

SHERLOCK BENCHMARKS

Medicare Plans Edition



Volume I
Financial Metrics

Confidential & Trade Secrets
Copyright © 2024 Sherlock Company. All Rights Reserved.

This Page Intentionally Left Blank.

SHERLOCK BENCHMARKS

Medicare Edition - 2024

Volume I: Financial Metrics



SHERLOCK COMPANY

September 2024

The use of this Report and its content (including data values, survey instruments, definitions and calculation methodologies) form and layout collectively, the Report) is governed by a non-exclusive license agreement or a mutual confidentiality agreement between Sherlock Company and its client that restricts the use of the Report to the client's internal purposes. Any distribution or reproduction, intentional or unintentional, of any materials contained herein without the express written permission of Sherlock Company is prohibited except as specified in the license or mutual confidentiality agreement. The agreement between the client and Sherlock Company does not convey any right of commercial use, nor effect any transfer of the Report or any portion thereof. This Report and its contents are also protected under one or more copyrights.

Copyright © 2024 Sherlock Company. All Rights Reserved. Photograph by Jill Jasuta. Copyright © Jill Jasuta.

This Page Intentionally Left Blank.

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 or Fees

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

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

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

Tab 7. Supplemental Schedules

- Costs Charged by Parent Organization
- Depreciation and Amortization
- Individual, Under 65 Expenses – ACA and Non-ACA
- Group Expenses – Total
- Market Segments Commissions

This Page Intentionally Left Blank.

TABLE OF CONTENTS, CONTINUED

Tab 8. Finance & Accounting Details and Information Systems Expenses, Allocated by Supported Functional Area

- Use of Stop Loss and its Profitability
- Balance Sheet Metrics
- Metrics of Capital Intensity and Aging of PP&E
- Analysis of Taxes Stemming from Health Care Reform
- IS Applications Allocated to Functional Areas
- Analyzed Relative to Functional Area, as Allocated

Tab. 9. Costs of Medicare Offered by Other Universes

- Includes Independent/Provider-Sponsored, Blue Cross Blue Shield, and Medicare Plans
- PMPM and Percent of Revenue Analyses of Medicare Advantage and Medicare SNP

Tab 10. Participant Characteristics

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

Tabs 2-10 contain their own Tables of Contents, with links, to locate specific product lines, expense categories or respondent characteristics.

This Page Intentionally Left Blank.

Tab 2

Summary Analyses

This section summarizes the Financial Metrics volume of the *Sherlock Benchmarks*. It includes a summary of median values, a functional area summary, a longitudinal (year-over-year) comparison, comparisons with other Sherlock Company reports and changes in participant plan cost growth.

The median values for each functional area and product are shown in this section. The summary of medians is intended to provide an immediate and accessible metric of central tendency for administrative costs in each product / expense cell. If your plan has submitted data to this survey, median values are printed in black if the plan has low costs and red if it has high costs.

The functional area summary provides a high level analysis by four high-level clusters of functional areas. Results are presented on a per member per month and percent of revenue basis. All of the expense classifications reported by the respondents have been summarized in this section. Revenues are defined as premiums or self-funded fees. Premiums and fees exclude those of pharmacy and behavioral health, as do their associated expenses, except where noted.

Sherlock Benchmark values are provided in a slightly different form in *Plan Management Navigator* and figures in this tab facilitate their comparison.

Administrative cost growth is also analyzed for health plans that participated in both this and the prior year.

Figure	Analysis	Page
	Summary of Medians	
2-1	Per Member Per Month.....	4
2-2	Percent of Revenues.....	6
2-3	Participant Characteristics.....	8
	High Level Functional Expenses	
2-4 & 2-5	Sales and Marketing.....	12
	Rating and Underwriting	
	Marketing	
	Sales	
	External Broker Commissions	
	Advertising and Promotion	
2-6 & 2-7	Medical and Provider Management.....	14
	Provider Network Management and Services	
	Medical Management / Quality Assurance / Wellness	
2-8 & 2-9	Account and Membership Administration.....	16
	Enrollment / Membership / Billing	
	Customer Services	
	Claim and Encounter Capture and Adjudication	
	Information Systems Expenses	
2-10 & 2-11	Corporate Services.....	18
	Finance and Accounting	
	Actuarial	
	Corporate Services Function	
	Corporate Executive & Governance	
	Association Dues and License / Filing Fees	
2-12 & 2-13	Subtotal Expenses (Excluding Miscellaneous Business Taxes).....	20

Summary Analyses, Continued

Figure	Analysis	Page
Figures Corresponding with Navigator Publication		
2-14	Pharmacy and Behavioral Health.....	22
2-15	Account and Membership Administration, Including Pharmacy and Behavioral Health.....	23
2-16	Total Expenses, Including Pharm and Behavioral Health, and Excluding Misc. Business Taxes....	24
Longitudinal Comparison		
2-17	Median Changes in Per Member Per Month Expenses, As-Reported.....	26
2-18	Median Changes in Per Member Per Month Expenses, Constant Mix.....	27
Plan Specific Administrative Cost Growth		
2-19	Percent Changes in PMPM Administrative Expenses, As-Reported.....	28
2-20	Percent Changes in PMPM Administrative Expenses, Constant-Mix.....	31
2-21	PMPM Changes as a Percent of Total PMPM Changes.....	32
2-22	Dollar Changes in Administrative Expenses.....	34
2-23	Dollar Changes as a Percent of Total, by Function.....	36

Tab 3

Functional Expenses, Across Products

This section provides an analysis of specific functional expenses across product lines. Values are presented to account for whether services are provided internally or outsourced. Costs are presented on a per member per month and percent of premiums and/or fees basis. Premiums and fees exclude those attributable to pharmacy and behavioral health.

Functional Area	Page
Sales and Marketing	
1. Rating and Underwriting.....	42
(b) Risk Adjustment.....	44
(c) All Other Rating and Underwriting.....	46
2. Marketing.....	48
(a) Product Development and Market Research.....	50
(b) Member and Group Communication.....	52
(c) Other Marketing.....	54
3. Sales.....	56
(a) Account Services.....	58
(b) Internal Commissions.....	60
(c) Other Sales.....	62
4. External Broker Commissions.....	64
5. Advertising and Promotion.....	66
(a) Media and Advertising.....	68
(b) Charitable Contributions.....	70
Medical and Provider Management	
6. Provider Network Management and Services.....	72
(a) Provider Relations Services.....	74
(b) Provider Contracting.....	76
(1) Provider Configuration.....	78
(2) Other Provider Contracting.....	80
(c) Other Provider Network Management and Services.....	82
7. Medical Management / Quality Assurance / Wellness.....	84
(a) Pre-Certification.....	86
(b) Case Management.....	88
(c) Disease Management.....	90
(d) Nurse Information Line.....	92
(e) Health and Wellness.....	94
(f) Quality Components.....	96
(g) Medical Informatics.....	98
(h) Utilization Review.....	100
(i) Other Medical Management.....	102

Functional Expenses, Across Products, continued

Functional Area	Page
Account and Membership Administration	
8. Enrollment / Membership / Billing.....	104
(a) Enrollment and Membership.....	106
(b) Billing.....	108
9. Customer Services.....	110
(a) Member Services.....	112
(b) Printed Materials and Other.....	114
(c) Grievances and Appeals.....	116
10. Claim and Encounter Capture and Adjudication.....	118
(a) COB and Subrogation.....	120
(d) Payment Integrity.....	122
(e) Other Claim and Encounter Capture and Adjudication.....	124
11. Information Systems Expenses.....	126
(a) Operations and Support Services.....	128
(b) Applications Maintenance.....	130
(1) Benefit Configuration.....	132
(2) All Other Applications Maintenance.....	134
(c) Application Acquisition and Development.....	136
(d) Security Administration and Enforcement.....	138
Corporate Services Cluster	
12. Finance and Accounting.....	140
(a) Credit Card Fees.....	142
(b) Fund Accounting for Self-Insured Groups.....	144
(c) All Other Finance and Accounting.....	146
13. Actuarial.....	148
14. Corporate Services Function.....	150
(a) Human Resources.....	152
(b) Legal.....	154
(1) Compliance.....	156
(2) Government Affairs.....	158
(3) Outside Litigation.....	160
(4) Fraud, Waste and Abuse.....	162
(5) All Other Legal.....	164
(c) Facilities.....	166
(e) Audit.....	168
(f) Purchasing.....	170
(g) Imaging.....	172
(h) Printing and Mailroom.....	174
(i) Risk Management.....	176
(j) Other Corporate Services.....	178

Functional Expenses, Across Products, continued

Functional Area	Page
Corporate Services Cluster, continued	
15. Corporate Executive & Governance.....	180
16. Association Dues and License/Filing Fees	182
Subtotal Expenses	184
17. Miscellaneous Business Taxes.....	186
Total Expenses	188

Tab 4

Functional Expenses of Each Product, PMPM

This section provides an analysis of the expense composition of each product. All expenses for each product are included in each table. Costs are presented on a per member per month basis. Each section includes a statistical analysis of product expenses.

Figure	Product	Page
	Total	
4-1	Comprehensive Total.....	192
4-2	All Products.....	194
	Commercial	
4-3	Commercial HMO, Insured.....	196
4-4	Commercial POS, Insured.....	198
4-5	Commercial Indemnity & PPO, Insured.....	200
4-6	Commercial Total, Insured.....	202
4-7	Commercial, ASO/ASC.....	204
4-8	Commercial Total.....	206
	Medicare	
4-9	Medicare Advantage.....	208
4-10	Medicare SNP.....	210
4-11	Medicare Total.....	212
4-12	Medicare Supplement.....	214
4-13	Stand-Alone Medicare Part D.....	216
	Medicaid	
4-14	Medicaid HMO.....	218
4-15	Medicaid CHIP.....	220
4-16	Medicaid Total.....	222
	Other	
4-17	Stand-Alone Dental.....	224

Tab 5

Functional Expenses of Each Product, Percent of Premiums and/or Fees

This section provides an analysis of the expense composition of each product. All expenses for each product are included in each table. Each figure includes a statistical analysis of expenses. Costs are presented on a percent of premiums and/or fees basis. Premiums and fees exclude those of pharmacy and behavioral health, as do associated expenses.

Figure	Product	Page
	Total	
5-1	Comprehensive Total.....	228
5-2	All Products.....	230
	Commercial	
5-3	Commercial HMO, Insured.....	232
5-4	Commercial POS, Insured.....	234
5-5	Commercial Indemnity & PPO, Insured.....	236
5-6	Commercial Total, Insured.....	238
5-7	Commercial, ASO/ASC.....	240
5-8	Commercial Total.....	242
	Medicare	
5-9	Medicare Advantage.....	244
5-10	Medicare SNP.....	246
5-11	Medicare Total.....	248
5-12	Medicare Supplement.....	250
5-13	Stand-Alone Medicare Part D.....	252
	Medicaid	
5-14	Medicaid HMO.....	254
5-15	Medicaid CHIP.....	256
5-16	Medicaid Total.....	258
	Other	
5-17	Stand-Alone Dental.....	260

Tab 6

Expenses of Specialty Services and Other Self-Contained Activities

This section provides an analysis of specialty and other self-contained net or total expenses across products. These activities are Pharmacy, Behavioral Health and COB and Subrogation. Values are presented on a per member per month and percent of premiums or premiums equivalent basis. (Pharmacy and Behavioral Health are excluded from the total expenses found in Tabs 3-5.)

In calculating ratios, premiums and equivalents exclude pharmacy and behavioral health, except they are respectively included for pharmacy and behavioral health functions. Membership refers to all members except in the case of pharmacy and behavioral health, in which only pharmacy and behavioral health members, respectively, are used if available.

Healthcare Recoveries contains a more detailed analysis of COB and Subrogation and Fraud, Waste and Abuse recoveries included in Tabs 3-5.

Figures	Function	Page
	Pharmacy	
6-1 & 6-2	Administration.....	264
6-3 & 6-4	Gross Benefits.....	266
6-5 & 6-6	Rebates.....	268
6-7 & 6-8	Total Pharmacy Costs.....	270
6-9	Percentage of Plans that Outsource Formulary Management.....	272
	Behavioral Health	
6-10 & 6-11	Administration.....	273
6-12 & 6-13	Benefits.....	275
6-14 & 6-15	Total Behavioral Health Costs.....	277
	Healthcare Recoveries	
6-16 & 6-17	COB and Subrogation Recoveries.....	279

Tab 7

Supplemental Schedules

- **Costs Charged by Parent Organization** reports the size and scope of costs that are charged to the health plan from its parent organization (e.g. legal services, accounting, etc.). It can also provide a gauge of the reasonableness of such services, though it should be understood that this application is limited since the precise nature of the services for which the parent bills is unknown.
- **Individual Expenses** reports those expenses that are for Individual contracts only. This includes ACA compliant members on and off exchange and grandfathered, non-ACA compliant members. Expenses are reported by functional area.
- **Total Group** reports expenses for groups comprising Small, Middle Market and Large groups. Large groups do not include self-funded groups.
- **Market Segments Commissions** reports various commissions metrics for Individual, Small, Middle Market and Large groups.

In all schedules, revenue denominators are defined as premiums and fees excluding pharmacy and behavioral health.

Figure	Schedule	Page
	Costs Charged by Parent Organization	
7-1	Per Member Per Month.....	283
7-2	Percent of Premiums and Fees.....	285
7-3	Percent of Total Function Administrative Expenses.....	287
	Market Segments, Per Member Per Month	
	Individual Expenses - Under 65	
7-4	ACA.....	289
7-5	Non-ACA.....	291
7-6	Total Individual.....	293
	Insured Groups	
7-7	Small Group.....	295
7-8	Middle Market.....	297
7-9	Large Group.....	299
7-10	Middle Market + Large Group.....	301
7-11	Total Group.....	303

Supplemental Schedules, Continued

Figure	Schedule	Page
	Market Segments, Percent of Premiums	
	Individual Expenses - Under 65	
7-12	ACA.....	305
7-13	Non-ACA.....	307
7-14	Total Individual.....	309
	Insured Groups	
7-15	Small Group.....	311
7-16	Middle Market.....	313
7-17	Large Group.....	315
7-18	Middle Market + Large Group.....	317
7-19	Total Group.....	319
	Market Segments Commissions	
7-20	Commissions Expenses, PMPM.....	321
7-21	Commissions Expenses, Percent of Revenue.....	322

Tab 8

Finance and Accounting Details

This includes Stop Loss metrics, which relates to Plan working capital as well as product design. Other topics include metrics of financial condition and liquidity, aging of Property, Plant and Equipment, non-cash expenses, capitalization vs. expense of strategic projects and an analysis of taxes stemming from health care reform.

Stop-Loss insurance is often sold to self-insured (ASO/ASC) customers of health plans. Since stop-loss has different economic characteristics than ASO/ASC but they are often sold together, it can be illuminating to look at stop-loss and ASO/ASC products as though they were combined. In this section, 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. We also report the combined economics of the ASO/ASC plus the stop loss insurance to get a complete view of these complementary products. These analyses are performed with and without prescription drug and behavioral health benefits, expenses and associated revenues.

This section also includes metrics of financial efficiency, financial strength, capital intensity, amortization policies and ACA taxes and fees.

Figure	Schedule	Page
Stop-Loss		
8-1	Stop-Loss Sold Members as a Percent of Self-Insured Members.....	327
8-1	Stop-Loss Only.....	327
8-2	Self-Insured Fees Plus Stop-Loss.....	327
8-2	Self-Insured Premium-Equivalents Plus Stop-Loss.....	328
Finance and Accounting Metrics		
8-3	Equity Turnover.....	329
8-3	Operating Margin.....	329
8-3	Operating Return on Equity.....	329
8-3	Days of Accounts Receivable.....	329
8-3	Days of Premiums Receivable.....	329
8-3	Current Ratio.....	329
8-3	RBC Ratio.....	329
8-3	Days to Close.....	329
8-3	Percentage of Plans That Are Provider Affiliated.....	329
Property, Plant and Equipment		
8-4	Property, Plant and Equipment Value, PMPM.....	330
8-4	Non-Cash Expenses, PMPM.....	330
8-4	Non-Cash Expenses as a Percent of Total Function Administrative Expenses.....	330
8-4	Average Remaining Life in Years of Property, Plant and Equipment.....	330

Finance and Accounting Details, Continued

Figure	Schedule	Page
	ACA-Related Taxes and Fees	
8-12	Per Member Per Month.....	331
8-12	Percent of Premiums and Fees.....	331
8-12	Note: Membership and Revenue Denominators.....	331

Information Systems, Allocated by Supported Functional Areas

This section provides an analysis of functional expenses, allocating Information Systems expense to the functional areas that it supports. These allocations are then analyzed to determine the impact on each functional area, how it varies between functional areas and the importance of staffing costs relative to the reallocated expenses.

The first analysis, "Information Systems Allocations," includes all IS expenses such as infrastructure and software. The second analysis is only for applications that can be traced to specific functional areas.

This analysis is based on Comprehensive Total data. Revenues are defined as premiums and self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses. "Loaded" means that the information systems allocations have been added to the reported functional area costs.

Figure	Schedule	Page
	Information Systems Applications Allocations	
8-13	Applications Information Systems Dollar Allocations, PMPM.....	332
8-14	Applications IS Dollar Allocations as a Percent Revenue.....	333
8-15	Percent of Applications IS Costs Allocated to Each Functional Area.....	334
8-16	Applications IS Loaded Functional Area Expenses PMPM.....	335
8-17	Applications IS Costs as a Percent of Loaded Functional Area Costs.....	336

Tab 9

Costs of Medicare Offered by Other Universes

This section provides an analysis of Medicare Advantage, Medicare SNP, and Medicare Part D plans that are offered by other universes in Sherlock Company's benchmarking study for 2024. Data is presented on a per member per month and a percent of revenue basis.

Revenues are defined as premiums or self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses.

Figure	Schedule	Page
Medicare Advantage		
9-1	Independent / Provider-Sponsored (IPS) Per Member Per Month.....	338
9-2	Independent / Provider-Sponsored Percent of Revenue.....	340
9-3	Blue Cross Blue Shield (BCBS) - Per Member Per Month.....	342
9-4	Blue Cross Blue Shield - Percent of Revenue.....	344
9-5	IPS and BCBS - Per Member Per Month.....	346
9-6	IPS and BCBS - Percent of Revenue.....	348
9-7	IPS, BCBS, and Medicare Edition - Per Member Per Month.....	350
9-8	IPS, BCBS, and Medicare Edition - Percent of Revenue.....	352
Medicare SNP*		
9-9	Blue Cross Blue Shield (BCBS) - Per Member Per Month.....	354
9-10	Blue Cross Blue Shield - Percent of Revenue.....	356
9-11	IPS, BCBS, and Medicare Edition - Per Member Per Month.....	358
9-12	IPS, BCBS, and Medicare Edition - Percent of Revenue.....	360
Medicare Part D**		
9-13	Blue Cross Blue Shield (BCBS) - Per Member Per Month.....	362
9-14	Blue Cross Blue Shield - Percent of Revenue.....	364
9-15	IPS, BCBS, and Medicare Edition - Per Member Per Month.....	366
9-16	IPS, BCBS, and Medicare Edition - Percent of Revenue.....	368

*Only one IPS plan with SNP

**IPS Plans did not provide Medicare Part D data.

Tab 10

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
Membership		
10-1	Member Months - Individual and Group (000's).....	373
10-2	Average Members - Individual and Group (000's).....	374
10-3	Average Members - Individual (000's).....	375
10-4	Average Members - Group (000's).....	376
10-5	Change in Average Membership.....	377
10-6	Mix - Product Membership as a Percent of Total Comprehensive Membership.....	378
10-7	Mix - Individual Membership as Percent of Total Product Membership.....	379
10-8	Mix - Group Membership as Percent of Total Product Membership.....	380
10-9	Average Number of Groups Served.....	381
10-10	Average Group Size (Member Months / Groups Months).....	382
10-11	Change in Average Number of Groups Served.....	383
Revenues		
10-12	Premiums and/or Self Funded Fees (000,000's).....	384
10-13	Premiums and/or Premium Equivalents (000,000's).....	385
10-14	Premiums and/or Self Funded Fees (Excluding Rx and B.H.) (000,000's).....	386
10-15	Premiums and/or Premium Equivalents (Excluding Rx and B.H.) (000,000's).....	387
10-16	Premiums and/or Self Funded Fees PMPM.....	388
10-17	Premiums and/or Premium Equivalents PMPM.....	389
10-18	Premiums and/or Self Funded Fees PMPM (Excluding Rx and B.H.).....	390
10-19	Premiums and/or Premium Equivalents PMPM (Excluding Rx and B.H.).....	391
10-20	Change in Gross Premiums/Self Funded Fees, PMPM.....	392
10-21	Mix - Premiums and Self-Funded Fees as a Percent of Overall Total Premiums and Self-Funded Fees.....	393
10-22	Mix - Premiums and Premium Equivalents as a Percent of Overall Total Prem. and Prem. Equivalents.....	394

Participant Characteristics, Continued

Figure	Schedule	Page
Health Care Costs		
10-23	Health and Other Benefit Costs PMPM.....	395
10-24	Health and Other Benefit Costs PMPM (Excluding Rx and B.H.).....	396
10-25	Health Benefits Ratio (MLR) (Benefits / Premiums & Premium Equivalents).....	397
10-26	Health Benefits Ratio (MLR) (Benefits / Premiums & Premium Equivalents) (Excluding Rx and B.H.).....	398
10-27	Change in Net Health and Other Benefit Costs, PMPM.....	399
Administrative Expenses		
10-28	Administrative Costs PMPM.....	400
10-29	Administrative Costs PMPM (Excluding Rx and BH).....	401
10-30	Administrative Expense Ratio (Premium and Fees).....	402
10-31	Administrative Expense Ratio (Premiums and Fees) (Excluding Rx and BH).....	403
10-32	Administrative Expense Ratio (Premium Equivalents).....	404
10-33	Administrative Expense Ratio (Premium Equivalents) (Excluding Rx and BH).....	405
Profit		
10-34	Operating Earnings PMPM.....	406
10-35	Operating Margin.....	407
Characteristics by Segment		
10-36	ACA, Under 65.....	408
10-37	Non-ACA, Under 65.....	409
10-38	Total Individual.....	410
10-39	Total Group.....	411

This Page Intentionally Left Blank.

SHERLOCK BENCHMARKS

Medicare Plans Edition - 2024

Volume I – Financial Metrics

