

Plan Management Navigator

Analytics for Health Plan Administration



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COSTS DECLINE FOR INDEPENDENT / PROVIDER - SPONSORED PLANS IN 2020

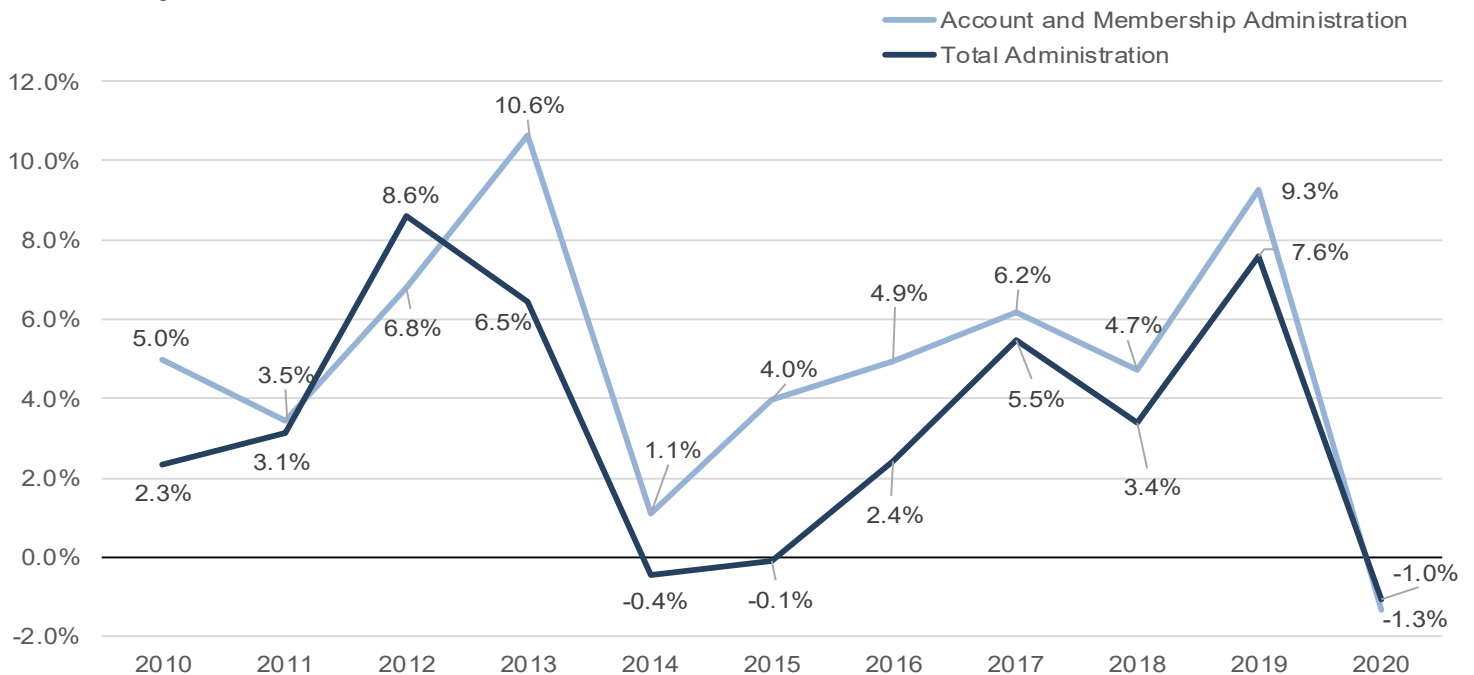
As with the Blue Cross Blue Shield Plans, the health plans continuously participating in the Sherlock Benchmarks for Independent / Provider - Sponsored plans posted growth rates in 2020 sharply below that of 2019. This set of plans posted costs that decreased by 1.0% PMPM in 2020. This was the slowest growth in costs, holding product mix constant, since before 2010. Shown in Figure 1, all rates of change in this chart and elsewhere are in costs per member per month.

A key driver for the decline was the Account and Membership Administration cluster of expenses which costs also fell. Of its four functions, three declined. Information Systems, posted growth that was the smallest since 2016. As with total expense growth, Account and Membership Administration cost growth was the slowest since at least 2010.

Rates of change are based on the 11 plans that participated in both 2019 and 2020. (A twelfth participated in both years but was excluded for technical reasons.) The plans posted membership growth at a median rate of 1.8%. This is despite the fact that commercial membership declined by 0.1%. Commercial membership also shifted in favor of ASO products. The median growth in Medicaid membership was 6.6% as MA increased by 1.5%. Medicare Supplement membership typically declined.

Figure 1. Sherlock Benchmark Summary

Independent / Provider - Sponsored Rates of Change for Account and Membership Administration and Total, Constant Mix Median Changes in PMPM Costs



The 19 Independent/Provider-Sponsored Plans that participated in the Benchmarks served 9.6 million Comprehensive members, a median of 346,000. In addition, three plans offered MLTSS, collectively serving 197,000 members. The median growth for the entire set of plans was 0.2%. Average Commercial membership was 73.2% of the total, with 39.8% insured. Medicaid, including SCHIP represented 14.6% of all members. Medicare Advantage, including SNP was 10.6%. Med Sup was 1.6% of members on average.

Background on Covid-19

Government policy to combat COVID-19 encouraged people “shelter in place” throughout much of 2020. This and other policies had the effect of contracting the economy, thereby reducing employment. Since most people of employment age receive their insurance through their employers, we anticipated that commercial membership would decline, Medicaid membership would increase and the combined effect could be an overall decline.

We at Sherlock Company were sufficiently concerned that we assisted participating plans by developing tailored budget models to incorporate the effects of changes in scale and mix on planned staffing ratios and costs. After all, while health plan costs tend to be variable, costs in some functions appear fixed.

The economic dislocations were severe, increasing from 3.5% in February 2020 to 14.8% in April. But they were relatively short-lived, falling to 6.7% by December, and 5.9% in June 2021, muting the necessity for health plans to right-size. Moreover, the additional costs of adaptation turned out to be modest: the four plans of the 19 participants that reported their adaptation costs incurred a median of \$0.20 PMPM. The sorts of adaptation expenses were widely divergent with Other Marketing being most commonly reported, followed by Member and Group Communication, Information Systems, Finance and Accounting and Facilities. The plans reporting expenses tended to experience faster membership growth than their peers that did not report: the potential for operating leverage may complicate any conclusions drawn from this result.

The upshot of COVID-19 adaptations was that, for the few reporting plans, the declines in membership were not sufficient to trigger either negative operating leverage nor substantial unusual expenses.

Cost Trends Holding Mix Constant

As noted previously, membership in continuously participating IPS plans shifted in favor of ASO versus Insured in the Commercial Segment, and in favor of government-sponsored benefits with Medicaid growth outstripping that of Medicare. Overall, the shift was marginally in favor of higher cost products. When mix shifts towards higher cost products are dramatic, cost growth tends to be greater on an as reported basis compared with constant mix growth. In this case the cost decline was less on an as-reported basis.

On a constant mix basis, cost growth declined in every cluster of functions. We address each of the clusters in the order of the percentage point decline in year over year cost growth.

ACCOUNT AND MEMBERSHIP ADMINISTRATION

The Account and Membership Administration cluster of functions composes 37% of administrative costs and changes in its trends affect cost trends as a whole. After backing out the effect of product mix, costs declined by 1.3% per member, as shown in Figure 2.

Each of Claim and Encounter Capture and Adjudication, Customer Services and Enrollment / Membership / Billing declined, at low to mid single digit rates. Information Systems, by far the largest function in this cluster, grew very slightly. For simplicity of presentation, in *Navigator* we group the administrative expenses of Pharmacy and Mental Health with this cluster – the growth in these expenses was higher than any function in this cluster and was more similar to that of Medical and Provider Management.

CORPORATE SERVICES

The Corporate Services cluster is challenging to summarize. In fact, while the median trend for the cluster was a decline in costs, nearly every function posted a median increase, and the average increase was in low double digits. But, with the exception of Corporate Executive and Governance, each function’s growth was less than the growth rate of the prior year. For Finance and Accounting and Actuarial, the cost trend was dramatically lower.

Corporate Executive and Governance had the greatest increase, in double digits: staffing ratio appeared to sharply increase, offset somewhat by lower compensation. The Corporate Services function also increased by more than most functions, though it was slightly below last year’s rate. Finance and Accounting increased by mid single digits and Actuarial increased by low single digits. Association Dues and License/Filing Fees, unique among the functions, had a median decline.

Figure 2. Sherlock Benchmark Summary

Independent / Provider-Sponsored Median Changes in Per Member Per Month Expenses

Functional Area	2019 Increase		2020 Increase	
	As-Reported	Constant Mix	As-Reported	Constant Mix
Sales and Marketing	5.4%	7.9%	1.7%	1.7%
Medical and Provider Management	9.9%	9.7%	1.9%	5.9%
Account and Membership Administration	5.6%	9.3%	-1.2%	-1.3%
Corporate Services	-0.4%	9.6%	0.8%	-0.6%
Total Expenses	6.2%	7.6%	-1.0%	-1.0%

SALES AND MARKETING

The Sales and Marketing cluster of functions also declined in its rate of growth. The rate of increase in per member cost growth most sharply declined in the Marketing function, and costs actually declined in the Sales function. Both of these functions shed staff.

Advertising and Promotion also increased slightly less than in 2019 and staffing ratios increased for this function. External Broker Commissions grew at a somewhat declining pace during 2020 compared with 2019 but that growth was above that of the cluster.

Rating and Underwriting growth was in mid double digits, the highest since 2015. Its growth was focused on the sub-function of Risk Adjustment.

MEDICAL AND PROVIDER MANAGEMENT

The growth in Medical and Provider Management changed least relative to the prior year, growing by 5.9%. The growth in Provider Network Management and Services declined especially sharply from low double digits to low single digits. The Other Provider Network Management and Services trend appeared to be especially responsible for the modest growth. This subfunction focuses on provider education and on provider report cards. Provider Relations Services increased at low double digits.

Growth in Medical Management / Quality Assurance / Wellness also diminished, though less precipitously. The sub-functions of Utilization Review, Disease Management and Precertification all declined. Case Management, the physician intensive Other Medical Management and Case Management also increased. Medical Informatics showed high growth. Not surprisingly in the COVID-19 environment, Nurse Information Line costs sharply increased.

As-Reported Trends

As-reported cost trends closely matched those of constant mix trends, possibly because the shifts in mix were relatively modest. The median decline in the mix that was commercial was 2.2 percentage points while the median increase in the Medicaid share of the product portfolio was 1.4 percentage points. The shift in Medicare Advantage and Medicare Supplemental was 0.0 percentage points. In balance, the shift was modest enough to have lost in rounding the differences in the two calculations of cost trends.

The most notable change was the slower increase in as reported Medical and Provider Management when compared with the constant mix comparison. The fact that both Provider Network Management and Services and Medical Management / Quality Assurance / Wellness grew slower on an as-reported basis implies that, within each product offered by the plans, there is a heightened commitment to these activities in each product.

In this comparison, and in the constant mix comparison, the Medical Management function grew faster than did the Provider Network Management Services function. On the other hand, as in the constant mix comparisons, Provider Relations Services increased at low double digits.

By the same token, the higher growth in the Corporate Services cluster on an as-reported basis suggests that part of the ostensible growth rate for this cluster is an artifact of a shift in the mix of products. The Finance and Accounting function is an example. Finance and Accounting, especially if credit card fees are excluded, grew much faster on an as reported basis. This may stem from any heightened financial reporting required of Medicare, combined with its increasing prominence.

Account and Membership costs trends are also higher on an as reported basis, that is, they declined slightly slower. Most of the functions declined faster on this basis, and Information Systems posted a decline rather than an increase on a constant mix basis. Enrollment actually grew faster though, as did the administrative activities of Behavioral Health and Pharmacy benefits.

Fast-growing Medicaid incurs lower Information Systems costs per member for Medicaid than Commercial, especially the Insured segment. This is also true for Enrollment, Customer Services and Claims.

Sales and Marketing growth was similar, though this summary masks some differences within the cluster. Advertising and Promotion, and Broker Commissions increased at a more modest pace or in the case of Sales decreased more dramatically. These costs tend to be lower for Medicaid than for Commercial Insured. Rating and Underwriting expenses also increased less rapidly especially in Risk Adjustment. But Marketing expenses were higher.

Operational Trends Driving Costs

Overall staffing ratios appeared to have declined in continuously participating plans by about 4%, and they are about 26 FTEs per 10,000 commercial insured members. Medical Management and Sales seemed to be especially prominent in this decline.

Within Medical Management, there were activities in which staffing did increase with Nurse Based Counseling was far and away the most important, followed by Other Medical Management. Staffing in Provider Relations Services also increased.

While staffing in Information Systems declined, the decline was focused on Operations and Support while Other Applications Maintenance and Applications Acquisition and Development and Security increased. Staffing growth in Risk Management was also robust.

Compensation also increased, by 1.5% to \$101,000. Trends varied by functions. Areas of declines included Other Provider Network Management and Services, Information Systems, Compliance, Facilities and Corporate Executive. But they increased in Other Sales (despite the decline in FTEs), Provider Relations services, Finance and Accounting and Government Affairs.

Independent / Provider – Sponsored Plans report relatively few outsourced FTEs, approximately 5%. Even Information Systems has only approximately 6% of their FTEs outsourced. Among the highly outsourced areas are Risk Adjustment, Nurse Information Line, Actuarial and Risk Management.

Why did Trends Differ Between IPS and Blue Plans

COVID-19 adaptation was the dominant economic event in 2020 for health plans and the IPS universe experienced it in ways different than Blue Cross Blue plans. The surge in staffing for Nurse Information Lines and Provider Relations Services were quite similar. But IPS plans did not see the surge in Customer Services.

We surmise several factors affecting cost and staffing trends.

1. The universes had different product mixes: IPS have more Medicaid and more Medicare Advantage, insulating IPS plans from the effects of the economic disruption on the private sector.
2. Overall membership grew for IPS but declined for Blues. Since staff can be "sticky," Blue staffing increased while IPS staffing ratios declined.
3. Possibly different industry mix in markets served. IPS may be assumed to have a higher health care employee component. This sector was less impacted than was manufacturing or hospitality.
4. Blue members may be somewhat younger. This is based on 2019 data, and is of a small subset of plans but, if accurate, the members in the IPS universe may have been less likely to have been furloughed.

Expenses of Independent / Provider – Sponsored Plans, By Cluster

The expense structure of the entire set of 19 Independent / Provider – Sponsored plans is shown in Figure 3. It is not strictly comparable to the values used in the trends above but the changes in values do bear similarities to the trends.

At a median of \$41.99 PMPM, this universe has total expenses that are 1.0% lower than that of last year, and similar to the rate of change of the continuously reporting plans. The greatest change in cluster expenses was a decline in Account and Membership Administration, to \$15.70. This was 10.6% lower than last year.

Corporate Services' PMPM costs were \$6.92, 7.6% higher than last year's costs. The median PMPM Sales and Marketing cost of \$11.79 was 2.9% greater than last year's values.

Note also that the values appeared more scattered in 2020 versus 2019, as measured by the coefficient of variation. Overall, and especially in Medical and Provider Management, coefficients of variation were higher in 2020. They were narrower in Account and Membership Administration and Corporate Services.

Similarly, dispersion measured by the differences between the 75th and 25th percentile values were wider overall. In total, this grew by \$0.61, especially in Medical and Provider Management which increased by \$0.91. Corporate Services did as well, by \$0.28. Sales and Marketing narrowed by \$0.73, as did Account and Membership Administration, which narrowed by \$0.02.

When considering these comparisons, recall that the universes are different. Of the 14 plans that participated in 2020, two declined to participate in 2021 and 7 plans were new. The cost values for last year are shown in Appendix A.

Also, each of the clusters listed above are a summary of the expenses. For actionability, participants segment their costs into more than 70 functional areas, shown in Appendix C.

Expenses of Independent / Provider – Sponsored Plans, by Product

The Independent / Provider – Sponsored universe have significant similarities but also differences in their product offerings. All offer Commercial Insured and ASO, nearly all offer HMO and/or POS insured, all but three offer Medicare Advantage and twelve offer Medicaid HMO. But they offer these products in different mixes. For instance, Commercial membership can be as low as low 40% to as high as 100%, and participants offering Medicare Advantage may range from 1% to 36%.

Accordingly, the only practical way to analyze the administrative costs of health plans is by product. (In fact, when we analyze overall costs, we often reweight to eliminate the effects of product mix differences between the plans.) Each of the clusters, functions and sub-functions shown in Appendix C are segmented into PMPM values for each product.

Figure 3. Sherlock Benchmark Summary

Independent / Provider-Sponsored Costs by Functional Area Cluster, 2020 Results
Per Member Per Month

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	\$9.75	\$11.79	\$14.01	38%
Medical and Provider Management	6.22	7.25	10.03	63%
Account and Membership Administration	12.99	15.70	20.65	34%
Corporate Services	5.29	6.92	8.99	36%
Total Expenses	\$34.82	\$41.99	\$48.72	36%

Figure 4 shows the total costs for each of these products. That they are so different illustrates the necessity of analyzing them by product. Because of lower per member Sales and Marketing and Enrollment, as well as more modest Medical Management, the costs to administer ASO products at \$20.48 are half of that of the insured products, ranging from \$48.19 to \$54.45.

Medicare Advantage serves seniors, whose health care costs are approximately double that of Commercial Insured. Medicare Advantage has total administration that, at \$101.72, is also approximately double that of Commercial Insured. The mix of expenses is different: Sales and Marketing costs are higher but not double, as are Corporate Services. But both Account and Membership Administration and Medical and Provider Management are greater than twice as high.

Similarly, Medicare SNP's health care costs are double that of MA and its administrative costs, at \$267.73, are more than double. But while Medical and Provider Management are vastly higher than for MA, as one might expect, Account and Membership Administration and Corporate Services correspond with health care while Sales and Marketing is a far smaller increment over MA values.

Figure 4. Sherlock Benchmark Summary
Independent / Provider-Sponsored Costs by Product, 2020 Results
Per Member Per Month

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial Insured				
HMO	\$49.93	\$54.45	\$61.62	33%
POS	\$43.58	\$48.19	\$50.94	33%
Indemnity & PPO	\$47.52	\$54.47	\$76.97	39%
Total	\$47.46	\$53.03	\$62.06	27%
Commercial ASO				
	\$17.40	\$20.48	\$25.46	58%
Medicare				
Advantage	\$87.10	\$101.72	\$134.05	37%
SNP	\$182.22	\$267.73	\$321.30	41%
Medicaid				
HMO	\$24.51	\$28.24	\$35.17	26%
CHIP	\$21.14	\$23.59	\$28.36	16%
Medicare Supplement				
	\$28.01	\$35.03	\$47.06	39%
Comprehensive Total	\$34.82	\$41.99	\$48.72	36%

In the 2020 reporting cycle, Independent / Provider - Sponsored plans reported the median value of their average age for Medicaid to be 23.0 years, as compared with 37.8 for Commercial, so Medicaid members are less likely to have age-related illness but at Total Deliveries of 29.8 versus 10.3 for commercial, Medicaid members have their own unique health care requirements. At \$28.24, Medicaid HMO administrative costs are half that of Commercial Insured HMO. Sales and Marketing expenses are extremely low when compared to Commercial Insured, though Medical and Provider Management is only somewhat lower. Account and Membership and Corporate Services are significantly lower.

Expenses of Independent / Provider – Sponsored Plans as a Percent of Premium Equivalents, by Product

In the previous section, we noted instances in which the underlying health needs of the served population related to the administrative expenses of the products that members use. Because of this, the use of percents is not an implausible way to evaluate administrative costs, though it is hard to make metrics like this actionable and this approach suffers from the confounding effects of competitor pricing strategies.

Figure 5. Sherlock Benchmark Summary

Independent / Provider-Sponsored Costs by Product, 2020 Results
Percent of Premium and/or Equivalents

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial Insured				
HMO	8.7%	11.2%	13.1%	36%
POS	7.9%	8.4%	10.0%	32%
Indemnity & PPO	8.9%	10.0%	15.3%	42%
Total	8.7%	9.9%	12.8%	27%
Commercial ASO				
	5.0%	6.0%	8.1%	58%
Medicare				
Advantage	8.6%	10.5%	14.4%	39%
SNP	11.7%	12.6%	14.5%	30%
Medicaid				
HMO	6.9%	8.3%	10.2%	32%
CHIP	11.1%	12.0%	16.8%	36%
Medicare Supplement				
	14.5%	17.7%	22.0%	37%
Comprehensive Total	7.9%	8.7%	10.4%	29%

Administrative costs were 8.7% of premium equivalents in 2020 but, the ratios varied by product. In general, they were similar in ranking to the PMPM costs though there were important exceptions.

At 9.9% of premium equivalents, Commercial Insured is higher than its ASO counterpart at 6.0%, similar to the PMPM comparisons. Medicare Advantage, at 10.5%, was higher than Commercial Insured though actually lower than Commercial Insured HMO at 11.2%. The magnitude of the differences was much less using a percent approach.

Medicare SNP, at 12.6% was higher than Medicare Advantage but, again, the ratios were much closer than in the PMPM comparisons.

Medicare Supplement, at 17.7% of premium equivalents, was the highest cost product by this metric but was the lowest cost product on a PMPM basis.

Expenses of Independent / Provider – Sponsored Plans, by Cluster in Percents

Figure 6 shows the composition of expenses by cluster, expressed as a percent of premiums. The 8.7% total shown in this figure is the same as in Figure 5, above. In percentage terms, the importance of each cluster substantially aligns with the PMPM ratio in Figure 3.

Account and Membership Administration is the dominant cluster at 3.5% of premium equivalents, followed by Sales and Marketing at 2.6%. Medical and Provider Management and Corporate Services follow, both of which are at 1.5% of premium equivalents.

The trends in their ratios did not parallel that of the PMPMs. While PMPMs declined, percents increased to 8.7%, up from 8.3% last year. Except for Account and Membership Administration, which declined by 0.1 percentage points to 3.5%, all clusters increased. Sales and Marketing had the sharpest increase, by 0.4% to 2.6% of premium equivalents.

Figure 6. Sherlock Benchmark Summary

Independent / Provider-Sponsored Costs by Functional Area Cluster, 2020 Results
Percent of Premium and/or Equivalents

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	2.1%	2.6%	3.1%	32%
Medical and Provider Management	1.3%	1.5%	2.0%	61%
Account and Membership Administration	3.0%	3.5%	4.1%	28%
Corporate Services	1.2%	1.5%	1.8%	29%
Total Expenses	7.9%	8.7%	10.4%	29%

How We Performed This Analysis

CHARACTERISTICS OF THE INDEPENDENT / PROVIDER - SPONSORED UNIVERSE

This analysis is based on the nineteenth annual edition of our performance benchmarks for health plans. The *Sherlock Benchmarks (Sherlock Expense Evaluation Report or SEER)* represent the cumulative experience of, we expect by year end, approximately 929 health plan years.

Each peer group in the *Sherlock Benchmarks* is established to be relatively uniform. So, within that constraint, it is open to most Independent / Provider – Sponsored plans possessing the ability to compile high-quality, segmented financial and operational data. We surveyed the participants to populate the *Sherlock Benchmarks* and this summary.

This 19th analysis of IPS plans is based on a peer group of 19 Independent / Provider – Sponsored plans who collectively serve approximately 9.6 million people, not including Managed Long Term Services and Supports and other products. We believe this universe to be quite robust. Participants in this year’s study serve about 38% of all members associated with the Health Plan Alliance and 52% of members in its plans that are not focused on government sponsored products.

Collectively in 2020, the health plan operations of these Plans earned annual premiums plus fees of over \$41 billion and nearly \$55 billion in premium equivalents. The median plan participating in this universe of the *Sherlock Benchmarks* this year served 346,000 people. In addition to the comprehensive members, these plans collectively served 197,000 MLTSS members.

The Plans were geographically disbursed, serving 20 states. Twelve of this year’s nineteen participants also participated last year.

Within the Comprehensive products, for the universe as a whole, 73% was commercial. Of the commercial members, approximately 48% were served under some form of self-insurance arrangement.

Medicare Advantage and SNP, with 916,000 members, was offered by 15 Plans. It composed approximately 10% of the Comprehensive membership and 26% of revenues for comprehensive products.

Medicaid HMO was offered by 11 plans and CHIP was offered by five. Together, the products served 1.7 million people and represented 19% of the universe revenues. While Medicare Supplement was offered by eight plans, it represented 1% of revenues and 2% of membership.

REPORTING CONVENTIONS

We employ a number of conventions to make the metrics most beneficial for the audience of *Plan Management Navigator*.

- The trends reported in this analysis are median changes, and when we refer to PMPM or percent of premium ratios, these too are medians. This convention reduces the effect of outlying values on overall trends and values. Since each median value is calculated independently, the components cannot be summed.
- References to growth rates hold the universe constant in the comparison years unless otherwise noted. Rates of change that are called “as-reported” are of health plans participating during both comparison years. When we refer to “constant mix” we are calculating rates of change for that same constant set of Plans after reweighting each Plan’s values to eliminate the effect of product mix differences between the years.
- Percent of premium ratios are calculated on a premium-equivalent basis. That is, in the case of ASO arrangements, we synthesize a premium by adding to fees the health benefits incurred by the self-insured group. In this way, premium equivalents sum to all of the expenses of health insurance, including profits earned by the health plan, analogous to actual premiums on insured products. While not in accordance with GAAP, for entirely appropriate reasons, this approach has two advantages: comparability of ASO ratios with those of insured products offered by these plans, and an intuitive appeal to general readers.
- Expenses exclude capital costs and investment income. We specifically exclude interest and similar debt capital costs, profits and capital formation costs (debt or equity) such as transaction costs, and interest payments to providers under “prompt pay” laws.
- Participants in and licensees of the *Sherlock Benchmarks* will note that the values for Account and Membership Administration and Total Administrative costs reported here will differ from those reported in the Benchmarks. The values reflected in *Navigator* include administrative expenses associated with pharmacy and behavioral health while the *Sherlock Benchmarks* do not. Because variation in employer benefit designs and that sometimes the administration of these health services is outsourced by plans accepting these management responsibilities, the Benchmark Reports carve them out. Pages 22 - 24 in Tab 2 of Volume I of the 2021 Sherlock Benchmarks reconciles these two presentations.

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- We have excluded Miscellaneous Business Taxes from this analysis so expense trends, along with the PMPM and percent of premium ratios, are calculated before the effect of Miscellaneous Business Taxes. These expenses are a special case among administrative expenses since, short of major reorganization, are impractical to manage. These taxes are primarily related to the Affordable Care Act. For commercial insured products, the median PMPM value of such taxes is \$12.50 compared with \$6.64 in 2019. The 2020 value was more than 20% of total administrative costs for this set of products.
 - COVID-19 adaptation had costs that are fully reflected in the administrative expenses reported here. They were apparently modest; only four plans reported them, and the median amount they reported was \$0.20 PMPM and the average cost was \$0.26. Information Systems expenses represented nearly half of those costs, which were primarily in Operations and Support Services. Facilities was a distant second. The reported COVID-19 expense amounts to approximately 0.3% of total administration and 0.04% of premiums.

Note on the Sherlock Benchmarks

Federal and state governments, faced with the acute threat and uncertain magnitude of the coronavirus, shut down much of the US economy in early 2020. Since most working age people receive health insurance through their employers, we had anticipated that health plan enrollment would decline, and that the remaining membership would shift towards Medicaid. Instead, based on overall cost trends and on the reported COVID-19 adaptation costs of the Plans, the effect was relatively modest.

The *Sherlock Benchmarks* for Independent / Provider – Sponsored plans provide a window to health plan adaptation to this event and to how the plans built for the future on this foundation. The 19 plans participating in 2021 served 9.6 million people in 2020, which we believe to be a high percent of members served by similar plans in this market segment. Since 12 of them also participated last year, these Plans provide a unique insight on health plan adaptation.

The *Sherlock Benchmarks* can assist in adapting and achieving operational efficiency driven by the recently volatile operating environment. Moreover, the benchmarks can assist in budgeting for changes in membership and product-mix and for projecting for changes in staffing needs.

These *Plan Management Navigator* results are excerpted from the Independent / Provider – Sponsored edition of the 2021 *Sherlock Benchmarks*. In addition to the Independent / Provider – Sponsored universe, we also survey and report on universes of Blue Cross Blue Shield Plans, Larger Health Plans, Medicare Advantage Plans and Medicaid Plans. We reported on the Blue Plans last month, and will be reporting on the results of the other universes in the months that follow. Much more information on health plan costs and operational drivers is available by licensing the *Sherlock Benchmarks*.

Tables of Contents, report formats, citations, quality assurance and other information can be found on the following page.

sherlockco.com/sherlock-benchmarks

In addition, the Sherlock Company website has an application that allows you to try out the Benchmarks for no charge.

If you are interested in licensing these materials or if we can answer any further questions about them or you have questions about this *Plan Management Navigator*, we hope you will not hesitate to contact us (sherlock@sherlockco.com).

Appendix A. Sherlock Benchmark Summary

Independent / Provider-Sponsored Costs by Functional Area Cluster, 2019 Results

Per Member Per Month

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	\$8.85	\$11.45	\$13.84	29%
Medical and Provider Management	6.50	7.67	9.40	45%
Account and Membership Administration	12.75	17.55	20.43	35%
Corporate Services	4.67	6.44	8.10	39%
Total Expenses	\$34.41	\$42.43	\$47.70	29%

Appendix B. Sherlock Benchmark Summary

Independent / Provider-Sponsored Costs by Functional Area Cluster, 2019 Results

Percent of Premium and/or Equivalent

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	1.6%	2.2%	2.7%	30%
Medical and Provider Management	1.4%	1.5%	1.8%	46%
Account and Membership Administration	2.9%	3.6%	3.7%	33%
Corporate Services	1.0%	1.3%	1.7%	39%
Total Expenses	7.7%	8.3%	9.3%	28%

Appendix C. Sherlock Benchmark Summary

Major Functions Included in Each Administrative Expense Cluster

Sales & Marketing

1. Rating and Underwriting
 - (b) Risk Adjustment
 - (c) All Other Rating and Underwriting
2. Marketing
 - (a) Product Development and Market Research
 - (b) Member and Group Communication
 - (c) Other Marketing
3. Sales
 - (a) Account Services
 - (b) Internal Sales Commissions
 - (c) Other Sales
4. External Broker Commissions
5. Advertising and Promotion
 - (a) Media and Advertising
 - (b) Charitable Contributions

Provider & Medical Management

6. Provider Network Management and Services
 - (a) Provider Relations Services
 - (b) Provider Contracting
 - (1) Provider Configuration
 - (2) Other Provider Contracting
 - (d) Other Provider Network Management and Services
7. Medical Management / Quality Assurance / Wellness
 - (a) Precertification
 - (b) Case Management
 - (c) Disease Management
 - (d) Nurse Information Line
 - (e) Health and Wellness
 - (f) Quality Components
 - (g) Medical Informatics
 - (h) Utilization Review
 - (i) Other Medical Management

Account & Membership Administration

8. Enrollment / Membership / Billing
 - (a) Enrollment and Membership
 - (b) Billing
9. Customer Services
 - (a) Member Services
 - (b) Printed Materials and Other
10. Claim and Encounter Capture and Adjudication
 - (a) Coordination of Benefits (COB) and Subrogation
 - (e) Other Claim and Encounter Capture and Adjudication
11. Information Systems Expenses
 - (a) Operations and Support Services
 - (b) Applications Maintenance
 - (1) Benefit Configuration
 - (2) All Other Applications Maintenance
 - (c) Applications Acquisition and Development
 - (d) Security Administration and Enforcement

Corporate Services

12. Finance and Accounting
 - (a) Credit Card Fees
 - (b) All Other Finance and Accounting
13. Actuarial
14. Corporate Services Function
 - (a) Human Resources
 - (b) Legal
 - (1) Compliance
 - (2) Government Affairs
 - (3) Outside Litigation
 - (4) Fraud, Waste & Abuse
 - (5) All Other Legal
 - (c) Facilities
 - (e) Audit
 - (f) Purchasing
 - (g) Imaging
 - (h) Printing and Mailroom
 - (i) Risk Management
 - (j) Other Corporate Services Function
15. Corporate Executive and Governance
16. Association Dues and License/Filing Fees

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