

Plan Management Navigator

Analytics for Health Plan Administration



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Please see page 13 for our invitation to participate in or license the Sherlock Benchmarks.

LARGER PLANS ADMINISTRATIVE COSTS IN 2023

Larger health plans are often of interest because their size suggests their performance leadership. It is thought that their size may imply their success in the market and, in addition, result in technical economies of scale, leading to a virtuous cycle of excellent performance.

In this analysis we find that Larger Blue Cross Blue Shield Plans reported lower costs compared to the Blue universe as a whole as well as against Blue Plans that were not included in the Larger Plan universe. There are mix differences complicate the analysis but, once these are removed, Larger Plans retained their cost advantage.

The source of the data used in this analysis is from the 2024 Larger Plans edition of the *Sherlock Benchmarks*, a subset of the Blue Cross Blue Shield Plan universe. Of the fourteen total participating BCBS Plans, the five largest Plans were included in the Larger Plans universe. In some contexts, these Larger Plans are compared with the remaining nine. One advantage of analyzing Blue Plans segmented by size stems from the relative uniformity of the Blue Plans. They tend to serve similar market segments, they share brand names and the Blue Cross Blue Shield Association promotes common quality attributes including capital levels. So this approach to understanding the Plans segmented by size can limit the effects of other variables.

This analysis does not address other potential operating and financial advantages of larger health plans such as possible valuation advantages in making acquisitions to foster growth, unique characteristics of their markets and superior bargaining power in their markets.

Figure 1. Sherlock Benchmark Summary

Larger Plans Costs by Functional Area Cluster, 2023 Results
Per Member Per Month

Functional Area	Larger Plans			Coefficient of Variation	Note: BCBS Median
	25th Percentile	Median	75th Percentile		
Sales and Marketing	\$9.95	\$9.98	\$16.17	32%	\$11.44
Medical and Provider Management	6.79	7.65	8.52	21%	6.71
Account and Membership Administration	17.24	18.75	22.12	21%	20.70
Corporate Services	5.43	7.45	8.31	33%	7.02
Total Expenses	\$37.58	\$45.15	\$56.39	21%	\$46.59

Costs of Larger Plans, Expense Clusters as PMPM and Percent of Premium

In 2023, Larger Plans had median Comprehensive administrative expenses of \$45.15 PMPM, as shown in Figure 1. For continuity and context, we note the values of the Blue Cross Blue Shield universe, shown to the right of the Larger Plan values. This was 3.1% lower than the Blue Cross Blue Shield median expenses of \$46.59 PMPM. As developed later, to a small degree, the difference reflects the effect of greater Larger Plan focus on less expensive Medicaid.

Larger Plans had a cost advantage in both the Sales and Marketing cluster and the Account and Membership Administration cluster. Larger Plans reported Sales and Marketing cluster costs of \$9.98 PMPM, 12.7% lower than the set of all Blue Plans at \$11.44 PMPM. Account and Membership Administration costs were \$18.75, 9.4% lower than Blue Plans as a whole of \$20.70. Conversely, Corporate Services was higher by 6.0% for Larger Plans at \$7.45 PMPM versus \$7.02 PMPM for the Blue universe as a whole. The Medical and Provider Management cluster was also 13.9% higher for Larger Plans at \$7.65 PMPM, compared to \$6.71 PMPM for all Blue Plans.

Ratios of administrative expenses to premiums[†] yielded similar results to PMPM results. As shown in Figure 2, Larger Plans' Total Expenses were lower by 0.4 percentage points to 8.5% versus 8.9% for all Blues. Like the PMPM comparisons, expenses were lower in Sales and Marketing cluster expenses at 1.9% compared to 2.3% for all Blues, a difference of 0.4 percentage points, explaining the whole difference between the sets.

The other cost differences between the clusters were modest. Medical and Provider Management was slightly higher for Larger, at 1.4%, compared with all Blues, at 1.3%. Similarly, Corporate Services was greater by 0.1 percentage points to 1.4%. Account and Membership Administration costs among Larger Plans' were exactly the same as all Blue Plans, at 3.9% of premium equivalents.

[†]In this *Plan Management Navigator*, "premiums" are premiums and/or premium equivalents. This assures comparability between fully insured and self-insured products. To calculate the denominator for premium equivalent, we add to the fees the health benefits of the self-insured groups.

Figure 2. Sherlock Benchmark Summary
Larger Plans Costs by Functional Area Cluster, 2023 Results
Percent of Premium

Functional Area	Larger Plans				Note: BCBS Median
	25th Percentile	Median	75th Percentile	Coefficient of Variation	
Sales and Marketing	1.9%	1.9%	2.7%	25%	2.3%
Medical and Provider Management	1.3%	1.4%	1.5%	18%	1.3%
Account and Membership Administration	3.4%	3.9%	3.9%	16%	3.9%
Corporate Services	1.1%	1.4%	1.4%	28%	1.3%
Total Expenses	7.9%	8.5%	9.8%	15%	8.9%

Costs of Larger Plans, PMPM by Product

Larger Plan product cost values PMPM are shown in Figure 3, with the Blue Cross Blue Shield universe values for the same products noted on the right side. The products in each universe vary greatly in their per member costs so this look is one step towards understanding the effect of product mix differences between the two Sherlock Company universes.

The Plans have fourteen products, 11 that are comprehensive (hospital and physician services), and three additional products. Medicare Supplement is included with Comprehensive though it is a secondary payor. Conversely, at the preference of the panel, the expensive to administer Medicare SNP is excluded from Comprehensive despite its breadth of services.

Of the eleven Comprehensive products, the Larger Plans had lower costs in six, including two of the Commercial products, Indemnity & PPO Insured its ASO/ASC counterpart. They were higher in two of the additional products. The two commercial products, Indemnity & PPO Insured and Indemnity & PPO ASO / ASC comprise 60% of the members served by Larger Plans and nearly 70% of the members served by all Blue Plans. Medicaid and Medicare Advantage were likely more important to the comparison: their costs were lower in these products and Larger Plans had a greater commitment to them at 14.4% versus 9.5%.

The mix differences between the Larger Plans and the entire set of Blues made a modest difference. Against a 3.1% Comprehensive product cost difference, weighting the Blue products at the Larger Plan mix costs are lower than Blue costs by 2.9%. Weighting the Larger Plan product costs at the Blue mix, Larger plans have 2.4% lower costs.

The two sets had mix differences with product costs that tended to offset. Among the differences that increased costs of the Larger subset compared with Blues as a whole was that the Larger Plans had greater commitment to MA, 5.3% versus 4.4% of comprehensive membership. They also had less commitment to low cost FEP, 4.7% versus 5.2%. Low cost ASO/ASC was 42.3% lower than 47.7% for all Blues.

But there were also some offsetting lower cost products in the Larger Plan portfolio. Within the Medicare Advantage segment, low cost Group (as opposed to Individual) was 39.6%, rather than 21.5% for all Blues. Medicaid was a larger proportion of the product portfolio among Larger plans, 9.1% versus 5.1%.

Total Commercial Insured costs were \$61.52 PMPM, 5.1% higher than for Blues as a whole at \$58.54. Insured segments of Commercial HMO was higher but Indemnity and PPO was lower.

Costs of Larger Plans, PMPM by Product, continued

The ASO / ASC product costs of Larger Plans administrative were \$33.87 PMPM, slightly higher than \$33.62 for the Blue Plans as a whole. For ASO/ASC, Indemnity and PPO costs a median of \$33.32 PMPM, slightly below the \$33.35 for all Blues.

FEP (Federal Employee Program) is an insured product with few marketing costs relative to other products in Blue Plan portfolios. Median FEP costs for Larger Plans were \$30.19, higher than \$29.77 PMPM, for the Blue Plans as a whole.

By contrast, median costs for Larger Plan Individual and Group Medicare products were \$125.40 PMPM and \$117.16 PMPM, respectively. Not all Plans offered both products but costs ran lower for the Larger Plans than Blues which were at \$122.63 for Group and \$138.76 for Individual.

Also Medicaid costs for Larger Plans were \$31.68 PMPM, about 16.8% lower compared to all Blues at \$38.09. For Larger Plans, Medicaid was 9.1% of comprehensive membership.

While not included in Comprehensive products, Medicare Special Needs Plans (SNP) was \$285.03 PMPM, with three out of the five Larger Plans offering this product. PMPM Costs were 5% higher than that for the Blue Plans as a whole \$272.25. Only four total Blue Plans offered it.

The costs of specialty products of Stand-Alone Medicare Part D was 12% lower for Larger, at \$16.83 PMPM, versus Blue Plans, at \$19.10 PMPM. Stand-Alone Dental was \$3.49 for Larger Plans, the same as for all Blue Plans.

See Figure 3 on next page for Larger Plans' PMPM values by product.

Costs of Larger Plans, Percent of Premium Equivalents by Product

The percent of premium ratios comparisons for each product is shown in Figure 4. Comprehensive Total costs of 8.5% of premiums for Larger Plans was 0.4 percentage points lower than for Blue Plans.

Using this metric of costs, Larger Plans ratios were more likely to be lower. Among Commercial products, Larger Plans had lower percent ratios in four products compared with only two on a PMPM basis. Also FEP was lower on this basis where it was higher PMPM. While the non-comprehensive Dental was lower on a percent basis, it was the same on a PMPM basis.

Figure 3. Sherlock Benchmark Summary
Larger Plans Costs by Product, 2023 Results
Per Member Per Month

Product	Larger Plans			Coefficient of Variation	Note: BCBS Median
	25th Percentile	Median	75th Percentile		
Commercial HMO					
Insured	\$51.96	\$55.25	\$75.76	52%	\$54.84
ASO / ASC	\$28.78	\$41.02	\$41.74	44%	\$36.75
Commercial POS					
Insured	\$53.34	\$55.56	\$57.77	11%	\$55.56
ASO / ASC	\$42.24	\$42.24	\$42.24	NM	\$32.04
Indemnity & PPO					
Insured	\$52.78	\$56.56	\$64.05	42%	\$57.22
ASO / ASC	\$27.88	\$33.32	\$39.88	20%	\$33.35
Commercial Insured	\$56.56	\$61.52	\$62.70	9%	\$58.54
Commercial ASO/ASC	\$27.33	\$33.87	\$39.88	21%	\$33.62
Commercial Total	\$34.99	\$43.49	\$50.31	26%	\$44.55
FEP	\$27.79	\$30.19	\$33.64	23%	\$29.77
Medicare Advantage					
Individual	\$108.89	\$125.40	\$173.42	40%	\$138.76
Group	\$98.18	\$117.16	\$134.19	26%	\$122.63
Medicare Advantage Total	\$104.35	\$124.92	\$148.86	33%	\$138.76
Medicaid	\$28.69	\$31.68	\$49.54	54%	\$38.09
Medicare Supplement	\$31.82	\$37.87	\$41.72	43%	\$43.10
Comprehensive Total	\$37.58	\$45.15	\$56.39	21%	\$46.59
Medicare Advantage SNP	\$256.32	\$285.03	\$306.76	18%	\$272.25
Stand-Alone Medicare Part D	\$14.02	\$16.83	\$27.70	78%	\$19.10
Stand Alone Dental	\$2.93	\$3.49	\$3.92	60%	\$3.49

Some products continued the favorable comparisons previously shown on a PMPM basis. They included Medicare Advantage Individual and Group and Medicare Supplement, as well as the non-Comprehensive Stand-Alone Part D.

Medicaid was an exception with percent costs of 10.3%, 0.4 percentage points higher.

See Figure 4 below for Larger Plans' Percent of Premium values by product.

Figure 4. Sherlock Benchmark Summary
Larger Plans Costs by Product, 2023 Results
Percent of Premium

Product	Larger Plans			Coefficient of Variation	Note: BCBS Median
	25th Percentile	Median	75th Percentile		
Commercial HMO					
Insured	9.4%	10.0%	10.9%	17%	9.4%
ASO / ASC	4.9%	6.4%	7.2%	40%	6.7%
Commercial POS					
Insured	8.6%	8.8%	8.9%	5%	8.9%
ASO / ASC	6.1%	6.1%	6.1%	NM	6.5%
Indemnity & PPO					
Insured	8.8%	9.5%	10.9%	17%	10.2%
ASO / ASC	6.3%	6.9%	6.9%	11%	6.9%
Commercial Insured	9.5%	9.8%	10.9%	12%	10.0%
Commercial ASO/ASC	6.3%	6.9%	7.0%	10%	6.9%
Commercial Total	7.8%	8.2%	8.8%	12%	8.5%
FEP	3.8%	4.1%	6.0%	49%	5.2%
Medicare Advantage					
Individual	8.6%	12.1%	15.8%	37%	13.2%
Group	7.0%	9.1%	11.4%	31%	9.9%
Medicare Advantage Total	8.4%	12.0%	12.9%	29%	12.9%
Medicaid	10.1%	10.3%	11.1%	11%	9.9%
Medicare Supplement	16.5%	17.3%	24.2%	45%	20.4%
Comprehensive Total	7.9%	8.5%	9.8%	15%	8.9%
Medicare Advantage SNP	16.5%	19.0%	19.5%	18%	16.5%
Stand-Alone Medicare Part D	10.4%	11.2%	16.3%	69%	16.5%
Stand Alone Dental	11.8%	12.3%	19.1%	35%	14.0%

Cluster Comparisons when Sets are Mutually Exclusive

Since the Larger Plan universe is a subset of the Blue Cross Blue Shield universe, the above analyses could mute the cost differences between the Larger Plans and other Blue Plans. Figures 5 and 6 exclude the Larger Plans from the Blue Cross Blue Shield universe so that the comparison sets are mutually exclusive.

The results were similar to those derived from Figures 1 and 2, that is, costs for Larger Plans were lower overall by both metrics even as Medical and Provider Management and Corporate Services were higher. Figure 5 shows that Total Median Expenses were \$1.58 PMPM, or 3.4%, lower for Larger Plans. (This compares to the \$1.44 PMPM or 3.1% lower expenses for Larger Plans shown in Figure 1.) Account and Membership Administration was lower for Larger Plans compared to Other Blue Plans by \$2.71 PMPM, or 12.6%. Larger Plans' Sales and Marketing was also lower by \$2.91 PMPM, or 22.6%. Medical and Provider Management and Corporate Services clusters were higher for Larger Plans by \$1.35 PMPM or 21.4% and \$0.58 PMPM or 8.4%, respectively.

Figure 5. Sherlock Benchmark Summary

Larger vs. Other Blue Costs by Functional Area Cluster, 2023 Results
Per Member Per Month, Medians Except for Differences

Functional Area	Larger Plans	Other Blue*	Dollar Difference	Percent Difference
Sales and Marketing	\$9.98	\$12.90	(\$2.91)	-22.6%
Medical and Provider Management	7.65	6.30	1.35	21.4%
Account and Membership Administration	18.75	21.46	(2.71)	-12.6%
Corporate Services	7.45	6.87	0.58	8.4%
Total Expenses	\$45.15	\$46.73	(\$1.58)	-3.4%

**Only includes Blue Plans not included in the Larger Plans universe*

Cluster Comparisons when Sets are Mutually Exclusive, continued

Figure 6 shows medians on a percent of premium equivalents for Larger Plans and Other Blue Plans. Results were similar to previous figures as Larger Plans were lower cost with Comprehensive Total lower by 0.5 percentage points to 8.5%. Account and Membership Administration was lower for Larger Plans by 0.1 percentage points to 3.9% of premiums. Sales and Marketing was also lower for Larger Plans by 0.6 percentage points to 1.9% of premiums. Conversely, Medical and Provider Management were higher for Larger Plans by 0.2 percentage points to 1.4%. The Corporate Services Cluster was higher for Larger Plans by 0.1 percentage points to 1.4%.

Figure 6. Sherlock Benchmark Summary

Larger vs. Other Blue Costs by Functional Area Cluster, 2023 Results

Percent of Premium, Medians Except for Differences

Functional Area	Larger Plans	Other Blue*	Pct. Pt. Difference	Percent Difference
Sales and Marketing	1.9%	2.5%	-0.6%	-24.4%
Medical and Provider Management	1.4%	1.2%	0.2%	17.3%
Account and Membership Administration	3.9%	4.0%	-0.1%	-3.0%
Corporate Services	1.4%	1.3%	0.1%	4.8%
Total Expenses	8.5%	9.0%	-0.5%	-5.2%

**Only includes Blue Plans not included in the Larger Plans universe*

Product Comparisons when Sets are Mutually Exclusive

Comparing Blue and Larger Plans by product yields similar results when the Plans are mutually exclusive as to when they are not, as shown in Figure 7. Comprehensive expenses are \$45.15 versus \$46.73 for the other Blue Plans. Nearly every Comprehensive product PMPM cost comparison between the discreet sets was directionally the same as the overlapping sets. The one discrepancy was that Commercial POS Insured PMPM costs were exactly the same when Larger Plans are included with the Blues but 0.9% higher when the sets are mutually exclusive. For Comprehensive Total the PMPM cost difference is 3.4% when mutually exclusive while the difference is 3.1% when it is not.

Figure 7. Sherlock Benchmark Summary
Larger Plans vs. BCBS Costs by Product, 2023 Results
Per Member Per Month, Medians Except for Differences

Product	Larger Plans	Other Blue*	PMPM Difference	Percent Difference
Commercial HMO				
Insured	\$55.25	\$51.77	\$3.47	6.7%
ASO / ASC	\$41.02	\$32.47	\$8.55	26.3%
Commercial POS				
Insured	\$55.56	\$55.04	\$0.52	0.9%
ASO / ASC	\$42.24	\$31.80	\$10.44	32.8%
Indemnity & PPO				
Insured	\$56.56	\$57.88	-\$1.32	-2.3%
ASO / ASC	\$33.32	\$33.37	-\$0.05	-0.2%
Commercial Insured	\$61.52	\$57.88	\$3.63	6.3%
Commercial ASO/ASC	\$33.87	\$33.37	\$0.49	1.5%
Total Commercial	\$43.49	\$44.59	-\$1.09	-2.5%
FEP	\$30.19	\$29.49	\$0.70	2.4%
Medicare Advantage				
Individual	\$125.40	\$144.57	-\$19.17	-13.3%
Group	\$117.16	\$140.01	-\$22.85	-16.3%
Medicare Advantage Total	\$124.92	\$143.25	-\$18.33	-12.8%
Medicaid	\$31.68	\$46.23	-\$14.55	-31.5%
Medicare Supplement	\$37.87	\$48.31	-\$10.44	-21.6%
Comprehensive Total	\$45.15	\$46.73	-\$1.58	-3.4%
<i>Costs at Other Blue Average Mix</i>	<i>\$44.30</i>	<i>\$46.19</i>	<i>-\$1.90</i>	<i>-4.1%</i>
<i>Costs at Larger Average Mix</i>	<i>\$45.67</i>	<i>\$48.32</i>	<i>-\$2.65</i>	<i>-5.5%</i>
Medicare Advantage SNP	\$256.32	\$259.48	-\$3.16	-1.2%
Stand-Alone Medicare Part D	\$14.02	\$19.20	-\$5.18	-27.0%
Stand Alone Dental	\$2.93	\$3.15	-\$0.22	-6.9%

*Only includes Blue Plans not included in the Larger Plans universe

Figure 8 shows this same comparison when expenses are expressed as a percent of premiums. Comprehensive expenses are 7.9% of premiums versus 9.0% for the other Blue Plans. Nearly all Comprehensive product percent cost comparisons were directionally the same as shown in Figure 4. That is, if Larger Plans had lower percents of premium costs than the set of all Blues, then they generally enjoyed the same directional advantage if the Blue Set excluded the Larger Plans. The exception to this was the Indemnity & PPO ASO / ASC product which was the same median values when Larger Plans are included with the Blue set but is lower when the sets are mutually exclusive.

Figure 8. Sherlock Benchmark Summary
Larger Plans vs. BCBS Costs by Product, 2023 Results
Percent of Premium, Medians Except for Differences

Product	Larger Plans	Other Blue*	Pct. Pt. Difference	Percent Difference
Commercial HMO				
Insured	9.4%	8.7%	0.7%	8.3%
ASO / ASC	4.9%	6.9%	-2.1%	-29.7%
Commercial POS				
Insured	8.6%	8.9%	-0.3%	-3.3%
ASO / ASC	6.1%	6.9%	-0.9%	-12.6%
Indemnity & PPO				
Insured	8.8%	11.1%	-2.3%	-20.6%
ASO / ASC	6.3%	6.8%	-0.5%	-7.1%
Commercial Insured	9.5%	10.3%	-0.8%	-7.6%
Commercial ASO/ASC	6.3%	7.0%	-0.6%	-9.0%
Total Commercial	7.8%	8.5%	-0.7%	-8.4%
FEP	3.8%	5.3%	-1.5%	-28.2%
Medicare Advantage				
Individual	8.6%	15.0%	-6.3%	-42.2%
Group	7.0%	11.2%	-4.2%	-37.6%
Medicare Advantage Total	8.4%	15.0%	-6.6%	-44.2%
Medicaid	10.1%	7.2%	2.9%	39.7%
Medicare Supplement	16.5%	20.7%	-4.2%	-20.3%
Comprehensive Total	7.9%	9.0%	-1.0%	-11.6%
<i>Costs at Other Blue Average Mix</i>	<i>7.8%</i>	<i>9.2%</i>	<i>-1.4%</i>	<i>-15.3%</i>
<i>Costs at Larger Average Mix</i>	<i>8.1%</i>	<i>9.2%</i>	<i>-1.1%</i>	<i>-11.7%</i>
Medicare Advantage SNP	19.0%	7.5%	11.5%	152.2%
Stand-Alone Medicare Part D	11.2%	23.7%	-12.5%	-52.9%
Stand Alone Dental	12.3%	17.0%	-4.7%	-27.7%

*Only includes Blue Plans not included in the Larger Plans universe

EFFECT OF MIX ON PERCENT OF PREMIUM COMPARISONS

Figure 9 shows average product mix for Larger Plans and Other Blue Plans. They are relatively similar in many respects. The Larger Plans tend to have a product mix that is more expensive to administer, such as greater Medicare (5.3% versus 3.9%) and more Commercial Insured 32.1% versus 30.4%. This is somewhat offset by a higher mix of low-cost Medicaid (9.9% versus 6.9%.)

The effect of holding mix constant is that the differences are increased. Reweighting expenses to the Other Blue average mix resulted in higher expenses for Other Blue Plans at \$46.19 and compares to Larger Plans at \$44.30, which is \$1.90 PMPM or 4.1% lower for Larger Plans. Similarly, when product expenses were reweighted to the Larger mix, Larger Plans held a cost advantage over the Other Blue Plans at \$45.67 PMPM, which was lower by \$2.65 or 5.5%.^{††} The mix-weighted PMPM results are shown near the bottom of Figure 7.

^{††}The weighted values differ from the total Comprehensive values because of our use of medians and because not all Plans offer all products.

Figure 9. Sherlock Benchmark Summary
Larger Plans Costs by Product, 2023 Results
Average Product Mix

Product	Larger Plans	Other Blue*	Pct. Pt. Difference
Commercial HMO			
Insured	9.9%	1.1%	8.8%
ASO / ASC	4.0%	1.1%	2.9%
Commercial POS			
Insured	0.2%	2.2%	-1.9%
ASO / ASC	0.4%	1.7%	-1.4%
Indemnity & PPO			
Insured	22.0%	27.2%	-5.2%
ASO / ASC	38.0%	47.8%	-9.9%
Commercial Insured	32.1%	30.4%	1.7%
Commercial ASO/ASC	42.3%	50.7%	-8.4%
Commercial Total	0.0%	81.1%	-81.1%
FEP	4.7%	5.4%	-0.8%
Medicare Advantage			
Individual	3.2%	3.6%	-0.4%
Group	2.1%	0.3%	1.8%
Medicare Advantage Total	5.3%	3.9%	1.3%
Medicaid	9.1%	2.9%	6.3%
Medicare Supplement	6.5%	6.6%	-0.2%
Comprehensive Total	100.0%	100.0%	0.0%

**Only includes Blue Plans not included in the Larger Plans universe*

EFFECT OF MIX ON PERCENT OF PREMIUM COMPARISONS

As discussed, Figure 8 shows product expenses on a percent of premium equivalents for Larger Plans compared to Other Blue Plans, which is similar to Figure 4. Larger Plans continued to have lower expenses in Comprehensive Total.

Costs reweighted at the Other Blue Plans Average Mix resulted in lower costs for Larger Plans, 7.8% compared to 9.2% for the Other Blues. Likewise, costs reweighted at the Larger Plan mix also resulted in lower costs for Larger Plans at 8.1% versus 9.2% for the Other Blue Plans. The mix-weighted Percent of Premium results are shown near the bottom of Figure 8.

Two Conclusions

First, both Percents of Premiums and PMPM costs illustrate the importance of considering product mix in the evaluation of health plan costs. While Larger Plans have an as-reported combined advantage over Other Blue Plans, when reweighted to equalize for product mix, they become greater.

Second, the modest cost differences between the sets are consistent with our view that, while economies of scale exist in health insurance, they are limited in effect among the mature organizations in the Blue Cross Blue Shield universe. Having said this, we acknowledge that Larger Plan Account and Membership Administration was 12.6% lower on a PMPM basis and 0.1% lower as a percent of premium using mutually exclusive comparison sets.

Characteristics of Larger Plans and Other Universes

Collectively, Larger Plans serve 31.1 million people under Comprehensive Products. Total Commercial comprises 24.8 million, or less than 80% of total members for Larger Plans. Of those Commercial members, about 63% or 15.6 million are served under self-insured ASO/ASC products. Medicaid and Medicare Advantage membership totals 2.2 million and 1.1 million, respectively. FEP comprises a total of 1.4 million people, while Medicare Supplement serves 1.5 million.

Larger Plans' median mix for premiums for Total Commercial is 67%, while Commercial Insured and ASO is 59% and 4%, respectively. Medicare Supplement represents a median of 3% of premiums, while FEP is 11%. Medicaid and Medicare Advantage is 8% and 9%, respectively.

The median Larger Plan served about 3.6 million members and the median Blue Cross Blue Shield Plan served 1.7 million members. Excluding the Larger Plans, the Other Blue Plans served a median of 1.1 million members.

The *Sherlock Benchmarks* (*Sherlock Expense Evaluation Report* or *SEER*) represent the cumulative experience of more than 1,000 health benefit organization years. Each peer group in the *Sherlock Benchmarks* is established to be relatively uniform. So, within that constraint, participation is open to most Blue Cross Blue Shield Plans, Independent / Provider – Sponsored, Medicare, and Medicaid plans possessing the ability to compile high-quality, segmented financial and operational data. (Larger Plans are a subset of Blue Plans.) We are also in the process of developing a universe of TPAs. We surveyed the participants to populate the *Sherlock Benchmarks* and this summary. 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.

sherlockco.com/test-drive

If you are interested in licensing these materials we hope that you will not hesitate to contact us at sherlock@sherlockco.com or 215-628-2289.

Invitation to Participate in the 2024 Sherlock Benchmarking Study

While universes of Blue Cross Blue Shield and Independent / Provider-Sponsored Plans are closed pending publishing, Medicare, Medicaid and TPA panels for the 2024 *Sherlock Benchmarks* are still open to participation. Participation entails efforts on your part since useful outputs require relatively granular inputs. However, the cost is relatively modest.

The Blue Cross Blue Shield and the Larger Plan editions are now available to license. Results of the Blue Cross Blue Shield study are summarized here. The Independent/Provider-Sponsored edition should be available within weeks. Medicare and Medicaid universes should become available late in the summer.

The 2024 study is in its 27th consecutive year. Since June of 2021, health plans serving 200 million insured people have licensed the *Sherlock Benchmarks* including most Blue Cross Blue Shield plans, public companies and the largest Independent/Provider-Sponsored health plans.

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

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 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 in participation in the 2025 cycle or licensing the 2024 editions. *You will be among good company.*