

Plan Management Navigator

Analytics for Health Plan Administration



Healthcare Analysts

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Please see page 6 for our invitation to participate in the 2023 Sherlock Benchmarks.

THE SHERLOCK BENCHMARKS AND COST HARMONIZATION SERVICES

Background

We recently launched the 26th annual health plan administrative cost benchmarking study, the *Sherlock Benchmarks*. The *Sherlock Benchmarks* are a unique resource to assist plans in optimizing their administrative costs.

Costs measured are highly granular so that they are mutually exclusive and collectively exhaustive. They range from Medical Management to Information Systems to Rating and Underwriting and Corporate Executive and Governance. The quality and usefulness of the Benchmarks are indicated by our longevity as well as by acceptance: the *Sherlock Benchmarks* reflects a cumulative experience of approximately 1,000 health plan years.

There are two ways to access the *Sherlock Benchmarks*.

Participation. The first is to become a participant in one of our universes. We have just launched our Blue Cross Blue Shield and Independent / Provider - Sponsored (IPS) universes of the *Sherlock Benchmarks*. If your plan is interested in participating in these universes, please let us know as soon as possible. For these two universes, survey forms are expected back in April, validated in May, and results published beginning in June. We anticipate the Medicare and Medicaid universes to launch in June after the Medicare bids are due and we estimate that the results will be published in September.

Figure 1. Sherlock Benchmarks and Cost Harmonization

Outline of Options for Participating in the Sherlock Benchmarks

	2022 Sherlock Benchmark Data - Licensing		2023 Sherlock Benchmark Data - Participating	
	(1) Sherlock Completes Survey	(2) Your Organization Completes Survey*	(3) Sherlock Completes Survey	(4) Your Organization Completes Survey
Costs, Time Commitment, and Time Flexibility				
Ranking of Costs (1 - Least Expensive, 4 - Most Expensive)	4	2	3	1
Ranking of Your Firm's Time Commitment (1 - Least Time Commitment, 4 - Most Time Commitment)	1	3	2	4
Time Flexibility	Yes	Yes	No	No

* Completion of the survey is optional but necessary for your data to be included in a "tailored report."

Licensing. The second way to access the *Sherlock Benchmarks* is to license them. The licensed reports are identical to the participant reports except that your data is not included unless it is added by us or you after the participation is complete. Licensing provides your organization with immediate access to the 2022 editions of the Benchmarks. Once the 2023 editions are published beginning in June, those will also be available to license.

Harmonizing Your Administrative Costs with the Sherlock Benchmarks

To best apply the *Sherlock Benchmarks* entails efforts to achieve comparability between your costs and those of your peer group universe at a level you consider actionable. While the Sherlock classifications probably resemble yours (they are developed in consultation with your participating peer organizations), individual plans inevitably have differences in their classifications.

There are several options for plans that wish to harmonize or even incorporate their data into the Benchmarks. They represent combinations of whether you or we populate the survey form, and whether your plan elects to participate or license.

All options that follow provide you access with *Sherlock Benchmarks*. As shown in Figure 1, Options 1 and 3 engages Sherlock Company to perform the cost mapping for your organization. While the cost mapping takes much of the effort out of your hands, there is a cost for us to perform it. And, depending on whether the data is to be included in the 2023 Benchmarks, it will require some time and effort on your part to help answer our questions about your costs and to help validate the survey as a whole. Figure 2, on page 4, shows both Duration / Due Dates and approximate time commitment by your organization. We estimate that it will take approximately 3 FTE weeks to complete the financial metrics survey form.

- 1) **License 2022 Sherlock Benchmark Data, Sherlock Completes Survey** - This option would provide the most rapid results and least time commitment for your plan. For this option, you would license the *Sherlock Benchmarks*, available immediately, and your health plan would provide cost center information. Sherlock Company would then classify the costs in accordance with *Sherlock Benchmark* classifications and incorporate your results into a “tailored” version of the *Sherlock Benchmarks*. This option entails your incurring cost of our efforts to perform this harmonization. The timeline is flexible and, based on our prior assignments which includes some effects of client schedules, elapsed time is approximately 2.5 months, while the effort to populate the survey form takes about 3 FTE weeks. If there are any revisions based on the review of the data validation or the drafts, those would most likely take up to one week. *Note, the 2022 edition of the Benchmarks reflect 2021 financial and operational health plan data.*

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- 2) **License 2022 Sherlock Benchmark Data, Your Firm Completes Survey** - This option also provides rapid results, since we can immediately deliver the reports without your information. The timeline for the delivery of the reports including your results will be contingent on when your organization can complete the survey form. *In fact, you need not complete the survey at all if you are indifferent to its inclusion to the licensed edition.* In addition, we will provide you feedback on your accuracy by performing our statistical checking of your submission and note our conclusions to you and you may supply revisions if you wish. Your only cost is to license the 2022 edition of the *Sherlock Benchmarks*.
- 3) **Participate in 2023 Sherlock Benchmark Data, Sherlock Completes Survey** - For this option, your health plan would be a participant within the 2023 *Sherlock Benchmarks*. The cost to participate is one-half the cost to license, plus the cost of our populating the survey form. Sherlock Company would populate the survey forms on your plan's behalf, but we would require that your organization's data meet the same quality standards and participate in the validation as other participants in the study. In addition, your firm would need to supply all required metrics on a timely basis to enable Sherlock Company to meet our obligations for delivery of the Benchmarks. The Reports would be available beginning in June for Blue, July for IPS universes and September for Medicare and Medicaid universes, but draft documents will be provided earlier. While the timeline for receiving the results would be longer compared to the first two options, your firm would be receiving more recent information since the 2023 editions reflect 2022 financial data. *The Blue and IPS universes have launched their studies so we would need to start this ASAP.*
- 4) **Participate in 2023 Sherlock Benchmark Data, Your Firm Completes Survey** - Similar to option 3, your health plan would be a participant in the 2023 *Sherlock Benchmarks*. Your organization would be responsible for providing all of the required information, harmonize your expenses to the *Sherlock Benchmark's* classifications and meet the same quality standards as the other participants. The timeline is also the same as option 3. The cost, however, is the lowest of the four options since it is only the participation fee.

Required Information Needed for Incorporation to Sherlock Benchmarks

FINANCIAL METRICS DATA ELEMENTS REQUEST

The following data elements should be available for either your plan or Sherlock Company to populate the survey form. They include:

- Member months by product.
- Premium revenues and health care costs by product.
- Cost center data and possibly some general ledger information.

Figure 2. Sherlock Benchmarks and Cost Harmonization

Duration

	2022 Sherlock Benchmark Data - Licensing		2023 Sherlock Benchmark Data - Participating	
	(1) Sherlock Completes Survey	(2) Your Organization Completes Survey	(3) Sherlock Completes Survey	(4) Your Organization Completes Survey
Approximate Timeline (Duration or Due Dates)				
Survey Form Distributed	After License Agreement Signed. Depends on Preferred Completion Date.	After License Agreement Signed. Depends on Preferred Completion Date.	Now for Blues / IPS and Early June for Medicare and Medicaid	Now for Blues / IPS and Early June for Medicare and Medicaid
Gathering of Cost Center and Staffing Data	~ 3 - 4 Weeks	Not Appl.	Needs to be completed prior to survey distribution.	Not Appl.
Population of Survey Form	~ 5 - 6 Weeks	Not Appl.	Mid-May for Blues / IPS and Early August for Medicare and Medicaid	Mid-May for Blues / IPS and Early August for Medicare and Medicaid
Survey Form Validation	1 Week or less	1 Week or less	Late May for Blues / IPS and Mid-August for Medicare and Medicaid	Late May for Blues / IPS and Mid-August for Medicare and Medicaid
Draft Reports Delivered	1 Week or less	1 Week or less	Early June for Blues / IPS and Late August for Medicare and Medicaid	Early June for Blues / IPS and Late August for Medicare and Medicaid
Final Reports Delivered	~ 2.0 - 2.5 Months from Execution of Agreements	Not Appl.	Mid-June for Blues / IPS and September for Medicare and Medicaid	Mid-June for Blues / IPS and September for Medicare and Medicaid
Time Commitment				
Population of Survey Form	~ 3 Weeks	Not Appl.	See Due Dates Above	See Due Dates Above
Survey Form Validation	1 Week or less	1 Week or less		
Draft Reports Delivered	1 Week or less	1 Week or less		

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- Descriptions of activities for cost centers.
 - Audited Financial Statements, to assure completeness. (We reconcile expenses back to an audited income statement to ensure all expenses are reflected in the benchmarks.)
 - FTE Months for staff in each function, with a description of their responsibilities. For FTEs that perform activities across multiple functional areas, we need to know how much time is spent on each activity.
 - Staffing costs, including benefits, by FTEs, in each function.
 - Outsourced costs and description of outsourced activities.
 - Possibly other information (e.g., metrics that may assist in cost allocation between functions).

OPERATIONAL METRICS DATA ELEMENTS REQUEST

We ask for a limited number of Operational Metrics, which reflect same requirements of our participants. These operational metrics may help to explain variances. In this context, **they can be especially important in cost allocation across products**. Inquiries by product can serve as drivers for allocating Customer Services and Provider Services costs. The required operational metrics include:

Total Manual Inquiries for **Customer Services** and **Provider Services**. Manual Inquiries:

- Manual Calls
- Paper / Written Inquiries
- Manual Electronic Inquiries

Manual **Enrollment** Transactions which is comprised of:

- Electronic Transactions Requiring Manual Intervention
- All Other Manual Transactions

Total Number of **Claims** Processed

Additional Information on Cost Mapping Services Performed by Sherlock Company

RESPONSIBILITIES OF THE CLIENT

While we are tasked to perform the allocations, the organization shares certain responsibilities. These responsibilities include:

- Create a Steering Committee consisting of key executives impacted by the benchmarking project. As a practical matter, this is usually one person, normally a CFO, and usually he or she designates someone such as the controller or head of FP&A to provide direct contact with us.
- Be responsible for the quality and integrity of input data.

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- Be responsible for providing reviews and comments on a timely basis.
 - Provide administrative support to assist with the scheduling and coordination of interviews, work sessions, and other meetings.

Additional Resources on the Sherlock Benchmarks

Please find summaries of the results of the 2022 *Sherlock Benchmarks* [here](#). An overview and table of contents for the benchmarks can be found [here](#). Characteristics of the 2022 Benchmark universes can be found [here](#). Products offered among our various universes can be found [here](#). A sample of what the output reports look like can be found [here](#).

Contact

Please do not hesitate to contact us with questions concerning participation, licensing, or cost harmonization of the *Sherlock Benchmarks*.

We can be reached at sherlock@sherlockco.com or (215) 628-2289.

Background on Participation in the 2023 Sherlock Benchmarking Study

The highly valid, well-populated *Sherlock Benchmarks* provide an unbiased ranking and help prioritize cost management activities to have the greatest impact on improving your health plan's overall operating performance.

The 2023 study will be the 26th consecutive year, reflecting a cumulative experience of 966 health plan years. Since June of 2019, health plans serving at least 210 million people have licensed the *Sherlock Benchmarks* including most Blue Cross Blue Shield plans, public companies and the largest Independent / Provider – Sponsored health plans. For the most recent cycle of the *Sherlock Benchmarks*, of the 33 U.S.-based Blue Cross Blue Shield primary licensees, 16 serving approximately 49.1 million people participated in the *Sherlock Benchmarks* for Blue Cross Blue Shield Plans. For Independent / Provider – Sponsored Plans, 15 plans serving 10.6 million people participated in the most recent cycle. Of the 15 members of the Alliance of Community Health Plans that are not focused on public programs or are staff-model plans, six participated in that year's Sherlock Benchmarking Study for Independent / Provider – Sponsored health plans. Four of the 10 largest commercial-focused Health Plan Alliance members participated in last year's *Sherlock Benchmarks*.

The *Sherlock Benchmarks* have been called the “Gold Standard” by leading health care consultants. Report publication begins in late June but varies by universe. Participation entails efforts on the part of the plans since actionable outputs require relatively granular inputs. However, the cost is relatively modest.

The *Sherlock Benchmarks* are also available to license. Please reach out to Douglas Sherlock at sherlock@sherlockco.com or 215-628-2289 if you are interested in either participation or licensing. *You will be among good company.*