

Sherlock Company

Sherlock Benchmarks

Independent / Provider - Sponsored Edition - 2026

Volume I

Financial Metrics - Revised

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SHERLOCK BENCHMARKS

Independent / Provider - Sponsored Edition - 2026

Volume I: Financial Metrics - Revised



SHERLOCK COMPANY

July 2026

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Tab 2

Summary Analyses

This section summarizes the Financial Metrics volume of the *Sherlock Benchmarks*. It includes a summary of median values, a functional area summary, a longitudinal (year-over-year) comparison, comparisons with other Sherlock Company reports and changes in participant plan cost growth.

The median values for each functional area and product are shown in this section. The summary of medians is intended to provide an immediate and accessible metric of central tendency for administrative costs in each product / expense cell. If your plan has submitted data to this survey, median values are printed in black if the plan has low costs and red if it has high costs.

The functional area summary provides a high level analysis by four high-level clusters of functional areas. Results are presented on a per member per month and percent of revenue basis. All of the expense classifications reported by the respondents have been summarized in this section. Revenues are defined as premiums or self-funded fees. Premiums and fees exclude those of pharmacy and behavioral health, as do their associated expenses, except where noted.

Sherlock Benchmark values are provided in a slightly different form in *Plan Management Navigator* and figures in this tab faciliate their comparison.

Administrative cost growth is also analyzed for health plans that participated in both this and the prior year.

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In calculating ratios, premiums and equivalents exclude pharmacy and behavioral health, except they are respectively included for pharmacy and behavioral health functions. Membership refers to all members except in the case of pharmacy and behavioral health, in which only pharmacy and behavioral health members, respectively, are used if available.

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- **Costs Charged by Parent Organization** reports the size and scope of costs that are charged to the health plan from its parent organization (e.g. legal services, accounting, etc.). It can also provide a gauge of the reasonableness of such services, though it should be understood that this application is limited since the precise nature of the services for which the parent bills is unknown.
- **Individual Expenses** reports those expenses that are for Individual contracts only. This includes ACA compliant members on and off exchange and grandfathered, non-ACA compliant members. Expenses are reported by functional area.
- **Total Group** reports expenses for groups comprising Small, Middle Market and Large groups. Large groups do not include self-funded groups.
- **Market Segments Commissions** reports various commissions metrics for Individual, Small, Middle Market and Large groups.

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Tab 8

Finance and Accounting Details

This includes Stop Loss metrics, which relates to Plan working capital as well as product design. Other topics include metrics of financial condition and liquidity, aging of Property, Plant and Equipment, non-cash expenses, capitalization vs. expense of strategic projects and an analysis of taxes stemming from health care reform.

Stop-Loss insurance is often sold to self-insured (ASO/ASC) customers of health plans. Since stop-loss has different economic characteristics than ASO/ASC but they are often sold together, it can be illuminating to look at stop-loss and ASO/ASC products as though they were combined. In this section, we report the proportion of ASO/ASC membership that purchases stop-loss coverage and the costs and revenues of the product on a stand-alone basis. We also report the combined economics of the ASO/ASC plus the stop loss insurance to get a complete view of these complementary products. These analyses are performed with and without prescription drug and behavioral health benefits, expenses and associated revenues.

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Tab 9

Information Systems, Allocated by Supported Functional Areas

This section provides an analysis of functional expenses, allocating Information Systems expense to the functional areas that it supports. These allocations are then analyzed to determine the impact on each functional area, how it varies between functional areas and the importance of staffing costs relative to the reallocated expenses.

The first analysis, "Information Systems Allocations," includes all IS expenses such as infrastructure and software. The second analysis is only for applications that can be traced to specific functional areas.

This analysis is based on Comprehensive Total data. Revenues are defined as premiums and self-funded fees. Premiums and fees exclude those of pharmacy and mental health, as do associated expenses. "Loaded" means that the information systems allocations have been added to the reported functional area costs.

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Tab 10

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