

# Plan Management Navigator

## *Analytics for Third-Party Administrators*



Healthcare Analysts

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## THIRD-PARTY ADMINISTRATOR BENCHMARKING RESULTS FOR 2022

During 2022, Sherlock Company conducted a benchmarking study of Third-Party Administrators. The combined membership served by these eight organizations was 3.8 million members, and the membership included Medical, Dental, Vision, FSA Administration and Pharmacy. The data surveyed was 2021 calendar year results.

These administrators are considerably lower cost than health insurers in more or less comparable products. Median medical product costs were \$18.64 PMPM versus \$29.55 for Blue Cross Blue Shield ASO/ASC arrangements, and \$24.91 for Independent/Provider-Sponsored ASO products. Interestingly, several of the TPAs included in this study are sister organizations to health insurers included in other *Sherlock Benchmarks* universes.

Part of this is structural, stemming from the markets served by TPAs. For instance, unlike insurers, TPAs do not serve individual members and the overall infrastructure reflects this. As a result, Sales and Marketing expenses were far lower.

Also, the product design tended to be different. Medical and Provider Management, typically a core service for insurers, is generally viewed as a supplemental service for TPAs. While that cluster of functions is not the largest, for the TPAs, these functions are excluded from the TPA values above.

The execution of Account Membership and Administration activities is key to understanding differences in execution. For instance, the mean auto-adjudication rate for the TPA's was 68.4% compared with 84.1% for IPS plans and 86.6% for Blue Plans. Accordingly claims staffing ratios for Blue and IPS plans were 62% and 82% of TPA levels. Information systems staffing ratios were 62% and 52% greater, respectively.

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](#). 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 [here](#).

**Figure 1. Sherlock Benchmark Summary**  
Third-Party Administrator Costs by Product, 2022 Survey  
Per Member Per Month

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Medical	\$15.46	\$18.64	\$25.45	44%
Dental	\$0.27	\$1.27	\$3.63	97%
Pharmacy	\$2.10	\$4.18	\$6.25	141%
FSA Administration	\$2.89	\$4.06	\$4.96	51%
<b>Combined Total</b>	<b>\$7.42</b>	<b>\$8.72</b>	<b>\$11.19</b>	<b>80%</b>

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## *About the Sherlock Benchmarks*

The *Sherlock Benchmarks* are the health benefits industry's metrics informing the management of administrative activities. The 2022 editions were based on validated surveys of organizations serving 63 million Americans and provide costs and their drivers on key administrative activities. The *Sherlock Benchmarks* are in their 26th consecutive year and represent nearly 1,000 health benefit organization years of experience.

The Benchmarks are reported in multiple universes: Larger Plans, Blue Cross Blue Shield, Independent / Provider-Sponsored, Medicare, Medicaid and TPAs.

The *Sherlock Benchmarks* are the "gold standard" of health organization administrative cost benchmarks. Organizations use them to determine whether their administrative costs are competitive, to prioritize for improvement among numerous specific activities and to identify cost drivers such as staffing ratios that, overall and within functions, can help implement those improvements.

This *Plan Management Navigator* has been sent primarily to those who have requested to be included on the email list. If you are not on our regular distribution and would like to be, please let us know or sign up [here](#).

## *Invitation to Participate in Sherlock Benchmarks for TPAs in 2023*

This *Plan Management Navigator* results are excerpted from the Third-Party Administrators edition of the 2022 *Sherlock Benchmarks*. We will be reporting on the results of the other universes in 2023 editions in the coming months.

We are currently building a new universe of Third-Party Administrators for 2023. We will be launching April 29th and welcome your participation. We expect to publish September 15th. This is an exciting opportunity to become involved in the benchmarks. Please contact [asherlock@sherlockco.com](mailto:asherlock@sherlockco.com) for more information, including cost effective pricing.

*You will be among good company.*