

# SHERLOCK BENCHMARKS

Larger Edition



*Volume I*  
Financial Metrics

*Confidential & Trade Secrets*  
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# SHERLOCK BENCHMARKS

## Larger Edition - 2024

### *Volume I: Financial Metrics*



SHERLOCK COMPANY

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July 2024

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# TABLE OF CONTENTS

## **Tab 1. Introduction and Background**

- Background, Organization, Conventions, Calculations and Procedures

## **Tab 2. Summary Analyses**

- Summary of Medians
- High Level Functional Expenses and Reconciliation to *Navigator* Publication
- Longitudinal Comparison
- Plan Specific Administrative Cost Growth

## **Tab 3. Functional Expenses, across Products**

- Identification of Variances due to Product Mix
- PMPM and Percent of Revenue Analyses on Facing Pages

## **Tab 4. Functional Expenses of Each Product, PMPM**

- Identification of Cost Variances within Products, expressed Per Member Per Month

## **Tab 5. Functional Expenses of Each Product, Percent of Premiums and/or Fees**

- Identification of Cost Variances within Products, expressed as Percent of Revenues

## **Tab 6. Expenses of Specialty and Other Self-Contained Services**

- Includes Pharmacy and Behavioral Health
- PMPM and Percent of Revenue Analyses on Facing Pages

## **Tab 7. Functional Expenses of Market Segments**

- Includes Individual, Small Group, Middle Market, Large Group, Middle Market + Large Group, National Account (Insured and ASO) and Local ASO
- Individual segmented into On Public Exchange, Off Publish Exchange and Grandfathered.

## TABLE OF CONTENTS, CONTINUED

### **Tab 8. Finance and Accounting Details**

- Use of Stop Loss, and its Profitability
- Balance Sheet Metrics, Capitalization Policy of Strategic Projects in Information Systems and Other Investments
- Analysis of Strategic Projects, Metrics of Capital Intensity and life of PP&E, Cost of Claims Outside of Service Area
- Analysis of Taxes Stemming from Health Care Reform

### **Tab. 9. Information Systems Expenses, Allocated by Supported Functional Area**

- IS Applications Allocated to Functional Areas
- Analyzed Relative to Functional Area, as Allocated

### **Tab 10. Participant Characteristics**

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

Tabs 2-10 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 2024 Edition of the Sherlock Benchmarks*

Thank you for licensing the *Sherlock Benchmarks* for Larger Plans Edition. This is 22<sup>nd</sup> annual edition of our performance benchmarks for Larger Plans. The *Sherlock Benchmarks* (*Sherlock Expense Evaluation Report* or *SEER*) represent the cumulative experience of 27 consecutive years and more than 1,000 health benefit organization years.

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 compiled from validated surveys of health plans serving 51 million Americans and provide cost norms and operational drivers for your key administrative activities.

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

The goal of the *Sherlock Benchmarks* is to aid in plans' achievement of optimal costs. That is, the Benchmarks help you incur only those costs that are necessary to meet plans' 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 health plans by facilitating comparisons between plans and their universe as a whole. It helps quantify health plans' 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 plans 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 health plan 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 plans to assure the competitiveness of their services in the market.

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

- Since June 2021, health plans serving more than 200 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 33 U.S.-based Blue Cross Blue Shield organizations, fourteen, serving approximately 41.3 million people, participated in this year's *Sherlock Benchmarking Study* for Blue Cross Blue Shield Plans. Participating Plans serve approximately 59% of Blue Cross Blue Shield members not served by publicly traded companies.
- Health plans serving 58% 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 41% of members served by the Health Plan Alliance are participating in this year's *Sherlock Benchmarks*.

### *Organization of the Sherlock Benchmarks*

The 2024 *Sherlock Benchmarks* for Larger Plans is a carefully compiled and validated summary of the surveyed operational characteristics of leading health plans.

The *Sherlock Benchmarks* are produced in two volumes.

**Volume I: Financial Metrics** includes analyses of administrative expenses through financial ratios such as percent of revenues and per member per month. Data is divided into fourteen product lines and more than 70 functions or subfunctions. Additional descriptions are found below.

**Volume II: Operational Metrics** complements Volume I by facilitating in-depth analyses of the financial metrics. It is divided into four documents.

*Staffing and Compensation* focuses on the staffing components of operational metrics and includes metrics of compensation, staffing ratios, non-labor costs and tendency to outsource.

*Operational Metrics* translates between operational performance and cost performance. Expenses are, first, 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. Second, all functions are analyzed by factors of staffing ratios, staffing costs per FTE and non-labor costs. Finally, numerous drivers of costs and quality are also provided. For example, in the claims area these include metrics of electronic submission, auto-adjudication and the various events giving rise to manual intervention.

*Medical Management Metrics* reports the costs and volumes of key medical management activities such as case and disease management.

*Health Care Utilization Metrics* contains health care utilization and cost metrics for forty health services, segmented by product.

In addition to these documents, a comprehensive set of data definitions and calculation notes, called *Common Guidelines*, is provided, normally in PDF form, for ease of reference.

This document, Volume I, is divided into ten sections or Tabs:

#### TAB 1. INTRODUCTION AND BACKGROUND

This section summarizes the organization, conventions, calculations, contents and procedures of the 2024 *Sherlock Benchmarks* for Larger Plans.

#### TAB 2. SUMMARY ANALYSES

This section includes several exhibits that summarize the results of the financial metrics. It presents a summary of median costs by product and functional

area along with selected participant characteristics. Participant editions identify their unfavorable variances by displaying them in red.

Also, this section reports functional expenses summarized into four major functional area clusters, by product. Participant editions show their costs in this and all similar exhibits as the left column in the statistical analysis of each product / expense cell. A separate reconciliation to values published in *Plan Management Navigator* is also provided.

This section also includes historical expense trends from 2019 through 2023. Trends are calculated both as-reported and constant-mix. The latter adjusts to eliminate the effect any changes in costs attributable to product mix changes. All rates of change are calculated based on continuously participating Plans in the comparison years.

Continuing participant editions have an additional exhibit that displays year-over-year differences. Increases or decreases are expressed as a percent, in dollars and as a percent of total dollars of increase or decrease.

*The description and meaning of the various values presented in the statistical analyses are described later in this tab in the section titled Conventions Used in this Report.*



## TAB 3. FUNCTIONAL EXPENSES, ACROSS PRODUCTS

This section is an analysis of each functional expense incurred in various product lines. Values in the statistical analyses are presented on a per member per month and percent of revenue basis, on opposing pages.

These activities are sometimes outsourced or separately secured by the health benefit plan sponsor. Therefore, a separate analysis of these areas is beneficial to their understanding and provides greater comparability of the functional areas supporting medical and hospital benefits. Results are presented on per member per month and percent of revenue bases.

## TAB 4. FUNCTIONAL EXPENSES OF EACH PRODUCT, PMPM

This section is an analysis of the administrative expense composition for each product. Data is presented on a per member per month basis.

*Note that the values in this section and Tab 5 duplicate those in Tab 3 for ease of use. This approach facilitates application by readers irrespective of whether they first identify cost variance in a function or in a product.*

## TAB 7. FUNCTIONAL EXPENSES OF MARKET SEGMENTS

This section is an analysis of the expense composition of products sold to Individuals, Small Groups, Middle Market, Large Groups, Middle Market + Large Groups, National Accounts Insured, National Accounts ASO/ASC and Local ASO/ASC without regard of the specific comprehensive product sold to them. Results are presented on a per member per month and on a percent of revenue basis.

## TAB 5. FUNCTIONAL EXPENSES OF EACH PRODUCT, PERCENT OF PREMIUMS AND/OR FEES

Like Tab 4, this section presents an analysis of the administration expense composition for each product line. However, results are presented on a percent of revenue basis.

The Individual Segment is further split into On Public Exchange, Off Public Exchange and Grandfathered products.

## TAB 6. EXPENSES OF SPECIALTY AND OTHER SELF-CONTAINED SERVICES

This section provides an analysis of activities and functions of Pharmacy and Behavioral Health across product lines. The costs and associated revenues for these riders and activities are not included in Tabs 3-5.

## TAB 8. FINANCE AND ACCOUNTING DETAILS

Finance and Accounting employs metrics of operations, tax, accounting / capital intensity policy, solvency and capacity for internal funding of growth. These transcend product and functional costs and are gathered in this section.

Metrics of accounting / capital intensity policy include lives of IS, Facilities and Other assets values and non-

cash expenses. RBC ratio, Current Ratio and aging of accounts payable and receivable are metrics of liquidity. Equity Turnover and Return on and Operating Return on Equity are metrics of Plans' capacity to internally fund their growth.

Other operational metrics include those of Project Management and Strategic Projects, ACA Taxes and Per Member Claim Costs Outside of Service Area.

Stop Loss insurance, which metrics are also captured in this section, is often sold to self-insured (ASO/ASC) customers of health plans. Since stop loss has different economic and cash flow characteristics than ASO/ASC but they are often sold together, we also look at stop-loss and ASO/ASC products as though they were combined.

We report the proportion of ASO/ASC membership that purchases stop-loss coverage and the costs and revenues of the product on a stand-alone basis. These analyses are performed both with and without prescription drug and behavioral health benefits, administrative expenses and associated revenues.

**TAB 9. INFORMATION SYSTEMS EXPENSES, ALLOCATED BY SUPPORTED FUNCTIONAL AREA**

This section provides analyses of functional expenses but, because each includes an allocation of Information Systems costs, it provides a near end-to-end view of the supported process.

The analysis is based on identifiable Information Systems applications costs associated with the supported functions. Applications are a subset of total Information Systems costs.

We report the proportion and dollar amounts of Information Systems Applications costs to be allocated to each of the supported functional areas. The PMPM dollar amount of these allocations are presented to illuminate the cost of the functional areas, *including* the allocable Information Systems costs, and what proportion of functional area costs these allocated IS costs represent.

**TAB 10. PARTICIPANT CHARACTERISTICS**

This section presents an extensive profile of the universe of participants. We summarize membership, product mix, groups served, growth, revenues and sources, health and other benefit expenses and ratios, administrative expenses and ratios, profit margins and other key attributes of the products offered by the Plans. In addition, this section provides information about the business segments offered by the Plans.

Statistical summaries illustrating the distribution of results are included.

### *Conventions Used in this Report*

In the *Sherlock Benchmarks*, we analyzed costs as a whole for the Plans, 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 Plan that reports a functional area for a product, without regard to the Plan’s size.
3. Statistical measures for each functional area are calculated independently. Accordingly, the statistical values of total expenses is not the sum of the statistical values of each component cost.
4. Results were subject to careful validation procedures to identify, and correct if possible, reporting errors.
5. Within each Plan, ratios based on the *total* scope of products (for instance in the Total and Comprehensive values) are intrinsically weighted by the relative importance of each product to that firm. For instance, the comprehensive values for a health plan with a heavy commitment to low-cost Indemnity & PPO ASO will reflect that product’s weighting and its Total and Comprehensive Plan costs will be lower as a result.
6. Trend analyses are calculated to include only data from firms participating in both years of a comparison. For instance, the comparisons between costs in 2023 and 2022 employ the same firms in both years, and the comparisons between costs in 2022 and 2021 employ the same firms in both years. But the 2022 firms may not be the same in both comparison periods.
7. The trend analyses that hold product mix constant similarly include only data from firms in both years of comparisons. In addition, to calculate the constant-mix trends, each of the participating Plans’ cost values for the prior year are reweighted to reflect the current year product mix.

## *Explanatory Notes to Participant Characteristics*

We do not disclose any individually identifiable values without the express permission of the Plan. However, to understand the comparability of the Plans to users of *Sherlock Benchmarks*, Tab 10 contains a statistical summary of the Plans 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 make reference to a number of revenue and expense items that, because of the way we use them, benefit from further explanation. The following bears on the chart on page 9 of this introduction.

The term “as reported” means as reported on the survey form submitted to us, after the effect of our data validation procedures. Expense classifications used in the *Sherlock Benchmarks* often differ from Plans reporting to its internal and other external audiences.

Note that in some of the calculations described on page 9, we make adjustments to health benefits, administrative expenses and premiums to exclude “R<sub>x</sub> and B.H.” “R<sub>x</sub>” means pharmacy, “B.H.” means Behavioral Health costs. This segmentation improves comparability between firms that outsource these activities (or otherwise do not provide them) and those who perform them internally. Accordingly, administration and benefits for these health services are collected in a separate section of the survey form and are not normally included in the calculations of total per member per month costs or in any calculation of percent of premium.

Premium Equivalents are calculated by adding health benefits to ASO/ASC fees paid by self-insured groups. Fees are used instead of administrative expenses since fees encompass profits, making the calculation more closely resemble premiums. When, in unusual cases, calculations of health benefits include pharmacy and behavioral health, health benefits include any capitation, benefits and subtract the effect of rebates. Administration includes both internal administrative costs and/or internal contract management of otherwise capitated and combined administration and health benefits.

### 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*.

**Mix** – The proportion of each Plan’s product portfolio is calculated based on membership, revenues and premium equivalents. The denominator for membership is that of the Comprehensive total. Revenues are a blend of fees and premiums, while premium equivalents are fees, adjusted upwards to include health benefits. Premiums and premium equivalents include costs and revenues related to pharmacy and behavioral health. The denominators for revenue metrics of mix equal Comprehensive product revenues plus revenue of Medicare Part D and Stand Alone Dental products.

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

Health benefits are services that are provided to members as patients. Note that this differs from health benefit definition employed in CMS's Medical Loss Ratio calculations in that activities that improve health care quality or health information technology in the medical management and information systems functions may be included as medical expenses. Instead, we reflect these activities as administrative costs in our ratios.

**Administrative Expense Ratio** – Administrative Expenses divided by Premium or Fees. We also calculate this based on Premium Equivalents, and these ratios are calculated both including *and* excluding Rx and B.H.

**Operating Margin** – Operating Earnings divided by Premiums/Self-funded Fees. These ratios are calculated both including *and* excluding Rx and B.H.

There are differences in reported ratios and values for Insured and ASO/ASC relationships. The calculation differences are shown on the following page.

<b>Line Items in “Characteristics”</b>	<b>Insured</b>	<b>ASO</b>
<b>Premiums or Self-Funded Fees</b>	As reported.	As reported.
<b>Premium &amp; Premium Equivalents</b>	As reported.	The sum of Self-Funded Fees, Health and Other Benefit Costs (exclude R <sub>x</sub> and B.H.), all net Pharmacy Benefits and Behavioral Health Benefits.
<b>Premium / Self-Funded Fees (excluding R<sub>x</sub> and B.H.)</b>	Premiums, as reported, minus the sum of administrative and health costs of Pharmacy Management <i>and</i> administrative and health costs of Behavioral Health Management.	Self-Funded Fees minus the sum of internal and outsourced administrative costs of Pharmacy and Behavioral Health.
<b>Premium / Premium Equivalents (excluding R<sub>x</sub> and B.H.)</b>	Same as above.	Self-Funded Fees (excluding R <sub>x</sub> and B.H.) plus Health and Other Benefit Costs (excluding R <sub>x</sub> and B.H.).
<b>Health and Other Benefit Costs</b>	The sum of Health and Other Benefit Costs (excluding R <sub>x</sub> and B.H.), Pharmacy Benefits (net of Rebates), Pharmacy Capitation, Behavioral Health Benefits and Behavioral Health Capitation.	The sum of Health and Other Benefit Costs (excluding R <sub>x</sub> and B.H.), Pharmacy Benefits (net of Rebates), Pharmacy Capitation, Behavioral Health Benefits and Behavioral Health Capitation.
<b>Health and Other Benefit Costs (excl. R<sub>x</sub> and B.H.)</b>	Health and Other Benefit Costs (excluding R <sub>x</sub> and B.H.).	Health and Other Benefit Costs (excluding R <sub>x</sub> and B.H.).
<b>Administrative Costs (excl. R<sub>x</sub> and B.H.) PMPM</b>	Administrative costs, excluding those of R <sub>x</sub> and B.H..	Administrative costs, excluding those of R <sub>x</sub> and B.H..
<b>Administrative Costs PMPM</b>	Administrative costs, including those of R <sub>x</sub> and B.H.	Administrative costs, including those of R <sub>x</sub> and B.H..
<b>Operating Earnings</b>	Premiums, minus the sum of Health and Other Benefit Costs and Total Administrative Expenses.	Self-Funded Fees, minus Total Administrative Expenses.
<b>Operating Earnings (excl. R<sub>x</sub> and B.H.)</b>	Premiums (excluding R <sub>x</sub> and B.H.), minus the sum of Health and Other Benefit Costs (excluding R <sub>x</sub> and B.H.) and Total Administrative Expenses (excluding R <sub>x</sub> and B.H.).	Self-Funded Fees (excluding R <sub>x</sub> and B.H.), minus Total Administrative Expenses (excluding R <sub>x</sub> and B.H.).

## Procedures

We developed the *Sherlock Benchmarks* by selecting the Plans, assuring confidentiality, designing the survey instrument, collecting the data, validating and analyzing the data and publishing 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 description and operational data provided to us. The data employed in this report was for the year ended December 31, 2023.

### SELECTION OF PLANS

This peer group, along with other *Sherlock Benchmark* universes, was established to be relatively uniform. Within that constraint, it is open to all Larger Plans possessing the ability to compile high quality segmented financial and operational data. The peer group universe in this analysis consisted of Five Larger Blue Cross Blue Shield organizations. All of this year's participants participated in the prior year.

The selected Plans served 31.1 million people with comprehensive health benefits. This total does not include 50,000 served under Medicare SNP, which are not considered Comprehensive for this universe. These Plans also served 475,000 members of stand-alone Medicare Part D products and 5.6 million people in Stand-Alone Dental products.

Within the Comprehensive products, 80% was commercial, or 24.8 million. 15.6 million of the commercial members were served under some form of self-insurance arrangements,

composing approximately 63% of the total commercial members.

Total Medicare Advantage, with 1.1 million members, was offered by all five Plans. It made up 3.6% of the combined comprehensive membership and 13.5% of revenues for Comprehensive products. Medicare Supplement, offered by all five Plans, made up 4.9% of members and 3.2% of premiums and self-funded fees for Comprehensive products. Medicaid HMO, offered by three Plans, made up 7.1% of membership. FEP made up 4.6% of comprehensive membership.

### 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. However, we do not restrict communication between the Plans.
2. The results of the individual Plans are not disclosed in the *Sherlock Benchmarks*. The Reports are a statistical summary: In these documents, no specific company information is disclosed by us, 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 participant has physical or electronic access to information provided by any other Plans.
4. We sign mutual confidentiality agreements. The confidentiality agreements require Sherlock Company to keep Plan data confidential and for Plans 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 2024 survey was similar to ones performed in prior years for Larger Plans 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, was memorialized in the *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, in the form of an Excel® spreadsheet, contains detailed definitions corresponding with the *Guidelines*. Both the survey and the *Guidelines* were provided to the respondents in electronic form in March. Ambiguities in definitions and emerging issues were addressed in weekly conference calls and by other means.

#### SUBMISSION OF DATA

Plans emailed their completed survey forms to us, beginning on April 26<sup>th</sup>. All financial and other information submitted to us was provided in actual dollars or actual volumes (e.g., member months), segmented by functional area and product line. During the validation process, if we identified outlying responses, we requested the Plans to revise those 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 participants 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 Plans offered all business lines and certain optional fields were omitted by some Plans.

#### 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 materially accurate, and they were subject to validation procedures, we did not perform an audit on any of the responses.

1. Precise Definitions. Functions and product lines were extensively defined in the survey instrument and the *Common Guidelines*. Definitions typically included the



function name itself, a meaningful description to participants, and a broad description of the activities undertaken by the function. Also, for each function, a more detailed list of each of the principle activities is provided. In addition, examples of cost centers associated with various functions were provided, often using language employed by the Plans 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 names, descriptions and 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 plan’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, including at a conference of most of the participants in February of 2024. 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 Plans are committed to the accurate completion of the survey. This approach also assures that the segmentation of the functions reflect the *consensus* of the actual practices of the respondents: by reducing the overall need of the Plans 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. Feedback, Reinforcing Definitions. We also addressed emerging issues as they arose. Issues stemmed from the evolving nature of the business of health plans or ambiguities that were found in the definitions employed in the survey. We resolved, nearly always in consultation with Plans, any ambiguities and we communicated interpretations to all participants so that respondents could adjust their responses accordingly. At least 29 emerging issues were addressed and disseminated through a series of conference calls conducted during the survey process.
4. Reconciliation with Financial Statements. We requested that each of the Plans provide audited consolidated financial information and that revenues, health benefits and administrative expense information tie to information Plans provide in the survey form. If there were differences between the data submitted in the survey form and expense and revenue reflected in the audit, Plans submitted a reconciliation. The reconciliation of their submitted data with audited

financials assisted us in our efforts to assure the accuracy and completeness of their survey information.

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

5. Submissions Scanned for Anomalies. We employed statistical models and visual screens to identify outliers in the submissions. For instance, if a Plan 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 Plan. The Plan was then required 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 had the effect of highlighting outlying responses.

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

7. Practice Effect. Eleven respondents participating in this year's study participated with us last year, or 79%. Of the fourteen Plans participating this year, 100% have seven or more years of experience and 71% have ten or more years of experience participating in the *Sherlock Benchmarks*. We believe that familiarity with reporting in accordance with the *Sherlock Benchmarks* enhances the accuracy of reporting.

### *Questions and Comments*

We invite questions and comments on the  
*Sherlock Benchmarks*.

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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 health plan.

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*Larger Edition - 2024*

Volume I – Financial Metrics

