrics that may affect desired outcomes.

Sherlock Benchmarks have additional uses, such as to:

- Evaluate outsourcing of selected operations, and the value-added of management consultants.
- Develop a realistic and cost-conscious budget.
- Execute business combinations including due diligence, estimation of the effect of synergies and development of a plan for successful integration.

The *Sherlock Benchmarks* are intended for use by TPA management teams and Boards, as well as their advisors such as management consultants and investment bankers. They are also used by vendors and outsourcers to health benefit organizations to assure the competitiveness of their services in the market.

Sherlock Benchmarks are described as the Gold Standard for health benefit organization performance benchmarks. Our broad use is such that:

- Since June 2020, health plans serving more than 208 million insured Americans use the *Sherlock Benchmarks*, including most Blue Cross Blue Shield plans, public companies and the largest Independent/Provider-Sponsored health plans.
- Of the 34 U.S.-based Blue Cross Blue Shield organizations, seventeen, serving approximately 52.2 million people, participated in this year's Sherlock Benchmarking Study for Blue Cross Blue Shield Plans. This is one-half of United States Blue Cross Blue Shield organizations, and they serve approximately 76% of Blue Cross Blue Shield members not served by publicly traded companies.
- Health plans serving 57% members of those served by the Alliance of Community Health Plans participating in this year's Sherlock Benchmarking Study for Independent / Provider - Sponsored health plans. This ratio excludes ACHP's staff model plans.
- Health plans serving 36% of those served by the Health Plan Alliance are participating in this year's *Sherlock Benchmarks*.

Organization of the Sherlock Benchmarks

The 2023 *Sherlock Benchmarks* summarizes the performance of five TPAs. They collectively served 2.3 million people, of which 1.3 million are unduplicated medical members.

The 2023 *Sherlock Benchmarks* for TPAs is a carefully compiled summary of the surveyed operational characteristics subjected to validation.

The *Sherlock Benchmarks* includes analyses of administrative expenses through financial ratios such as percent of revenues, per member per month and per employee per month. Data is divided into eight product lines and 28 core functions and 12 non-core functions. Additional descriptions are found below.

The *Sherlock Benchmarks* also contains operational metrics. Some are specific to the functional areas. To translate operational performance into expense performance, expenses are often analyzed into factors of user demand, employee productivity, unit cost, staffing ratios and cost per employee. For instance, Claim and Encounter Capture and Adjudication is analyzed into claims per member, productivity of claims processors, cost per claim and per-employee costs of claims. Other operational metrics are provided for all functions, including staffing ratios and compensation levels.

This document is divided into ten sections:

TAB 1. INTRODUCTION AND BACKGROUND

This section describes the organization, conventions, calculations and procedures of the *Sherlock Benchmarks*.

TAB 2. FUNCTIONAL EXPENSES, PER MEMBER PER MONTH

This section provides an analysis of specific functional expense classifications for the Medical product. Data is presented on a per member per month basis. Includes both core and non-core services.

TAB 3. FUNCTIONAL EXPENSES, PER EMPLOYEE PER MONTH

This section provides an analysis of specific functional expense classifications for the Medical product. Data is presented on a per employee per month basis. Includes both core and non-core services.

TAB 4. FUNCTION EXPENSES, PER GROUP PER MONTH

This section provides an analysis of specific functional expense classifications for the Medical product. Data is presented on a per group per month basis. Includes core services only.

TAB 5. FUNCTION EXPENSES, PERCENT OF REVENUE

This section provides an analysis of specific functional expense classifications for the Medical product. Data is

presented on a percent of revenue basis. Includes core services only.

TAB 6. 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 2023. Those other universes are Independent / Provider-Sponsored health plans, with 11 participants, and Blue Cross Blue Shield Plans with 17 participants.

TAB 7. OPERATIONAL METRICS

This section is an analysis of various operational metrics for core and non-core administrative services. Operating metrics of enrollment, customer service, claims and provider services are included.

TAB 8. STAFFING RATIOS AND COMPENSATION

This section provides an analysis of staffing costs, staffing ratios and propensity to outsource. It includes a statistical analysis of expenses and stacked floating bar charts illustrating the distribution of results.

TAB 9. PARTICIPANT CHARACTERISTICS

This section presents an extensive profile of the universe as a whole. We summarize membership served, product mix, employees served, revenues, and ratios, administrative expenses and ratios, profit



margins, membership adjustment factor, by Product and other key attributes. Statistical summaries illustrating the distribution of results are included.

Conventions Used in this Report

In the *Sherlock Benchmarks*, we analyzed costs for the TPAs as a whole, by functional area and also by product. We have employed a number of reporting conventions, which we discuss below.

1. The terms “high” and “low” mean the average of the *two* highest and *two* lowest values, respectively. The standard deviation is the measure of dispersion. To facilitate comparability of standard deviations, we have expressed standard deviation as a percent of the mean, commonly termed the coefficient of variation.
2. Statistical results are unweighted. That is, each metric reflects equally the experience of each TPA that reports a functional area for a product, without regard to the TPA’s size.
3. Statistical measures for each functional area are calculated independently. Accordingly, the statistical analysis of total expenses is not the sum of the statistical analysis of each component cost.
4. Results were subject to validation procedures to identify, and correct if possible, reporting errors.
5. Within each TPA, ratios based on the *total* scope of products are intrinsically weighted by the relative importance of each product to that firm. For instance, a firm with a heavy commitment to Vision will reflect that product’s weighting and its company-wide costs will be lower as a result.
6. Because of TPAs unique flexibility, all product costs are segmented into core and non-core expenses. Core expenses relate to services that are required to be offered to all employers using their services, such as claims processing and enrollment. Non-core services are supplemental, separately costed services such as medical management, mental health administration and provider network and services.
7. While aggregate costs track with participant financial statements, there are some exceptions.
 - a. Unusual and nonrecurring expenses are omitted. These may be broader than GAAP accounting exclusions.
 - b. Broker commissions are excluded from expenses and revenues, a reporting convention that we understand to be customary among TPAs.
 - c. Only operating expenses are included. Interest expense and investment income are not reflected here.



Explanatory Notes to Participant Characteristics

We do not disclose any individually identifiable values without the express permission of the TPA. However, to understand the comparability of the TPAs to users of *Sherlock Benchmarks*, Tab 9 contains a statistical summary of the TPAs in the respondent universe. The following describes the conventions that we employed in making this summary.

EXPLANATION OF LINE ITEMS

In the participant characteristics section, we refer to a number of revenue and expense items that, because of the way we use them, benefit from further explanation. Expense classifications used in the *Sherlock Benchmarks* often differ from TPAs reporting to its internal and other external audiences.

EXPLANATION OF PARTICIPANT CHARACTERISTICS RATIOS

Most of these metrics are self-explanatory but a few are worth elaboration. Additional explanation of data elements and calculations are found in the *Common Guidelines*, which accompanies the *Sherlock Benchmarks*. Some additional calculation notes are shown in a table on the following page.

Mix – The proportion of each TPA’s product portfolio is calculated based on membership, and revenues and premium equivalents. The denominator for membership is that of the Total. Revenues are fees.

Health Benefits Ratio (MLR) – Health and Other Benefits Costs divided by Premium / Premium Equivalents. This is calculated both including *and* excluding Rx and B.H.

Core Administrative Expense as a Percent of Core Fees – Administrative Expenses divided by Fees. Please see the definition of Core, above, in *Conventions Used in this Report*.

Operating Margin – Operating Earnings divided by Fees.



Procedures

The process employed in the development of the *Sherlock Benchmarks* is to select the TPAs, assure confidentiality, design the survey instrument, collect the data, validate and analyze the data and publish the reports. The *Common Guidelines*, employed by all users of the *Sherlock Benchmarks*, provides the data definitions distributed to each participant for functional area, product descriptions and operational data. The data employed in this report was for the period ended December 31, 2022.

SELECTION OF TPAS

This peer group, along with other *Sherlock Benchmark* universes, was established to be relatively uniform. Within that constraint, it is open to all Third-Party Administrators possessing the ability to compile high quality segmented financial and operational data. The peer group universe in this analysis consisted of eight TPAs.

The selected TPAs served 2.3 million people of which 1.3 million were in Medical products.

CONFIDENTIALITY

Confidentiality is an important aspect of this study for competitive, data quality and legal reasons. Accordingly, we employed a number of safeguards to promote confidentiality of company-specific information.

1. Sherlock Company does not identify respondents. Accordingly, with respect to Sherlock Company's

communications, only Sherlock Company has certain knowledge of the identity of the participants. We do not restrict any communication between the TPAs themselves, however.

2. The results of the individual TPAs are not disclosed in the *Sherlock Benchmarks*. The end product is a statistical summary: In these documents, no specific company information is disclosed, except in the case of participants' own editions in which only its results are displayed.
3. The data is provided to Sherlock Company to physical and virtual locations that are under Sherlock Company control. No respondent has physical or electronic access to information provided by any other TPAs.
4. We sign mutual confidentiality agreements. The confidentiality agreements require Sherlock Company to keep TPA data confidential and for TPAs to restrict use of the *Sherlock Benchmarks* exclusively for their internal purposes. This agreement underscores the seriousness of Sherlock Company's commitment to the confidentiality of the data.

SURVEY DESIGN

The 2023 survey was similar to ones performed in prior years for Third-Party Administrators and other peer groups. The scope and other aspects of the survey were refined based on conversations with past and current respondents and users. One aspect of this refinement, definitions and calculation notes, were memorialized in *Common Guidelines*. The *Common Guidelines*, included with the *Sherlock Benchmarks* reports as a

separate electronic volume, was provided to the participants to promote the comparability of responses.

The survey instrument itself contains the detailed definitions corresponding with the *Guidelines*. Both the survey and the *Guidelines* were provided to the respondents in electronic form in June. Ambiguities in definitions and emerging issues were addressed in weekly conference calls and by other means.

SUBMISSION OF DATA

TPAs emailed their completed survey forms to us, beginning in August. All financial and other information submitted to us was provided in actual dollars or actual volumes (member months, for instance) which were segmented by functional area and product line. During validation, if we identified outlying responses, we requested the TPAs to revise outliers stemming from reporting errors. This data validation process is further described in Quality Assurance, below.

COMPILATION AND ANALYSIS OF DATA

Data from all of the respondents was compiled into linked spreadsheets. The survey form was in Microsoft Excel®, facilitating links between the various survey forms, the final *Sherlock Benchmark Reports* and intermediate analyses and compilations. The final *Sherlock Benchmarks* represent summaries and statistical analyses of the results of the survey. Not all TPAs offered all business lines and certain optional fields were omitted by some.

QUALITY ASSURANCE

We employed the procedures below to promote the accuracy of the responses. It should be noted that, while we believe the responses to be as accurate as practical, we did not perform an audit on any of the respondents.

1. Precise Definitions. Functions and product lines were extensively defined in the survey instrument and *Common Guidelines*. Definitions typically included the function name itself, which is meaningful to participants, and a broad description of the activities undertaken by the function. A more detailed list of each of the principle activities is also provided for each function. In addition, examples of cost centers associated with various functions were provided, often using language employed by the TPAs themselves, so that if a question arises as to what functional area a cost center should be included, the respondent may locate where other similarly-described cost centers have been assigned. In addition, exceptions to the described activities were also noted, as appropriate.

Because these definitions were provided electronically, the definitions are searchable in the separate *Common Guidelines* document. They were also included as “comments” on the electronic form of the survey for ease of use.

The *Guidelines* are also included with licensed copies so, if you are not a participant, you may employ the *Guidelines* to harmonize your TPA’s cost classifications with those found in the benchmarking study. Sherlock

Company can do this for you and has done so for others on numerous occasions. Let us know if this would be of interest.

2. Participatory Protocol. The scope of the survey reflected the input of participants typically from prior editions of the same study, updated through inputs from other peer groups on analogous activities. The participatory protocol helps to assure that the benefit of the resulting metrics exceeds the cost of gathering the information to populate it. As a result of this balanced approach, we believe that participating TPAs are committed to the accurate completion of the survey. This approach also assures that the segmentation of the functions reflects the *consensus* of the actual practices of the respondents: by reducing the overall need of the panel to reclassify, the resulting simplicity promotes accuracy. Finally, since each of the participants receives a copy of the Report, and since the Report is read by senior management and other leaders, our primary contacts have a strong incentive for accuracy.
3. Reconciliation with Financial Statements. We requested that each of the TPAs provide audited consolidated financial information and that revenues and administrative expense information tie to information TPAs provide in the survey form. If there were differences between the data submitted in the survey form and in the audit, TPAs submitted a reconciliation schedule. The reconciliation of their submitted data with audited financials is intended to assist in assuring

the accuracy and completeness of their survey information.

In certain cases, reported expenses were excluded from this survey, for instance pension accrual adjustments and product start-up costs. However, to assure the validity of the check with the audit, these exclusions were highly limited and tightly defined.

4. Submissions Scanned for Anomalies. We employed statistical models and visual screens to identify outliers in the submissions. For instance, if a TPA reported a value for a function within a product that varied by a specified standard deviation, it was flagged to be addressed by the participating TPA. The TPA was then requested to determine and communicate to us whether variances stemmed from reporting errors or were true operational differences. Reporting errors were corrected for inclusion in the *Sherlock Benchmarks* reports, while actual variances were not corrected.

The combination of the granularity of the survey with the audit reconciliation noted above has the effect of highlighting outlying responses.

5. Review by Participants. Prior to final printing, a draft of each participant edition of the Report was submitted to the participants. This draft was similar to the final *Sherlock Benchmarks* report in that it highlighted each TPA's results in the context of the universe as a whole. This permitted the TPAs to identify any anomalies that we may have missed.



Questions and Comments

We invite questions and comments on the
Sherlock Benchmarks.

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In addition, please know that we support your use of the
Sherlock Benchmarks. We hope that you will not hesitate to
contact us if you have any questions concerning classifications,
calculation methodologies and the application of the *Sherlock
Benchmarks* to improve the performance of your TPA.

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Tab 2

Function Expenses, Per Member Per Month

This section provides an analysis of the expense composition for the Medical product line. Both core and non-core services associated with the Medical product are displayed. Data is presented on a Per Member Per Month (PMPM) basis.

All per member values of non-core services use only the associated non-core members as a denominator.

| Figure | Exhibit | Page |
|---------------------|---------------------------------------|-------------------|
| | Per Member Per Month (PMPM) | |
| 2-1 | Core Administrative Expenses..... | 2 |
| 2-2 | Non-Core Administrative Expenses..... | 3 |

Tab 3

Function Expenses, Per Employee Per Month

This section provides an analysis of the expense composition for the Medical product line. Both core and non-core services associated with the Medical product are displayed. Data is presented on a Per Employee Per Month (PEPM) basis.

All per employee values of non-core services use only the associated non-core employees as a denominator.

| Figure | Exhibit | Page |
|---------------------|---------------------------------------|-------------------|
| | Per Employee Per Month (PEPM) | |
| 3-1 | Core Administrative Expenses..... | 6 |
| 3-2 | Non-Core Administrative Expenses..... | 7 |

Tab 4

Function Expenses, Per Group Per Month

This section provides an analysis of the expense composition for the Medical product line. All core expenses are included in the table. Data is presented on a Per Group Per Month (PGPM) basis.

Functions highlighted in green may be especially sensitive to group activity, rather than member or employee activity.

| Figure | Exhibit | Page |
|---------------------|-----------------------------------|--------------------|
| | Per Group Per Month (PGPM) | |
| 4-1 | Core Administrative Expenses..... | 10 |

Tab 5

Function Expenses, Percent of Revenue

This section provides an analysis of the expense composition for the Medical product line. All core expenses are included in the table.

Data is presented on a Percent of Revenue basis.

| Figure | Exhibit | Page |
|---------------------|-----------------------------------|--------------------|
| | Percent of Revenue | |
| 5-1 | Core Administrative Expenses..... | 12 |

Tab 6

Expenses of Comparable Services Offered Through Products of Other Universes

This section shows the costs of similar services of ASO/ASC products that are offered by other universes in the *Sherlock Benchmarks* for the same measurement period. Because of the reporting of those other universes, data is presented only on a per member per month and a percent of revenue basis. Risk Adjustment and Broker Commissions 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.

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

| Figure | Exhibit | Page |
|-------------------------------|------------------------------------------------------------------------------------------|--------------------|
| | Commercial ASO/ASC Expenses | |
| | <u>Blue Cross and Blue Shield Plans</u> | |
| 6-1 & 6-2 | Per Member Per Month..... | 14 |
| 6-3 | Percent of Revenue..... | 16 |
| | <u>Independent / Provider-Sponsored Plans</u> | |
| 6-4 & 6-5 | Per Member Per Month..... | 17 |
| 6-6 | Percent of Revenue..... | 19 |
| | <u>Blue Cross and Blue Shield Plans, Independent / Provider-Sponsored Plans and TPAs</u> | |
| 6-7 & 6-8 | Per Member Per Month..... | 20 |
| 6-9 | Percent of Revenue..... | 22 |

Tab 7

Operational Metrics

This section displays Operational Metrics for Core and Non-Core Administrative services.

| Metric | Page |
|-----------------------------------------------------------------------|--------------------|
| Enrollment | |
| <u>Enrollment Cost Summary</u> | |
| Enrollment Transactions per Medical Member..... | 27 |
| x Medical Members per Enrollment FTE..... | 27 |
| = Enrollment Transactions per Enrollment FTE per Year..... | 27 |
| x Enrollment Cost per Enrollment Transaction..... | 27 |
| = Total Enrollment Costs per Enrollment FTE..... | 27 |
| x Enrollment FTEs per 10,000 Medical Members..... | 27 |
| = Enrollment Costs per Medical Member per Month..... | 27 |
| <u>Staffing vs. Non-Labor</u> | |
| Combined Staffing Costs per Total FTE..... | 27 |
| + Non-Staffing Costs per Total FTE..... | 27 |
| = Total Costs per Total FTE..... | 27 |
| x Combined FTEs per 10,000 Medical Members..... | 27 |
| = Enrollment Costs per Medical Member per Month..... | 27 |
| Percent of Enrollment Costs that are Staffing..... | 27 |
| Percent of Enrollment Costs that are Non-Labor..... | 27 |
| Percent of Enrollment Costs that are Outsourced..... | 27 |
| Percent of Enrollment Staffing that is Outsourced..... | 27 |
| <u>Medical Enrollment Transactions</u> | |
| Enrollment Transactions per Member..... | 27 |
| Enrollment Transactions per Employee Served..... | 27 |
| Enrollment Cost per Enrollment Transaction..... | 27 |
| Customer Services | |
| <u>Customer Services Cost Summary</u> | |
| Customer Services Inquiries per Medical Member..... | 28 |
| x Medical Members per Customer Services FTE..... | 28 |
| = Customer Services Inquiries per Customer Services FTE per Year..... | 28 |
| x Customer Services Cost per Customer Services Inquiry..... | 28 |
| = Total Customer Services Costs per Customer Services FTE..... | 28 |
| x Customer Services FTEs per 10,000 Medical Members..... | 28 |
| = Customer Services Costs per Medical Member per Month..... | 28 |

Operational Metrics

| Metric | Page |
|---------------------------------------------------------------|--------------------|
| Customer Services, continued | |
| <u>Staffing vs. Non-Labor</u> | |
| Combined Staffing Costs per Total FTE..... | 28 |
| + Non-Staffing Costs per Total FTE..... | 28 |
| = Total Costs per Total FTE..... | 28 |
| x Combined FTEs per 10,000 Medical Members..... | 28 |
| = Customer Services Costs per Medical Member per Month..... | 28 |
| Percent of Customer Services Costs that are Staffing..... | 28 |
| Percent of Customer Services Costs that are Non-Labor..... | 28 |
| Percent of Customer Services Costs that are Outsourced..... | 28 |
| Percent of Customer Services Staffing that is Outsourced..... | 28 |
| <u>Customer Services Inquiries</u> | |
| Customer Services Inquiries per Member..... | 28 |
| Customer Services Inquiries per Employee Served..... | 28 |
| Customer Services Cost per Customer Services Inquiry..... | 28 |
| Customer Services Inquiries per Claim Processed..... | 28 |
| Claims | |
| <u>Claims Processed Cost Summary</u> | |
| Claims Processed Per Medical Member..... | 29 |
| x Medical Members Per Claims FTE..... | 29 |
| = Claims Processed Per Claims FTE Per Year..... | 29 |
| x Claims Cost per Claim Processed..... | 29 |
| = Total Claims Costs Per Claims FTE..... | 29 |
| x Claims FTEs Per 10,000 Medical Members..... | 29 |
| = Claims Costs Per Medical Member Per Month..... | 29 |
| <u>Manual Claims Processed Cost Summary</u> | |
| Non-Autoadjudicated Claims Per Medical Member..... | 29 |
| x Medical Members Per Claims FTE..... | 29 |
| = Non-Autoadjudicated Claims Per Claims FTE Per Year..... | 29 |
| x Claims Cost per Non-Autoadjudicated Claims..... | 29 |
| = Claims Costs Per Claims FTE..... | 29 |
| x Claims FTEs Per 10,000 Medical Members..... | 29 |
| = Claims Costs Per Medical Member Per Month..... | 29 |
| <u>Staffing vs. Non-Labor</u> | |
| Combined Staffing Costs per Total FTE..... | 29 |
| + Non-Staffing Costs per Total FTE..... | 29 |
| = Total Costs per Total FTE..... | 29 |
| x Combined FTEs per 10,000 Medical Members..... | 29 |
| = Claims Costs Per Medical Member Per Month..... | 29 |
| Percent of Claims Costs that are Staffing..... | 29 |
| Percent of Claims Costs that are Non-Labor..... | 29 |
| Percent of Claims Costs that are Outsourced..... | 29 |
| Percent of Claims Staffing that is Outsourced..... | 29 |

Operational Metrics

| Metric | Page |
|-----------------------------------------------------------------------|--------------------|
| Claims, continued | |
| <u>Claims Processed</u> | |
| Total Claims Processed per Member..... | 30 |
| Total Claims Processed per Employee Served..... | 30 |
| Total Claims Cost per Claim Processed..... | 30 |
| Manual Claims Processed per Member..... | 30 |
| Manual Claims Processed per Employee Served..... | 30 |
| Manual Claims Cost per Claim Processed..... | 30 |
| Autoadjudicated Claims per Member..... | 30 |
| Autoadjudicated Claims per Employee Served..... | 30 |
| Autoadjudicated Rate..... | 30 |
| Non-Core: Provider Services | |
| <u>Provider Services Cost Summary</u> | |
| Provider Services Inquiries per Medical Member..... | 31 |
| x Medical Members per Provider Services FTE..... | 31 |
| = Provider Services Inquiries per Provider Services FTE per Year..... | 31 |
| x Provider Services Cost per Provider Services Inquiry..... | 31 |
| = Total Provider Services Costs per Provider Services FTE..... | 31 |
| x Provider Services FTEs per 10,000 Medical Members..... | 31 |
| = Provider Services Costs per Medical Member per Month..... | 31 |
| <u>Staffing vs. Non-Labor</u> | |
| Combined Staffing Costs per Total FTE..... | 31 |
| + Non-Staffing Costs per Total FTE..... | 31 |
| = Total Costs per Total FTE..... | 31 |
| x Combined FTEs per 10,000 Medical Members..... | 31 |
| = Provider Services Costs per Medical Member per Month..... | 31 |
| Percent of Provider Services Costs that are Staffing..... | 31 |
| Percent of Provider Services Costs that are Non-Labor..... | 31 |
| Percent of Provider Services Costs that are Outsourced..... | 31 |
| Percent of Provider Services Staffing that is Outsourced..... | 31 |
| <u>Provider Service Inquiries</u> | |
| Provider Service Inquiries per Provider Service Member Served..... | 31 |
| Provider Service Inquiries per Provider Service Employee Served..... | 31 |
| Provider Services Cost per Provider Services Inquiry..... | 31 |
| Non-Core: Prescriptions | |
| Number of Prescriptions per Member..... | 32 |
| Number of Prescriptions per Employee Served..... | 32 |

Tab 8

Staffing Ratios and Compensation

This section provides an analysis of staffing ratios and compensation by function. Staffing Ratios are presented on a per 10,000 member basis.

Outsource FTEs are estimated by the plans. Combined FTEs are the sum of internal and outsourced FTEs. Combined FTEs are intended to represent the staffing if no activities were outsourced.

Inferred Combined FTEs by product are estimated by dividing the plan's PMPM costs by the total costs per FTE. This is multiplied by 120,000 to convert monthly costs to annual FTEs and to adjust for the staffing ratio being expressed in per 10,000 members.

Compensation is presented on a per FTE basis. Outsourced staffing costs are estimated by the plans.

Staffing Costs for Internal FTEs include all benefits. These correspond to internal staffing costs, except they include accruals for retiree benefits other than pensions

| Figure | Analysis | Page |
|----------------------|-----------------------------------------------------------------------|--------------------|
| | Staffing Ratios, by Function | |
| 8-1 | Internal FTEs per 10,000 Medical Members, Inferred..... | 34 |
| 8-3 | Estimated Outsourced FTEs per 10,000 Medical Members, Inferred..... | 36 |
| 8-5 | Combined FTEs per 10,000 Medical Members, Inferred..... | 38 |
| 8-7 | Internal FTEs per 10,000 Medical Employees, Inferred..... | 40 |
| 8-9 | Estimated Outsourced FTEs per 10,000 Medical Employees, Inferred..... | 42 |
| 8-11 | Combined FTEs per 10,000 Medical Employees, Inferred..... | 44 |
| | Staffing Compensation, by Function | |
| 8-13 | Internal Staffing Costs per Internal FTE..... | 46 |
| 8-15 | Estimated Outsourced Staffing Costs per Outsourced FTE..... | 48 |
| 8-17 | Combined Staffing Costs per Total FTE..... | 50 |

Tab 9

Participant Characteristics

This section provides a profile of the respondents to this edition of the benchmarking study. We summarize membership, product mix, groups served, revenues, medical expenses, profit margin and other key attributes.

| Figure | Characteristic | Page |
|--------------------------------|----------------------------------------------------------------------------------|--------------------|
| Customer Size | | |
| 9-1 | Member Months (000's)..... | 55 |
| 9-1 | Average Members (000's)..... | 55 |
| 9-1 | Change in Average Members..... | 55 |
| 9-1 | Mix - Member Months as a Percent of Total Member Months..... | 55 |
| 9-1 | Employee Months Served (000's)..... | 55 |
| 9-1 | Average Employees Served (000's)..... | 55 |
| 9-1 | Change in Average Employees Served..... | 55 |
| 9-1 | Average Groups Served..... | 55 |
| 9-1 | Average Group Size (Members/Groups)..... | 55 |
| 9-1 | Average Contract Size (Members/Employees)..... | 55 |
| 9-1 | Change in Average Groups Served..... | 55 |
| Revenues | | |
| 9-2 | Total Rebates and Overrides (000's)..... | 56 |
| 9-2 | Total Fees and All Other Revenues (000's)..... | 56 |
| 9-2 | Total Revenues (000's)..... | 56 |
| 9-2 | Rebates and Overrides as a Percent of Total Revenues..... | 56 |
| 9-2 | Fees and All Other Revenues as a Percent of Total Revenues..... | 56 |
| 9-2 | Total Revenues, PMPM..... | 56 |
| 9-2 | Total Revenues, PEPM..... | 56 |
| 9-2 | Mix - Total Product Revenues as a Percent of Overall Total Product Revenues..... | 56 |
| Administrative Expenses | | |
| 9-3 | Administrative Expenses, PMPM..... | 57 |
| 9-3 | Administrative Expenses, PEPM..... | 57 |
| 9-3 | Administrative Expense as a Percent of Revenue..... | 57 |

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