

# Plan Management Navigator

## *Analytics for Health Plan Administration*



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*Please see page 11 for our invitation to participate in the 2024 or license the 2023 Sherlock Benchmarks.*

## LARGER PLANS ADMINISTRATIVE COSTS

Larger health plans are often of interest to managers because their size suggests their performance leadership. It is thought that their size may imply their success in the market, result in technical economies of scale, and with their combination the prime mover of a virtuous cycle of successive advantages. In this analysis we find that Larger Blue Cross Blue Shield Plans reported higher costs compared to the Blue universe as a whole as well as Blue Plans not included in the Larger universe. Mix differences complicate the analysis, with Larger plans holding a cost advantage at their mix, while Other Blue Plans were lower at their mix.

The source of the data used in this analysis is from the 2023 Larger Plans edition of the *Sherlock Benchmarks*, a subset of the Blue Cross Blue Shield Plan universe. Of the seventeen total participating BCBS Plans, the five largest Plans were included in the Larger Plans universe. In some contexts, these largest Plans are compared with the remaining twelve. An advantage of this approach is the relative uniformity of the health plans. They tend to serve similar market segments, the Blue Cross Blue Shield Association promotes common quality attributes including capital levels and they share common branding.

This analysis does not address other potential advantages of larger health plans such as possible valuation advantages in making acquisitions to foster growth, selection of a specific type of market that is separable from others and superior bargaining power in their markets.

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

In 2022, Larger Plans had median Comprehensive administrative expenses of \$52.41 PMPM, 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 15.5% higher than the Blue Cross Blue Shield median expenses of \$45.36 PMPM. As developed later, the difference in part reflects the effect of greater Larger Plan focus on more expensive to administer products such as Medicare Advantage.

**Figure 1. Sherlock Benchmark Summary**  
Larger Plans Costs by Functional Area Cluster, 2022 Results  
Per Member Per Month

| Functional Area                       | Larger Plans    |                |                 |                          | Note: BCBS Median |
|---------------------------------------|-----------------|----------------|-----------------|--------------------------|-------------------|
|                                       | 25th Percentile | Median         | 75th Percentile | Coefficient of Variation |                   |
| Sales and Marketing                   | \$8.98          | \$15.61        | \$17.14         | 41%                      | \$11.31           |
| Medical and Provider Management       | 6.06            | 7.55           | 8.87            | 24%                      | 6.78              |
| Account and Membership Administration | 18.22           | 18.23          | 21.65           | 21%                      | 20.76             |
| Corporate Services                    | 7.67            | 8.77           | 9.13            | 26%                      | 6.78              |
| <b>Total Expenses</b>                 | <b>\$39.70</b>  | <b>\$52.41</b> | <b>\$53.61</b>  | <b>21%</b>               | <b>\$45.36</b>    |

Account and Membership Administration was the only cluster that Larger Plans showed a cost advantage. Larger Plans reported cluster costs of \$18.23 PMPM, 12.2% lower than the set of all Blue Plans at \$20.76 PMPM. Conversely, the Sales and Marketing cluster was higher in Larger Plans at \$15.61 PMPM, 38.1% higher than all Blue Plans. Corporate Services was higher by 29.3% for Larger Plans at \$8.77 PMPM versus \$6.78 PMPM. Medical and Provider Management cluster was higher for Larger Plans at \$7.55 PMPM, by 11.4%, compared to \$6.78 PMPM for all Blue Plans.

Ratios of administrative expenses to premiums<sup>†</sup> yielded similar results to PMPM results. As shown in Figure 2, Larger Plans' Total Expenses were higher by 0.7 percentage points to 9.6% versus 8.9% for all Blues. Like the PMPM comparisons, expenses were lower in Account and Membership Administration costs at 3.8% compared to 3.9% for all Blues, a difference of 0.1 percentage points. Larger Plans' Sales and Marketing cluster expenses were higher by 0.8 percentage points to 3.0%, while Corporate Services was greater by 0.3 percentage points to 1.6%. Medical and Provider Management was the same for Larger and all Blues, at 1.3%.

### *Costs of Larger Plans, PMPM by Product*

Larger Plan PMPM product cost values are shown in Figure 3, noting the Blue Cross Blue Shield universe values for the same products. 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, and the expensive to administer Medicare SNP is excluded from Comprehensive despite its breadth of services at the preference of the panel.

<sup>†</sup> 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, 2022 Results**  
*Percent of Premium*

| Functional Area                       | Larger Plans    |             |                 |                          | Note: BCBS Median |
|---------------------------------------|-----------------|-------------|-----------------|--------------------------|-------------------|
|                                       | 25th Percentile | Median      | 75th Percentile | Coefficient of Variation |                   |
| Sales and Marketing                   | 1.8%            | 3.0%        | 3.0%            | 36%                      | 2.2%              |
| Medical and Provider Management       | 1.3%            | 1.3%        | 1.6%            | 20%                      | 1.3%              |
| Account and Membership Administration | 3.5%            | 3.8%        | 3.9%            | 17%                      | 3.9%              |
| Corporate Services                    | 1.5%            | 1.6%        | 1.8%            | 28%                      | 1.4%              |
| <b>Total Expenses</b>                 | <b>8.2%</b>     | <b>9.6%</b> | <b>10.0%</b>    | <b>16%</b>               | <b>8.9%</b>       |

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Of the eleven Comprehensive products, the Larger Plans had lower costs in seven, including four of the Commercial products. They were also lower in two of the additional products. But an example of how mix complicates the relative performance is that the Total Commercial Insured was \$3.03 higher for the Larger Plans.

Total Commercial Insured costs were \$64.53 PMPM higher than for Blues as a whole at \$61.50. Commercial Insured HMO, POS, and Indemnity & PPO costs were \$53.94 PMPM, \$53.88 PMPM, and \$70.32 PMPM. Larger Plans' average mix for Commercial Insured products was 36%.

The ASO / ASC product costs of Larger Plans administrative were \$32.65 PMPM, identical to the Blue Plans as a whole. For ASO, Indemnity and PPO costs a median of \$32.11 PMPM, HMO costs \$39.11 while POS costs \$41.70. For Larger Plans, the average member mix in Commercial ASO was 40%.

Commercial Total was about 10% higher for Larger Plans at \$47.55 PMPM compared to \$43.06. For Larger Plans, the average mix of Commercial products was 76% of comprehensive membership with administrative expenses both higher and lower than the median comprehensive products, depending on their financing mechanisms.

FEP (Federal Employee Program) is among Blue Plan product portfolios. Median FEP costs were \$33.04 PMPM, higher than for the Blue Plans as a whole. The average product mix was 6% of Comprehensive members among the Larger Plans.

The Medicare Supplement's median costs were \$35.16 PMPM for the Larger Plans, lower than for the Blue Plans as a whole. The Larger Plan mix of Medicare Supplement members was 5% of Comprehensive membership.

Medicaid and Medicare Advantage are government-sponsored products serving seniors and eligible low-income beneficiaries. Per Member Per Month, Medicaid costs were \$35.88 PMPM, about 3% lower compared to all Blues, and was 10% of comprehensive membership.

Larger Plans' average mix in Medicare was 4% with a median PMPM costs of \$159.50, 6.2% higher than Blue Plans as a whole.

Median costs for Individual and Group Medicare products were \$162.77 PMPM and \$105.82 PMPM, respectively. Not all Plans offered both products but costs ran lower for the Larger Plans in Group and higher in Individual.

While not included in Comprehensive products, Medicare Special Needs Plans (SNP) was \$173.14 PMPM with three out of the five Larger Plans offering this product. PMPM Costs were 12% lower than that for the Blue Plans as a whole.

The costs of specialty products of Stand-Alone Medicare Part D was the same in Larger and Blue Plans at \$18.10, while Stand-Alone Dental was \$2.88 for Larger Plans, 19% lower.

### *Costs of Larger Plans, Percent of Premium Equivalents by Product*

The percent of premium ratios comparisons is shown in Figure 4. Comprehensive Total costs of 9.6% of premiums for Larger Plans was 0.7 percentage points higher than Blue Plans.

The relative ratios of many of the products yielded similar results to Per Member Per Month costs. In other words, Larger Plans were lower on a PMPM basis, they were also generally lower on a percent of premium basis, and conversely. These included half of the commercial products: Commercial HMO ASO/ASC at 6.9% (lower), Commercial POS ASO/ASC at 6.9% (higher), and Indemnity & PPO ASO / ASC at 6.9% (lower).

**Figure 3. Sherlock Benchmark Summary**  
Larger Plans Costs by Product, 2022 Results  
Per Member Per Month

| Product                     | Larger Plans    |                |                 | Coefficient of Variation | Note: BCBS Median |
|-----------------------------|-----------------|----------------|-----------------|--------------------------|-------------------|
|                             | 25th Percentile | Median         | 75th Percentile |                          |                   |
| <b>Commercial HMO</b>       |                 |                |                 |                          |                   |
| Insured                     | \$52.75         | \$53.94        | \$67.78         | 46%                      | \$67.78           |
| ASO / ASC                   | \$33.40         | \$39.11        | \$40.32         | 29%                      | \$40.40           |
| <b>Commercial POS</b>       |                 |                |                 |                          |                   |
| Insured                     | \$50.54         | \$53.88        | \$57.23         | 18%                      | \$59.96           |
| ASO / ASC                   | \$41.70         | \$41.70        | \$41.70         | NM                       | \$35.01           |
| <b>Indemnity &amp; PPO</b>  |                 |                |                 |                          |                   |
| Insured                     | \$60.77         | \$70.32        | \$70.61         | 15%                      | \$60.77           |
| ASO / ASC                   | \$26.91         | \$32.11        | \$37.71         | 20%                      | \$32.61           |
| Commercial Insured          | \$57.92         | \$64.53        | \$69.13         | 14%                      | \$61.50           |
| Commercial ASO/ASC          | \$26.57         | \$32.65        | \$38.26         | 20%                      | \$32.65           |
| Commercial Total            | \$41.53         | \$47.55        | \$51.42         | 24%                      | \$43.06           |
| FEP                         | \$32.67         | \$33.04        | \$33.58         | 21%                      | \$31.64           |
| <b>Medicare Advantage</b>   |                 |                |                 |                          |                   |
| Individual                  | \$161.27        | \$162.77       | \$162.81        | 13%                      | \$152.68          |
| Group                       | \$89.17         | \$105.82       | \$139.86        | 43%                      | \$120.45          |
| Medicare Advantage Total    | \$135.86        | \$159.50       | \$162.77        | 13%                      | \$150.25          |
| Medicaid                    | \$29.74         | \$35.88        | \$53.57         | 57%                      | \$36.86           |
| Medicare Supplement         | \$29.17         | \$35.16        | \$41.50         | 37%                      | \$39.30           |
| <b>Comprehensive Total</b>  | <b>\$39.70</b>  | <b>\$52.41</b> | <b>\$53.61</b>  | <b>21%</b>               | <b>\$45.36</b>    |
| Medicare Advantage SNP      | \$171.04        | \$173.14       | \$297.63        | 57%                      | \$197.45          |
| Stand-Alone Medicare Part D | \$17.32         | \$18.10        | \$24.68         | 47%                      | \$18.10           |
| Stand Alone Dental          | \$1.84          | \$2.88         | \$5.03          | 86%                      | \$3.58            |

This was also the case for the Medicare products individual 16.9% (higher) and group 9.6% (lower). FEP offered by Larger Plans, at 5.4% was higher on a percent and PMPM basis, and Medicare Supplement was also lower, at 17.6%, also the case on a PMPM basis.

The other three Commercial product comparisons went in different directions. Commercial HMO Insured was low on a PMPM basis but was higher, at 11.4%. Indemnity & PPO Insured was high on a PMPM basis by low on a percent basis at 9.9%. Notably, for Commercial Products as a whole, insured at 10.4% was higher on a PMPM basis and lower on a percent of premium basis, while ASO/ASC at 7.0% was lower, but was equal on a PMPM basis.

Medicaid was lower on a PMPM basis and, at 11.6%, higher as a percent for the Larger Plans.

**Figure 4. Sherlock Benchmark Summary**  
Larger Plans Costs by Product, 2022 Results  
Percent of Premium

| Product                     | Larger Plans    |        |                 | Coefficient of Variation | Note: BCBS Median |
|-----------------------------|-----------------|--------|-----------------|--------------------------|-------------------|
|                             | 25th Percentile | Median | 75th Percentile |                          |                   |
| <b>Commercial HMO</b>       |                 |        |                 |                          |                   |
| Insured                     | 9.9%            | 11.4%  | 12.4%           | 34%                      | 11.2%             |
| ASO / ASC                   | 5.1%            | 6.9%   | 8.4%            | 33%                      | 7.3%              |
| <b>Commercial POS</b>       |                 |        |                 |                          |                   |
| Insured                     | 9.0%            | 9.0%   | 9.1%            | 1%                       | 9.0%              |
| ASO / ASC                   | 6.9%            | 6.9%   | 6.9%            | NM                       | 6.5%              |
| <b>Indemnity &amp; PPO</b>  |                 |        |                 |                          |                   |
| Insured                     | 9.4%            | 9.9%   | 10.0%           | 11%                      | 11.2%             |
| ASO / ASC                   | 6.8%            | 6.9%   | 8.8%            | 27%                      | 7.4%              |
| Commercial Insured          | 9.9%            | 10.4%  | 10.5%           | 12%                      | 11.1%             |
| Commercial ASO/ASC          | 6.9%            | 7.0%   | 8.8%            | 22%                      | 7.1%              |
| Commercial Total            | 8.7%            | 9.4%   | 9.8%            | 17%                      | 8.7%              |
| FEP                         | 5.0%            | 5.4%   | 6.7%            | 36%                      | 5.3%              |
| <b>Medicare Advantage</b>   |                 |        |                 |                          |                   |
| Individual                  | 16.6%           | 16.9%  | 17.3%           | 19%                      | 16.6%             |
| Group                       | 7.4%            | 9.6%   | 12.3%           | 39%                      | 10.8%             |
| Medicare Advantage Total    | 12.9%           | 16.3%  | 16.9%           | 20%                      | 16.2%             |
| Medicaid                    | 8.2%            | 11.6%  | 12.2%           | 45%                      | 8.4%              |
| Medicare Supplement         | 15.6%           | 17.6%  | 25.7%           | 42%                      | 18.8%             |
| <b>Comprehensive Total</b>  | 8.2%            | 9.6%   | 10.0%           | 16%                      | 8.9%              |
| Medicare Advantage SNP      | 8.3%            | 9.4%   | 15.5%           | 61%                      | 12.1%             |
| Stand-Alone Medicare Part D | 14.5%           | 19.4%  | 22.1%           | 51%                      | 19.2%             |
| Stand Alone Dental          | 10.0%           | 15.8%  | 20.5%           | 48%                      | 20.3%             |

## *Cluster Comparisons when Sets are Mutually Exclusive*

Since the Larger Plan universe is a subset of the Blue Cross Blue Shield universe, we thought that perhaps 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 Figures 1 and 2, that is, costs by both metrics were higher with the exception of Account and Membership Administration which was lower. Figure 5 shows that Total Median Expenses were \$7.67 PMPM, or 17.1%, higher for Larger Plans. (This compares to the \$7.04 PMPM or 15.5% higher expenses for Larger Plans seen in Figure 1.) Account and Membership Administration was lower for Larger Plans compared to Other Blue Plans by \$2.53 PMPM, or 12.2%. Larger Plans' Sales and Marketing was higher by \$4.30 PMPM, or 38.1%. Medical and Provider Management and Corporate Services cluster was higher for Larger Plans by \$0.77 PMPM or 11.4% and \$1.99 PMPM or 29.3%, respectively.

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 higher with Comprehensive Total higher by 0.7 percentage points to 9.6%. Account and Membership Administration was lower for Larger Plans by 0.4 percentage points to 3.8% of premiums. Conversely, Sales and Marketing and Medical and Provider Management were higher for Larger Plans by 0.8 percentage points to 3.0% and 0.1 percentage points to 1.3%, respectively. Corporate Services Cluster was higher for Larger Plans by 0.3 percentage points to 1.6%.

### **Figure 5. Sherlock Benchmark Summary**

Larger vs. Other Blue Costs by Functional Area Cluster, 2022 Results

*Per Member Per Month, Medians Except for Changes*

| <b>Functional Area</b>                | <b>Larger Plans</b> | <b>Other Blue*</b> | <b>Dollar Difference</b> | <b>Percent Difference</b> |
|---------------------------------------|---------------------|--------------------|--------------------------|---------------------------|
| Sales and Marketing                   | \$15.61             | \$10.57            | \$5.04                   | 47.7%                     |
| Medical and Provider Management       | 7.55                | 6.69               | 0.86                     | 12.9%                     |
| Account and Membership Administration | 18.23               | 20.92              | (2.68)                   | -12.8%                    |
| Corporate Services                    | 8.77                | 6.63               | 2.14                     | 32.3%                     |
| <b>Total Expenses</b>                 | <b>\$52.41</b>      | <b>\$44.73</b>     | <b>\$7.67</b>            | <b>17.1%</b>              |

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

### **Figure 6. Sherlock Benchmark Summary**

Larger vs. Other Blue Costs by Functional Area Cluster, 2022 Results

*Percent of Premium, Medians Except for Changes*

| <b>Functional Area</b>                | <b>Larger Plans</b> | <b>Other Blue*</b> | <b>Pct. Pt. Difference</b> | <b>Percent Difference</b> |
|---------------------------------------|---------------------|--------------------|----------------------------|---------------------------|
| Sales and Marketing                   | 3.0%                | 2.2%               | 0.8%                       | 38.2%                     |
| Medical and Provider Management       | 1.3%                | 1.3%               | 0.1%                       | 4.7%                      |
| Account and Membership Administration | 3.8%                | 4.2%               | -0.4%                      | -9.3%                     |
| Corporate Services                    | 1.6%                | 1.3%               | 0.3%                       | 23.7%                     |
| <b>Total Expenses</b>                 | <b>9.6%</b>         | <b>8.8%</b>        | <b>0.7%</b>                | <b>8.1%</b>               |

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

## Product Comparisons when Sets are Mutually Exclusive

The results by product are similar when the Plans are mutually exclusive as to when they are not, as shown in Figure 7. Almost every Comprehensive product PMPM cost comparison was directionally the same: the sole exception was Total Commercial ASO/ASC which was equal when Larger Plans were embedded within the other Blue Plans, but lower when not. That is, if Larger Plans had lower PMPM costs than the set of all Blues, then they enjoyed the same directional advantage if the Blue Set excluded the Larger Plans. The converse was also the case. However, the effects are more pronounced. Larger Plans had 15.5% higher costs than the entire Blue set and 17.1% when the sets are mutually exclusive.

**Figure 7. Sherlock Benchmark Summary**  
Larger Plans vs. BCBS Costs by Product, 2022 Results  
Per Member Per Month, Medians Except for Changes

| Product                                | Larger Plans    | Other Blue*     | PMPM Difference | Percent Difference |
|--|-----------------|-----------------|-----------------|--------------------|
| <b>Commercial HMO</b>                  |                 |                 |                 |                    |
| Insured                                | \$53.94         | \$69.39         | -\$15.45        | -22.3%             |
| ASO / ASC                              | \$39.11         | \$50.74         | -\$11.64        | -22.9%             |
| <b>Commercial POS</b>                  |                 |                 |                 |                    |
| Insured                                | \$53.88         | \$59.96         | -\$6.07         | -10.1%             |
| ASO / ASC                              | \$41.70         | \$29.57         | \$12.13         | 41.0%              |
| <b>Indemnity &amp; PPO</b>             |                 |                 |                 |                    |
| Insured                                | \$70.32         | \$59.25         | \$11.07         | 18.7%              |
| ASO / ASC                              | \$32.11         | \$33.34         | -\$1.23         | -3.7%              |
| Commercial Insured                     | \$64.53         | \$60.88         | \$3.66          | 6.0%               |
| Commercial ASO/ASC                     | \$32.65         | \$33.34         | -\$0.69         | -2.1%              |
| <b>Total Commercial</b>                | <b>\$47.55</b>  | <b>\$42.74</b>  | <b>\$4.80</b>   | <b>11.2%</b>       |
| FEP                                    | \$33.04         | \$30.88         | \$2.16          | 7.0%               |
| <b>Medicare Advantage</b>              |                 |                 |                 |                    |
| Individual                             | \$162.77        | \$148.52        | \$14.25         | 9.6%               |
| Group                                  | \$105.82        | \$128.41        | -\$22.58        | -17.6%             |
| <b>Medicare Advantage Total</b>        | <b>\$159.50</b> | <b>\$148.52</b> | <b>\$10.99</b>  | <b>7.4%</b>        |
| Medicaid                               | \$35.88         | \$37.85         | -\$1.97         | -5.2%              |
| Medicare Supplement                    | \$35.16         | \$41.83         | -\$6.67         | -15.9%             |
| <b>Comprehensive Total</b>             | <b>\$52.41</b>  | <b>\$44.73</b>  | <b>\$7.67</b>   | <b>17.1%</b>       |
| <i>Costs at Other Blue Average Mix</i> | <i>\$48.24</i>  | <i>\$46.51</i>  | <i>\$1.73</i>   | <i>3.7%</i>        |
| <i>Costs at Larger Average Mix</i>     | <i>\$48.57</i>  | <i>\$49.52</i>  | <i>-\$0.95</i>  | <i>-1.9%</i>       |
| Medicare Advantage SNP                 | \$173.14        | \$221.77        | -\$48.63        | -21.9%             |
| Stand-Alone Medicare Part D            | \$18.10         | \$18.16         | -\$0.07         | -0.4%              |
| Stand Alone Dental                     | \$2.88          | \$3.62          | -\$0.74         | -20.4%             |

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

## EFFECT OF MIX ON PMPM COMPARISONS

Product mix differences complicates this analysis. Reweighting expenses to the Other Blue Average mix resulted in lower expenses for Other Blue Plans at \$46.51 and compares to Larger Plans at \$48.24, \$1.62 PMPM or 3.7% higher for Larger Plans. This difference is sharply lower than the 17.1% higher costs when the effect of mix is not eliminated.

**Figure 8. Sherlock Benchmark Summary**  
**Larger Plans vs. BCBS Costs by Product, 2022 Results**  
*Percent of Premium, Medians Except for Changes*

| <b>Product</b>                         | <b>Larger Plans</b> | <b>Other Blue*</b> | <b>Pct. Pt. Difference</b> | <b>Percent Difference</b> |
|--|---------------------|--------------------|----------------------------|---------------------------|
| <b>Commercial HMO</b>                  |                     |                    |                            |                           |
| Insured                                | 11.4%               | 10.5%              | 1.0%                       | 9.2%                      |
| ASO / ASC                              | 6.9%                | 7.3%               | -0.4%                      | -5.4%                     |
| <b>Commercial POS</b>                  |                     |                    |                            |                           |
| Insured                                | 9.0%                | 8.9%               | 0.2%                       | 1.7%                      |
| ASO / ASC                              | 6.9%                | 6.2%               | 0.7%                       | 10.9%                     |
| <b>Indemnity &amp; PPO</b>             |                     |                    |                            |                           |
| Insured                                | 9.9%                | 11.4%              | -1.5%                      | -12.8%                    |
| ASO / ASC                              | 6.9%                | 7.5%               | -0.5%                      | -7.3%                     |
| Commercial Insured                     | 10.4%               | 11.3%              | -0.9%                      | -8.2%                     |
| Commercial ASO/ASC                     | 7.0%                | 7.3%               | -0.3%                      | -4.0%                     |
| <b>Total Commercial</b>                | <b>9.4%</b>         | <b>8.5%</b>        | <b>0.9%</b>                | <b>10.8%</b>              |
| <b>FEP</b>                             | <b>5.4%</b>         | <b>5.2%</b>        | <b>0.2%</b>                | <b>3.8%</b>               |
| <b>Medicare Advantage</b>              |                     |                    |                            |                           |
| Individual                             | 16.9%               | 16.1%              | 0.9%                       | 5.3%                      |
| Group                                  | 9.6%                | 10.8%              | -1.2%                      | -11.1%                    |
| <b>Medicare Advantage Total</b>        | <b>16.3%</b>        | <b>16.1%</b>       | <b>0.2%</b>                | <b>1.0%</b>               |
| Medicaid                               | 11.6%               | 8.4%               | 3.3%                       | 39.1%                     |
| Medicare Supplement                    | 17.6%               | 19.5%              | -1.9%                      | -9.8%                     |
| <b>Comprehensive Total</b>             | <b>9.6%</b>         | <b>8.8%</b>        | <b>0.7%</b>                | <b>8.1%</b>               |
| <i>Costs at Other Blue Average Mix</i> | <i>9.0%</i>         | <i>9.4%</i>        | <i>-0.4%</i>               | <i>-4.4%</i>              |
| <i>Costs at Larger Average Mix</i>     | <i>9.3%</i>         | <i>9.5%</i>        | <i>-0.1%</i>               | <i>-1.4%</i>              |
| Medicare Advantage SNP                 | 9.4%                | 14.9%              | -5.5%                      | -36.9%                    |
| Stand-Alone Medicare Part D            | 19.4%               | 18.8%              | 0.6%                       | 3.2%                      |
| Stand Alone Dental                     | 15.8%               | 20.9%              | -5.1%                      | -24.5%                    |

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



However, when expenses were reweighted to the Larger mix, Larger Plans held a cost advantage over the Other Blue Plans at \$48.57 PMPM or lower by \$0.95 and 1.9%. The cost disadvantage of Larger Plans on an as reported basis is even more diminished. (The weighted values differ from the total Comprehensive values because of our use of medians and because not all Plans offer all products.)

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 higher expenses in Comprehensive Total. Every Comprehensive product percent cost comparison was directionally the same. That is, if Larger Plans had lower percents of premium costs than the set of all Blues, then they enjoyed the same directional advantage if the Blue Set excluded the Larger Plans. The converse was also the case.

**Figure 9. Sherlock Benchmark Summary**  
Larger Plans Costs by Product, 2022 Results  
*Average Product Mix*

| <b>Product</b>             | <b>Larger Plans</b> | <b>Other Blue*</b> | <b>Pct. Pt. Difference</b> |
|----------------------------|---------------------|--------------------|----------------------------|
| <b>Commercial HMO</b>      |                     |                    |                            |
| Insured                    | 12.8%               | 2.6%               | 10.2%                      |
| ASO / ASC                  | 2.2%                | 1.2%               | 1.0%                       |
| <b>Commercial POS</b>      |                     |                    |                            |
| Insured                    | 2.5%                | 2.2%               | 0.3%                       |
| ASO / ASC                  | 0.9%                | 1.1%               | -0.2%                      |
| <b>Indemnity &amp; PPO</b> |                     |                    |                            |
| Insured                    | 20.3%               | 24.8%              | -4.4%                      |
| ASO / ASC                  | 36.9%               | 46.1%              | -9.3%                      |
| Commercial Insured         | 35.6%               | 29.6%              | 6.0%                       |
| Commercial ASO/ASC         | 40.0%               | 48.5%              | -8.5%                      |
| Commercial Total           | 75.5%               | 78.0%              | -2.5%                      |
| FEP                        | 5.5%                | 5.9%               | -0.4%                      |
| <b>Medicare Advantage</b>  |                     |                    |                            |
| Individual                 | 2.4%                | 3.6%               | -1.2%                      |
| Group                      | 1.9%                | 0.3%               | 1.7%                       |
| Medicare Advantage Total   | 4.3%                | 3.9%               | 0.4%                       |
| Medicaid                   | 9.9%                | 6.9%               | 3.0%                       |
| Medicare Supplement        | 4.7%                | 5.2%               | -0.5%                      |
| <b>Comprehensive Total</b> | <b>100.0%</b>       | <b>100.0%</b>      | <b>0.0%</b>                |

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

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## EFFECT OF MIX ON PERCENT OF PREMIUM COMPARISONS

Costs reweighted at the Other Blue Plans Average Mix resulted in *lower* costs for Larger Plans, 9.0% compared to 9.4% for the Other Blues. Likewise, costs reweighted at the Larger Plan mix also resulted in lower costs for Larger Plans at 9.3% versus 9.5% for the Other Blue Plans.

### *Two Conclusions*

First, both percents of premiums and PMPM costs illustrate the importance of considering product mix in the evaluation of plans. The apparent higher costs in Larger Plans diminish or even reverse when the product mixes are held equal.

Second, the modest cost differences between the sets are consistent with our view that while economies of scale exist, they are limited in effect. Having said this, we acknowledge that Larger Plan Account and Membership Administration was 12.8% lower than Other Blue Plans on a PMPM basis and 9.3%, or 0.4 percentage points, lower as a percent of premium.

Figure 9 shows average product mix for Larger Plans and Other Blue Plans. They are relatively similar in many respects. Larger Plans, however, seem to be more focused on government sponsored products of Medicaid and Medicare Advantage Total, especially in Medicare Group products, while less focused in Commercial Total, especially in ASO/ASC.

### *Characteristics of Larger Plans and Other Universes*

Collectively, Larger Plans served 33.3 million people under Comprehensive Products. Total Commercial comprised 26.6 million, or less than 80% of total members for Larger Plans. Of those Commercial members, about 62% or 16.4 million were served under self-insured ASO. Medicaid and Medicare Advantage membership totaled 2.6 million and 1.0, respectively. FEP reflected a total of 1.7 million, while Medicare Supplement reflected 1.4 million.

Larger Plans' median mix for premiums for Total Commercial was 67%, while Commercial Insured and ASO were 60% and 3%, respectively. Medicare Supplement represented a median of 2% of premiums, while FEP was 7%. Medicaid and Medicare Advantage was 8% and 9%, respectively.

The median Larger Plan served about 4.0 million members and the median Blue Cross Blue Shield Plan served 2.1 million members. Excluding the Larger Plans, the Other Blue Plans served a median of 1.7 million members.

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The *Sherlock Benchmarks* (*Sherlock Expense Evaluation Report* or *SEER*) represent the cumulative experience of 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 surveyed the participants to populate the *Sherlock Benchmarks* and this summary.

Figure 10 highlights the characteristics of the different universes of the *Sherlock Benchmarks*.

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

<https://sherlockco.com/sherlock-benchmarks>

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

<https://sherlockco.com/test-drive/>

If you are interested in licensing these materials we hope that you will not hesitate to contact us ([sherlock@sherlockco.com](mailto:sherlock@sherlockco.com)).

### *Invitation to Participate in the 2024 Sherlock Benchmarking Study*

We will soon begin the development of our panels for the 2024 *Sherlock Benchmarks* cycle. 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 2024 study will be the 27<sup>th</sup> consecutive year. Since June of 2020, health plans serving more than 208 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.

For the most recent cycle of the *Sherlock Benchmarks*, of the 33 U.S.-based Blue Cross Blue Shield primary licensees, seventeen serving approximately 52.2 million people, participated in the *Sherlock Benchmarks* for Blue Cross Blue Shield Plans. Health plans serving 57% members of those served by the Alliance of Community Health Plans participating in this year's Sherlock Benchmarking Study for Independent / Provider – Sponsored health plans. Additionally, health plans serving 17% of all Medicaid members participated in the *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 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](mailto:sherlock@sherlockco.com) or 215-628-2289 if you are interested in participation in the 2024 cycle or licensing the 2023 editions. *You will be among good company.*

**Figure 10. Sherlock Benchmark Summary**  
Selected Characteristics of Sherlock Benchmark Universes  
*Results reflect the year ended December 31, 2022.*

|  | Blue Cross<br>Blue Shield | Larger | Independent<br>/ Provider-<br>Sponsored | Medicaid | Medicare |
|--|---------------------------|--------|---|----------|----------|
| <b>Sample Size</b>   |                           |        |   |          |          |
| Number of Participants                                       | 17                        | 5      | 11                                      | 15       | 11       |
| Total Membership (000's) <sup>1</sup>                        | 52,234                    | 33,334 | 8,269                                   | 15,543   | 13,632   |
| Median Membership (000's)                                    | 2,058                     | 3,996  | 673                                     | 675      | 826      |
| Mean Membership (000's)                                      | 3,073                     | 6,667  | 752                                     | 1,036    | 1,239    |
| <b>Supplemental Content</b>                                  |                           |        |   |          |          |
| Medicaid or Medicare Membership from Other Universes (000's) | NA                        | NA     | NA                                      | 1,365    | 862      |
| Total Medicaid or Medicare Product Members (000's)           | NA                        | NA     | NA                                      | 10,471   | 2,508    |
| <b>Market Mix (Premiums and Fees)</b>                        |                           |        |   |          |          |
| Commercial <sup>2</sup>                                      |                           |        |   |          |          |
| Median   | 66.5%                     | 66.5%  | 40.1%                                   | 18.6%    | 45.7%    |
| Average  | 60.5%                     | 60.6%  | 42.6%                                   | 24.1%    | 42.5%    |
| Medicare Advantage   |                           |        |   |          |          |
| Median   | 8.5%                      | 8.5%   | 20.2%                                   | 9.3%     | 27.2%    |
| Average  | 12.6%                     | 12.9%  | 19.9%                                   | 14.1%    | 30.2%    |
| Medicaid Total   |                           |        |   |          |          |
| Median   | 0.0%                      | 7.7%   | 31.7%                                   | 44.1%    | 22.3%    |
| Average  | 10.6%                     | 13.5%  | 29.3%                                   | 51.5%    | 21.4%    |
| <b>Product Mix</b>   |                           |        |   |          |          |
| Percent Managed Care (Premiums and Fees) <sup>3</sup>        |                           |        |   |          |          |
| Median   | 31.7%                     | 42.7%  | 89.2%                                   | 81.2%    | 81.2%    |
| Average  | 33.1%                     | 44.4%  | 73.2%                                   | 75.0%    | 69.4%    |
| Percent ASO (Members)  |                           |        |   |          |          |
| Median   | 46.8%                     | 46.8%  | 18.9%                                   | 15.2%    | 21.8%    |
| Average  | 46.0%                     | 40.0%  | 25.5%                                   | 18.5%    | 30.1%    |
| <b>States Served</b>   | 25                        | 9      | 17                                      | 26       | 11       |

<sup>1</sup> Membership reflects only "comprehensive" products which may include commercial and government products.

<sup>2</sup> Commercial excludes FEP.

<sup>3</sup> Managed Care is the sum of Medicare Advantage, Medicaid Total and Commercial HMO.