

# SHERLOCK BENCHMARKS

Blue Cross Blue Shield Edition



*Volume I*  
Financial Metrics

*Confidential & Trade Secrets*  
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# SHERLOCK BENCHMARKS

## Blue Cross Blue Shield Edition - 2022

### *Volume I: Financial Metrics*



SHERLOCK COMPANY

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July 2022

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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 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 and/or self-funded fees. Premiums and fees exclude those of pharmacy and behavioral health, as do their associated expenses. Also, administrative cost growth is analysed for health plans that participated in both this and the prior years.

Sherlock Benchmark values are provided in a slightly different form in *Plan Management Navigator*. Figures 2-14 to 2-16 in this section facilitate their comparison.

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

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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 each expense of that product. 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. "Comprehensive Total" excludes Medicare Advantage SNP, Stand-Alone Dental, Stand-Alone Medicare Part D and Host Expenses.

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This section provides an analysis of specialty and other self-contained expenses across products. These activities are Pharmacy and Behavioral Health management. Values are presented on a per member per month and percent of premium equivalents or premium and/or fees basis.

Normally when calculating ratios, premiums, fees and equivalents exclude pharmacy and behavioral health. For these services they are included. Membership refers to all members except in the case of pharmacy in which only members covered under those services are used, if available.

In this section, we also report COVID expenses. These expenses are also included with expenses reported in the main administration schedule. This is intended to capture expenses incurred in 2021 stemming from the COVID-19 pandemic. While reported by function, examples of such expenses are Senior Health Services – Member Care packages, advertising/member communications, car management expansion and education Facilities – Enhanced cleaning and facility updates for safety, Operations –Additional staffing, including a 50% salary premium for “hazard pay” that lasted for several months, Information Systems – Services and Equipment costs related to WFH (work from home), extension of helpdesk vendor, IT security and Health Care Value – Telehealth change costs, COVID testing.

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Individual Commercial Health Products exclude any government programs and/or Medicare Supplement (Individual Medigap and National Medigap). Stand Alone Dental and Stand Alone Medicare Part D are not included with Individual Commercial Health Products. Individuals with HSAs are included here.

The Individual Product is segmented to reflect the Affordable Care Act. The three categories are ACA-compliant "Metal Products" sold through a public exchange, ACA-compliant products sold off of a public exchange including those sold on a private exchange, and Grandfathered products.

Groups are segmented as follows.

- Small Group business is defined as groups having 2- 50 eligible employees and may include sole-proprietors if the Plan views them as small group business.
- Middle Market business is defined as groups having 51-99 eligible employees.
- Large Group business is defined as groups having 100 or more eligible employees.
- National Accounts are defined as Control Plan Accounts for the purposes of this study and should exclude FEP. National Accounts are customers (groups) with 5,000 or more employees and 10% or greater membership out of the plan's service area. They may be Insured or ASO/ASC.
- Local ASO/ASC values are calculated based on reported ASO/ASC Totals, less National Accounts that are ASO/ASC.

In all schedules, revenues are defined as premiums and/or premium equivalents basis. Premiums and premium equivalents exclude those of pharmacy and behavioral health, as do their associated expenses.

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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.

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## Tab 9

### Information Systems, Allocated by Supported Functional Areas

Information Systems are part of health insurers end-to-end production chain for Claims, Customer Services and other functions. 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 behavioral health, as do associated expenses. "Loaded" means that the information systems allocations have been added to the reported functional area costs.

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## 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. In addition, characteristics of market segments (e.g., Individual, Small Group, etc.) are also provided. Changes are year-over-year.

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# **SHERLOCK BENCHMARKS**

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