

# Plan Management Navigator

## *Analytics for Health Plan Administration*



Healthcare Analysts

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## SHERLOCK BENCHMARKS “TEST DRIVE”

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

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

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

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

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

An image of the *Calculator* is shown nearby. In this instance, the *Calculator* shows the results of a theoretical health plan with 250,000 members, on average. Of these, 125,000 are Commercial HMO Insured, 25,000 are Commercial ASO, 50,000 are Medicare Advantage and 50,000 are in Medicaid HMO. The health plan is most similar to Independent / Provider – Sponsored plans and that universes’ values were selected for each of the products.

The *Calculator* yields expected costs of \$50.47 PMPM for the health plan, its Benchmark Value. This represents the median values for each product for the selected universe, weighted by the health plan’s product mix. Those median product values are published in *Plan Management Navigators*, found on the Sherlock Company website.

In this instance, this health plan’s own total administrative costs is available for comparison purposes, which is \$150 million annually. This yields a PMPM value of \$50.00 ( $\$150 \text{ million} \div 250,000 \div 12$ ). This is shown to be \$0.47 lower or 0.93% than the Benchmark Value, a favorable variance.



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

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

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

The *Sherlock Benchmarks* themselves can answer these questions.

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

Also, the *Calculator* permits a comparison between you and your peers that eliminates the effect of product mix differences between the organizations. The approach is indirect since the comparison would be between your variances from your Benchmark Value with your competitors' variance from its own Benchmark Value. For instance, if your variance is a favorable one of 3.5% and your peer's PMPM Administrative Expense the same as its Benchmark Value, your performance is superior, notwithstanding your product mix differences. Since it is unlikely that you would have access to your competitor's internal financials, publicly available values such as Statutory Statements and SEC documents can provide values for administrative expenses and for membership.

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

## How do you compare to the Sherlock Benchmarks?

Your Total Annual Administrative Expenses	\$ 150,000,000	Optional
Total Average Members	250,000	
Your PMPM Administrative Expenses	\$50.00	
Variance from Benchmark	(\$0.47)	
Percent Variance from Benchmark	(0.93%)	

PRODUCTS	AVERAGE MEMBERS	UNIVERSE
Commercial HMO Insured	125,000	IPS ▼
Commercial HMO ASO/ASC	0	Blue ▼
Commercial POS Insured	0	Blue ▼
Commercial POS ASO/ASC	0	Blue ▼
Indemnity & PPO Insured	0	Blue ▼
Indemnity & PPO ASO/ASC	0	Blue ▼
Commercial ASO Total	25,000	IPS ▼
FEP	0	Blue ▼
Medicare Advantage	50,000	IPS ▼
Medicare SNP	0	IPS ▼
Medicare Cost	0	IPS Only
Medicare Supplement	0	Blue ▼
Medicaid HMO	50,000	IPS ▼
Medicaid CHIP	0	IPS ▼
Stand-Alone Part D	0	Blue ▼
Stand-Alone Dental	0	Blue ▼

**EXPECTED PMPM COSTS: \$50.47**

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## *Sherlock Benchmarks: Participation and Licensing*

This *Navigator* analysis rely on the results of the 2019 *Sherlock Benchmarks*, our 22<sup>nd</sup> annual study. All data is for the 2018 calendar year and has been carefully validated both by us and by the plans themselves. Collectively, the 40 plans collectively served 47 million Americans. The range of membership was 65,000 to more than 5 million.

We are now conducting our 23<sup>rd</sup> annual Benchmarking Study for health plans. This study will reflect 2019 calendar year results and will be conducted on the same calendar as last year. We welcome Blue Cross Blue Shield Plans, Independent / Provider – Sponsored plans, Medicaid plans, Medicare plans and other plans. Please reach out to us if participation is of interest.

In addition, for those that cannot participate, licensing is available. Please see [sherlockco.com/sherlock-benchmarks/](https://sherlockco.com/sherlock-benchmarks/) for additional information on the *Sherlock Benchmarks*.

### *Contact*

Please do not hesitate to contact us with questions concerning this analysis, *PULSE*, the *Sherlock Benchmarks* on which it is based or your interest in participating in the 2020 *Sherlock Benchmarking Study*. We can be reached at [sherlock@sherlockco.com](mailto:sherlock@sherlockco.com) or (215) 628-2289.