

Plan Management Navigator

Analytics for Health Plan Administration



Healthcare Analysts

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*Please see our invitation
to participate in the
2021 Sherlock
Benchmarks on Page 6.*

THE SHERLOCK BENCHMARKS AND COST HARMONIZATION SERVICES

Background

We are beginning our preparations for the 24th annual health plan administrative cost benchmarking study, the *Sherlock Benchmarks*. The *Sherlock Benchmarks* are an absolutely 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. The quality and usefulness of the Benchmarks are indicated by our longevity as well as by acceptance: health plans serving at least 173 million insured people are current and active users of the *Sherlock Benchmarks* since June 2018.

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

Participation. The first is to become a participant in one of our universes. We are preparing to launch our Blue Cross Blue Shield and Independent / Provider – Sponsored (IPS) universes of the *Sherlock Benchmarks*. We anticipate that for these two universes we will distribute surveys in March, receive them back in April, validate information in May and publish 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.

We welcome your plan's participation in the Blue, IPS and other universes. But it is best to sign up soon. Not only are the surveys for some universes to be distributed as early as March and are due back seven weeks later but participation and validation requires time and effort. Plans sometimes tell us that participation requires three weeks of dedicated effort.

Licensing. The second is to license the *Sherlock Benchmarks*. The licensed reports are identical to the participant reports except that your data is not included unless it is added by us or you. This provides your organization with immediate access to the 2020 editions of the Benchmarks. Once the 2021 editions are published beginning in June, those will also be available to license.

Harmonizing Your Cost with that of the Sherlock Benchmarks

To apply the *Sherlock Benchmarks* entails assuring comparability between your costs and those of your peer group universe at a level you consider actionable. While the Sherlock classifications are probably similar to 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*. 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 2021 Benchmarks, it may require time and effort on your part to help answer our questions about your costs and to help validate the survey as a whole.

- 1) **License 2020 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 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, this takes approximately 2.5 months to complete. (We estimate that it will take three weeks of our time to populate the survey and develop reports with it so the delivery time can be accelerated if you wish.) *Note, the 2020 edition of the Benchmarks reflect 2019 financial data.*

- 2) **License 2020 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 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 2020 edition of the *Sherlock Benchmarks*.

- 3) **Participate in 2021 Sherlock Benchmark Data, Sherlock Completes Survey** - For this option, your health plan would be a participant within the 2021 *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, and enable Sherlock Company to meet all due dates for the Benchmarks. The Reports would be available in June for Blue and 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 2021 editions reflect 2020 financial data.

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- 4) **Participate in 2021 Sherlock Benchmark Data, Your Firm Completes Survey** - Similar to option 3, your health plan would be a participant within the 2021 *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.

Please see the summary of the options in Figure 1 on the next page.

Required Information Needed for Data Integration

FINANCIAL METRICS DATA ELEMENTS REQUEST

The following data elements are required for either your plan or Sherlock Company to sufficiently 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.
- 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, 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.
- Fully-loaded staffing costs by FTEs, in each function.
- Outsourced costs and description of outsourced activities.

Figure 1. Sherlock Benchmarks and Cost Harmonization

Outline of Options for Participating in the Sherlock Benchmarks

	2020 Sherlock Benchmark Data - Licensing		2021 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 - Most Expensive, 4 - Least Expensive)	1	3	2	4
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
Approximate Timeline (Due Dates or Duration)				
Survey Form Distributed	ASAP	ASAP	Early March for Blues / IPS and Early June for Medicare and Medicaid	Early March 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. (Takes ~ 4 weeks)	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	2 Weeks	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	1 Week	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	~ 2.5 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

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 include:
 - 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.
- Be responsible for the quality and integrity of input data.
- 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 Information on Cost Mapping Services Performed by Sherlock Company

Please find summaries of the results of the 2020 *Sherlock Benchmarks* [here](#). An overview and table of contents for the benchmarks can be found [here](#). Characteristics of the 2020 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](#).

Please see <https://sherlockco.com/sherlock-benchmarks/> for additional information on the *Sherlock Benchmarks*.

INVITATION TO PARTICIPATE IN THE 2021 SHERLOCK BENCHMARKING STUDY

The highly valid, well-populated *Sherlock Benchmarks* provide an unbiased ranking and helps prioritize cost management activities to have the greatest impact on improving your health plan's overall operating performance. The combination of the current environment of the Affordable Care Act along with the distinct possibility of changes in law and regulation may make participation by your health plan an appropriate and necessary response to the strong incentives to cost efficiency.

With cumulative participation of 893 health plan years, health plans serving more than 173 million insured Americans are licensed users of the *Sherlock Benchmarks* since June 2018. 35 plans serving 63 million members across all of our benchmarking universes participated in the 2020 editions.

The *Sherlock Benchmarks* have been called the "Gold Standard" by leading health care consultants. Our universes include **Blue Cross Blue Shield Plans, Independent / Provider - Sponsored Health Plans, Medicare and Medicaid** plans.

Participation entails notable efforts on your part since useful outputs require relatively granular inputs. However, the cost is relatively modest. Please reach out to Douglas Sherlock at sherlock@sherlockco.com or 215-628-2289 if you are interested. *You will be among good company.*

Contact

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

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