



SHERLOCK COMPANY

Blue Cross Blue Shield Results - 2025

Sherlock Benchmarks 2026

June 17, 2026

Photograph by Jay Fleming

CONCLUSIONS

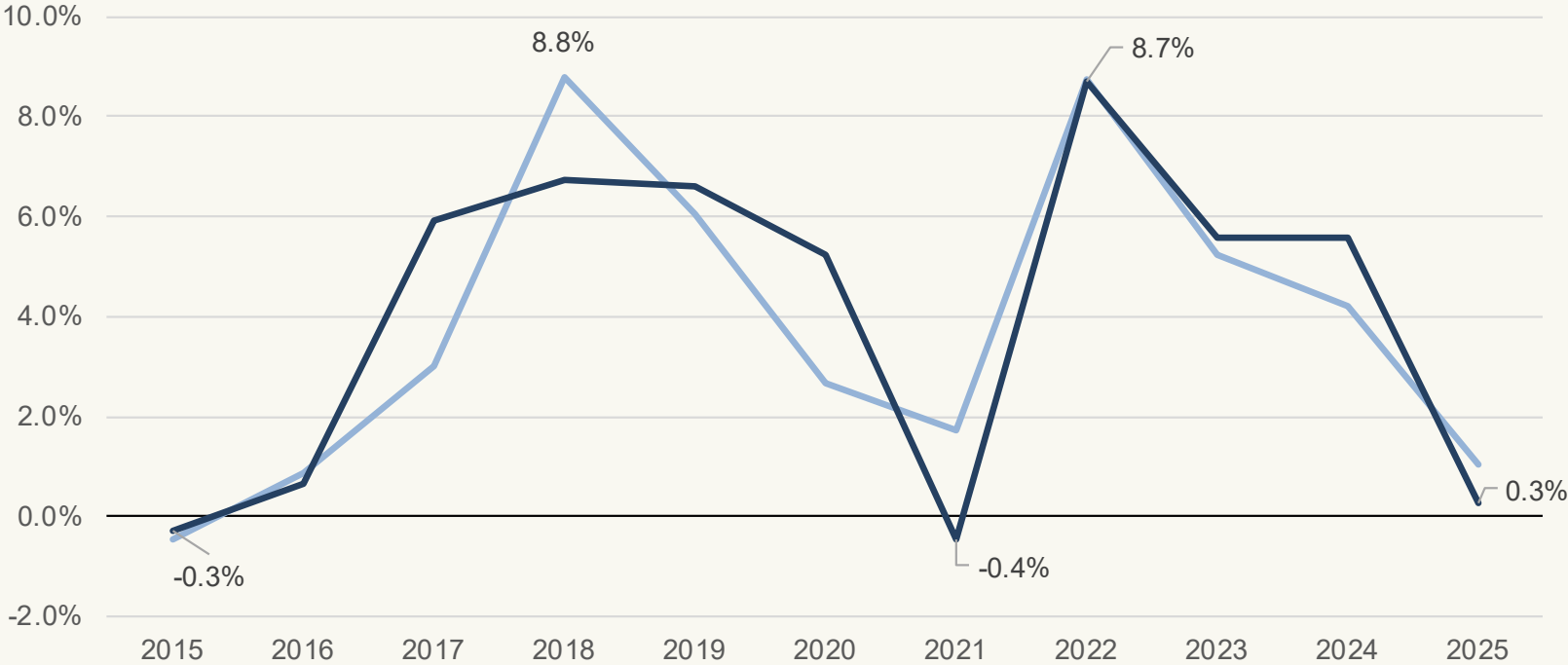
- Historically low growth in Total and Account and Membership Administration.
- Growth declines in all but Corp. Srvs Cluster in 2025.
- Advertising, Corp. Executive actual declines were key. Many key functions declined in growth.
- Functions increasing were R&U, Finance, Actuarial and the Corp. Services Function.
- Factors: Declining staffing ratio, shift to higher cost employees, decline in non-labor.
- At 8.1% of premium, admin. lowest in past 20 years.

HISTORICALLY LOW COST GROWTH

Figure 1

Blue Cross Blue Shield Costs Rates of Change

Median Changes in PMPM Costs, Constant Mix



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GROWTH DECLINES IN ALL BUT CORP. SERVICES CLUSTER

Figure 2

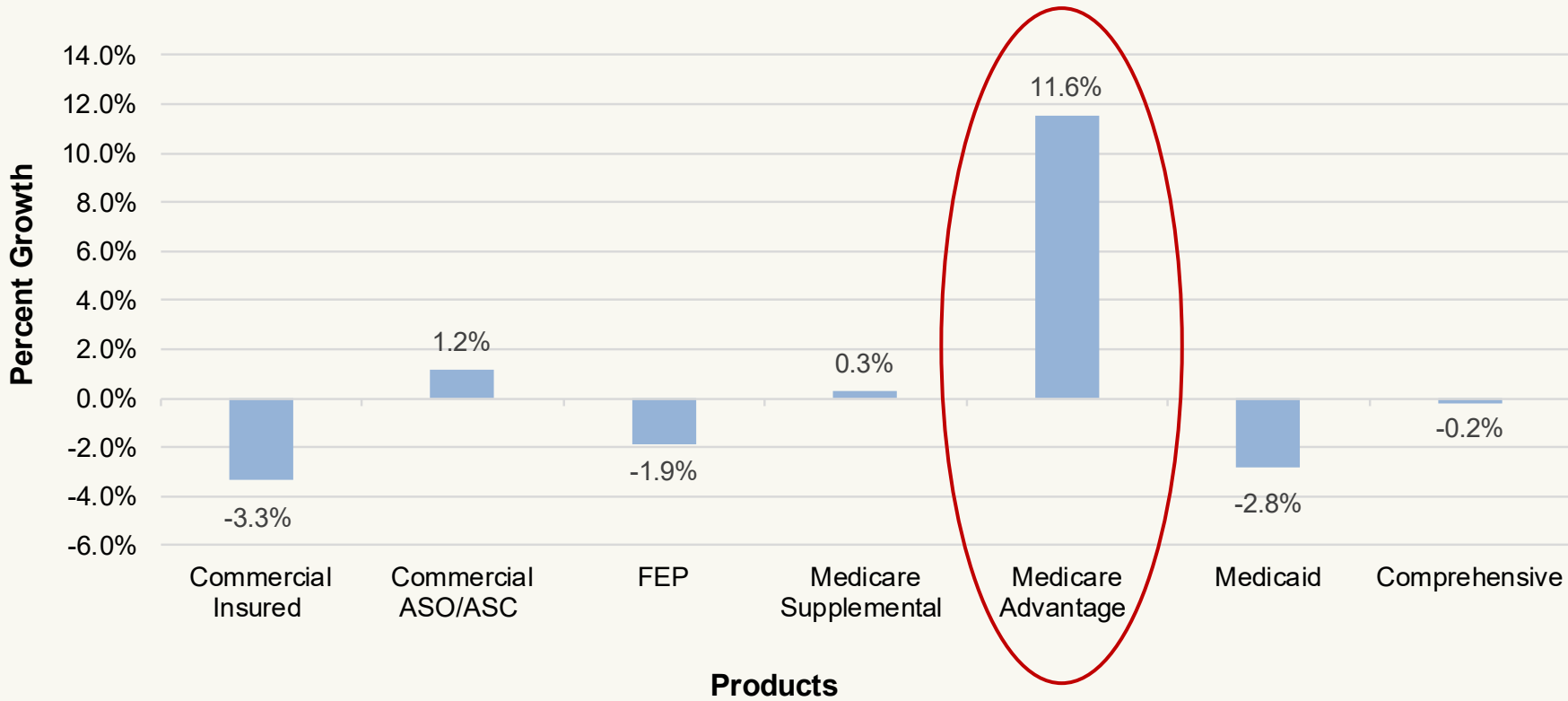
Blue Cross Blue Shield Median Changes in Per Member Per Month Expenses

Clusters of Functions	2024 Increase		2025 Increase	
	As Reported	Constant Mix	As Reported	Constant Mix
Sales and Marketing	6.2%	3.4%	-0.3%	-1.0%
Medical and Provider Management	7.7%	9.1%	2.1%	1.3%
Account and Membership Administration	4.7%	4.2%	1.7%	1.1%
Corporate Services	1.8%	1.2%	3.7%	1.2%
Total Expenses	6.6%	5.6%	0.5%	0.3%

SHIFT IN FAVOR OF HIGHER COST TO ADMINISTER PRODUCTS

Blue Cross Blue Shield Costs Median Membership Growth by Product

Continuing Plans



GROWTH DECLINES IN ALL BUT CORP. SERVICES CLUSTER: HOLDING MIX CONSTANT

	Chg.	Greatest Change	Highest Weight
Sales & Marketing	-1.0%	Advertising ↓	Advertising ↓
Med & Provider	1.3%	Provider Network ↑	Medical Management ¹ ↑
Acct & Membership	1.1%	Claims ↑	Information Systems ² ↑
Corp. Serv.	<u>1.2%</u>	Actuarial ↑	Corporate Exec. & Gov. ↓
Total	0.3%	Advertising ↓	Corporate Exec. & Gov. ↓

¹ Provider Network and Med Management are nearly identical in weight.

² Claims and IS are nearly identical in weight.

GROWTH DECLINES IN ALL BUT CORP. SERVICES CLUSTER: AS REPORTED

	Chg.	Greatest Change	Highest Weight
Sales & Marketing	-0.3%	Advertising ↓	Advertising ↓
Med & Provider	2.1%	Provider Network ↑	Medical Management ↑
Acct & Membership	1.7%	Claims ↑	Information Systems ↑
Corp. Serv.	<u>3.7%</u>	Fin & Accting ¹ ↑	Corporate Svcs ² ↑
Total	0.5%	Advertising ³ ↓	Information Systems ↑

¹ Very slightly exceeds Actuarial.

² Slightly exceeds decline in Corporate Executive.

³ Growth in Finance & Accounting and Actuarial were only slightly lower than Advertising decline.

ANALYSIS OF CHANGES IN FACTORS OF EXPENSES

Percents change are averages for this analysis.

	Percent Change ¹	Metrics, All Participating Plans
Staffing Ratio ² x	-0.2%	21.3 Total, 23.5 Commercial Insured
(Staffing Costs ³ / FTE +	4.5%	\$139,000
Non-Labor / FTE) ⁴ =	-2.8%	\$139,000
PMPM	1.3% ⁵	\$51.50

¹ All Continuing Plans, Medians.

² FTEs per 10,000 members. Includes outsourced FTEs. Outsourcing increased by 3.0 percentage points to 15.2%.

³ Includes all benefits except OPEB.

⁴ Inferred from total and staffing costs. Excluding the effects of lower staffing ratios, non-Labor declined by 3.0%.

⁵ Average, excludes the effects of R_x and Behavioral Health Administration.

MEDIAN COSTS WERE LOWER IN TOTAL, SIMILAR IN EACH CLUSTER

Figure 3

Blue Cross Blue Shield Costs by Functional Area Cluster, 2025 Results

Median Per Member Per Month Expenses

Clusters of Functions	25th Percentile	Median	75th Percentile	Coefficient of Variation	2024 Values
					Median
Sales and Marketing	\$9.65	\$11.81	\$15.10	29%	\$11.82
Medical and Provider Management	6.09	7.60	8.30	24%	7.40
Account and Membership Administration	20.83	22.48	23.09	17%	22.26
Corporate Services	6.26	7.77	10.01	38%	7.76
Total Expenses	\$41.28	\$51.50	\$57.53	17%	\$51.90

All participating Plans, not just continuing.

PMPMs: POPULATION, SCOPE, DISTRIBUTION SYSTEM

Figure 4

Blue Cross Blue Shield Costs by Product, 2025 Results
Per Member Per Month

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial HMO				
Insured	\$51.22	\$56.33	\$59.07	43%
ASO / ASC	\$31.45	\$38.59	\$41.48	24%
Commercial POS				
Insured	\$55.39	\$62.66	\$70.31	18%
ASO / ASC	\$34.24	\$35.96	\$37.86	14%
Indemnity & PPO				
Insured	\$60.56	\$67.08	\$73.85	26%
ASO / ASC	\$28.10	\$33.89	\$42.65	27%
Commercial Insured	\$60.56	\$67.08	\$70.23	13%
Commercial ASO/ASC	\$28.15	\$34.46	\$42.81	27%
FEP	\$30.80	\$34.50	\$42.34	23%
Medicare Advantage				
Individual	\$127.46	\$147.41	\$168.14	25%
Group	\$102.14	\$113.13	\$123.66	25%
Medicare Advantage Total	\$124.57	\$134.34	\$150.94	25%
Medicaid	\$30.54	\$38.19	\$39.24	41%
Medicare Supplemental	\$36.71	\$40.98	\$45.29	29%
Comprehensive Total	\$41.28	\$51.50	\$57.53	17%
Medicare Advantage SNP	\$271.65	\$289.65	\$395.89	55%
Stand-Alone Medicare Part D	\$17.64	\$19.87	\$27.76	41%
Stand Alone Dental	\$2.64	\$3.26	\$4.29	55%

Population

Distribution

Scope

PERCENTS: POPULATION, SCOPE, DISTRIBUTION SYSTEM

Figure 5

Blue Cross Blue Shield Costs by Product, 2025 Results
Percent of Premium Equivalents

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial HMO				
Insured	7.7%	8.3%	11.1%	55%
ASO / ASC	5.0%	5.4%	6.7%	25%
Commercial POS				
Insured	7.9%	8.7%	11.7%	33%
ASO / ASC	5.0%	6.3%	7.9%	32%
Indemnity & PPO				
Insured	9.3%	10.6%	11.6%	27%
ASO / ASC	5.5%	6.1%	6.5%	24%
Commercial Insured	9.2%	10.4%	11.6%	16%
Commercial ASO/ASC	5.6%	5.9%	6.7%	24%
FEP	4.5%	5.4%	6.5%	31%
Medicare Advantage				
Individual	10.7%	12.1%	13.9%	25%
Group	7.7%	8.5%	11.1%	28%
Medicare Advantage Total	10.1%	10.6%	12.8%	27%
Medicaid	8.4%	9.3%	9.7%	17%
Medicare Supplemental	14.7%	18.4%	20.4%	34%
Comprehensive Total	7.7%	8.1%	9.1%	17%
Medicare Advantage SNP	14.4%	15.4%	25.9%	81%
Stand-Alone Medicare Part D	6.0%	8.0%	10.0%	45%
Stand Alone Dental	12.1%	17.4%	20.9%	33%

Population:
 2.6x ➔ 1.5x

Distribution:
 1.9x ➔ 1.8x

Scope:
 Low ➔ High

MEDIAN COSTS WERE LOWER IN TOTAL, LOWER AND MOST CLUSTERS

Figure 6

Blue Cross Blue Shield Costs by Functional Area Cluster, 2025 Results

Median Percent of Premium Equivalents

Clusters of Functions	25th Percentile	Median	75th Percentile	Coefficient of Variation	2024 Values
					Median
Sales and Marketing	1.6%	1.9%	2.3%	21%	2.4%
Medical and Provider Management	1.1%	1.2%	1.4%	24%	1.4%
Account and Membership Administration	3.2%	3.6%	4.4%	23%	3.7%
Corporate Services	1.0%	1.3%	1.5%	42%	1.3%
Total Expenses	7.7%	8.1%	9.1%	17%	9.1%

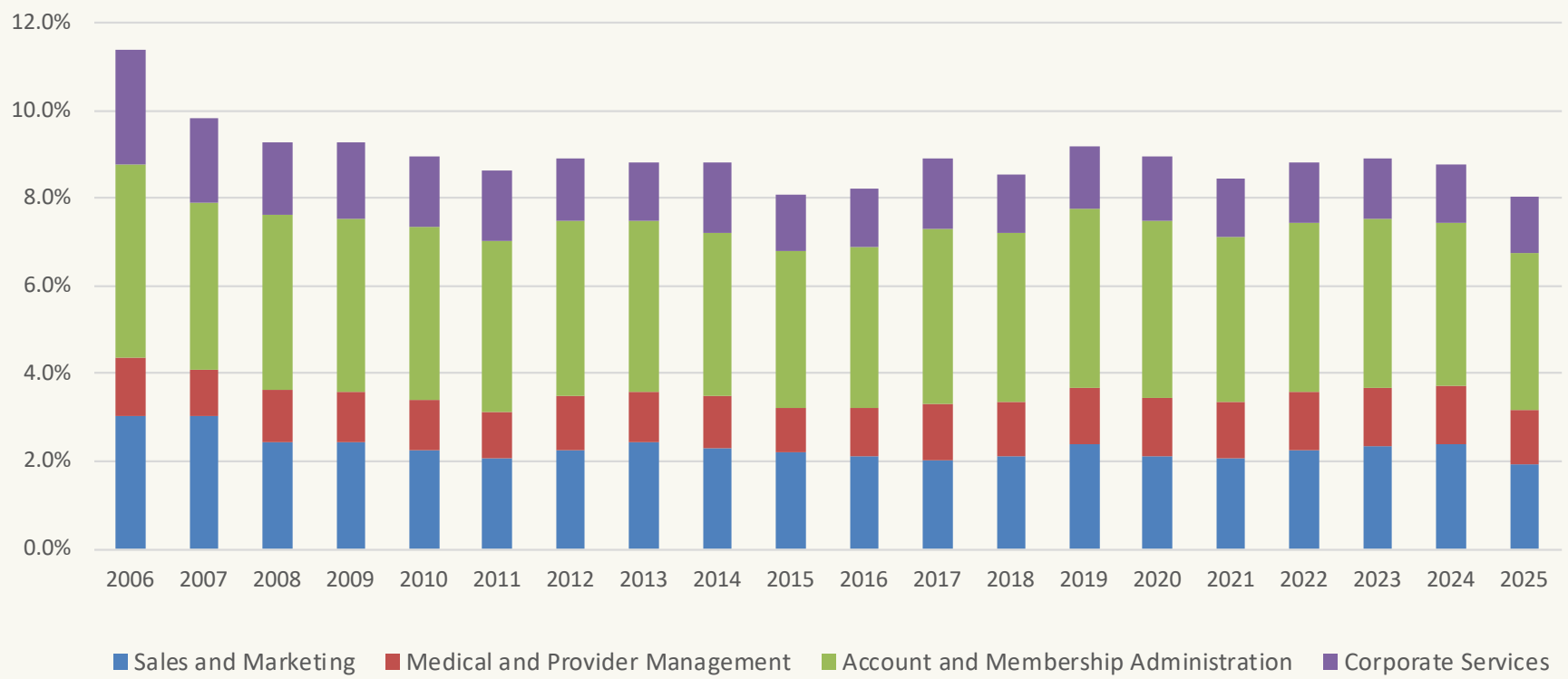
All participating Plans, not just continuing.

Did we bury the lede?!

A LONG-TERM TREND IN DECLINES AS A PERCENT OF PREMIUMS

Figure 7

Blue Cross Blue Shield Costs by Functional Area Cluster, 2006 to 2025
Median Percent of Premium Equivalents



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CONCLUSION

- Lowest growth in PMPM Acct & Mem Admin. since 2016, 1.1%. Total was lowest since 2021, 0.3%. Excluding 2021, Total lowest since 2015.
- *Reported* growth also lower than prior, though growth was higher due to increase in MA.
- Growth declined in all clusters but Corp. Svcs.
- Advertising, Corp. Exec. declines were key. Of 16 functions, 5 declined, 4 grew 2.1% or less.
- Functions increasing were R&U, Finance, Actuarial and the Corporate Services Function.
- Factors: Declining staffing ratio, shift to higher cost employees, decline in non-labor.
- Blue Plan costs were \$51.50, compared with \$51.90 last year. Fastest growing was Med & Prov Mgmt, 2.8%.
- Blue Plan costs were 8.1%, compared with 9.1% last year. Declines in all clusters but Corp Svcs. Evidently a trend: lowest in 20 years.

Photograph by Jay Fleming

APPENDIX A: BLUE CROSS BLUE SHIELD ADMINISTRATIVE COSTS IN 2004

Appendix A

Blue Cross Blue Shield Costs by Functional Area Cluster, 2024 Results

Median Per Member Per Month Expenses

Clusters of Functions	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	\$9.86	\$11.82	\$15.71	27%
Medical and Provider Management	6.99	7.40	8.20	18%
Account and Membership Administration	20.58	22.26	25.02	17%
Corporate Services	6.78	7.76	10.01	31%
Total Expenses	\$45.49	\$51.90	\$55.83	15%

All Plans, not just continuing.

APPENDIX B: BLUE CROSS BLUE SHIELD ADMINISTRATIVE COSTS IN 2004

Appendix B

Blue Cross Blue Shield Costs by Functional Area Cluster, 2024 Results

Median Percent of Premium Equivalents

Clusters of Functions	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	1.9%	2.4%	2.6%	22%
Medical and Provider Management	1.3%	1.4%	1.4%	15%
Account and Membership Administration	3.5%	3.7%	5.2%	31%
Corporate Services	1.2%	1.3%	1.8%	49%
Total Expenses	8.3%	9.1%	9.8%	25%

All Plans, not just continuing.

APPENDIX C. CAREFUL QUALITY ASSURANCE

- Voluntary – Since providers are users, they have stake in the metrics. Other than required metrics, scope is also voluntary.
- Strong definitions – Developed with participants. Activities and cost centers listed, supported by ongoing clarifying discussions.
- Highly granular - Ready identification of outliers, as well as drill-down capabilities.
- Practice effect – High percent of repeaters: 92% of Blue Plans participating this year also participated last year. 83% of Blue participants have done so for ten or more years. The average Plan has 18.5 years of experience.
- Checks - In survey instrument and in analytical module; Anomalies investigated.
- Data Validation – Reconciled to audit. Preliminary results provided for proofing.
- Business model - No conflicts of interest; no “Tragedy of the Commons.”

APPENDIX D. SUMMARY OF THE REPORTS AND GUIDELINES

- The financial metrics report analyzes costs segmented by function and by product. They are standardized by PMPMs and by Percent.
- The staffing and compensation report analyzes the staffing ratios, per employee compensation and propensity to outsource. We calculate estimates of staffing ratios by product.
- The operational metrics include metrics unique to particular functions such as the average speed of answer in member services and the time between claim receipt and payment approved. While completion of many of these metrics is optional, you will receive the results of your universe.
- Medical management metrics are comprised of results for all universes. These include the costs to manage various cases and diseases. This is optional like the operational metrics.
- Health care utilization metrics are also comprised of results for all universes. Unit cost and volumes are provided for each product for 40 health care services and products.
- The CFO Letter summarizes and analyzes the financial metrics, staffing, and compensation reports. After eliminating the effect of product mix differences, variances from norms are identified and functions are ranked in order of importance. We calculate the value of the factors of staffing ratios, compensation and non-labor costs, and their relative contribution to each functional variance.
- The Common Guidelines provide detailed definitions of activities and calculation notes.

APPENDIX E. STRONG NETWORK, BROAD ACCEPTANCE

- The Sherlock Benchmarks is in its 29th consecutive year. Our cumulative experience exceeds 1,000 plan years. We expect approximately 30 organizations serving 52 million members to participate in 2026.
- Since June 2023, health plans serving nearly 200 million insured Americans use the Sherlock Benchmarks, including most Blue Cross Blue Shield plans, public companies and the largest Independent/Provider-Sponsored health plans.
- Of the U.S.-based Blue Cross Blue Shield primary licensees, 12 serving approximately 41.2 million people, participate in this year's Sherlock Benchmarking Study for Blue Cross Blue Shield Plans.
- Health plans serving 55% 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. This ratio excludes ACHP's staff model plans
- Health plans serving 56% of members served by the Health Plan Alliance are participating in this year's Sherlock Benchmarks.

APPENDIX C. FUNCTIONS IN EACH CLUSTER

Appendix C

Functions Included in Administrative Expense Clusters

Sales & Marketing

1. Rating and Underwriting
 - (a) Employer Group Reporting
 - (b) Risk Adjustment
 - (c) 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
 - (c) 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
9. Customer Services
 - (a) Member Services
 - (c) Grievances and Appeals
10. Claim and Encounter Capture and Adjudication
 - (a) Coordination of Benefits (COB) and Subrogation
 - (b) BlueCard Home and Custom Par Fees
 - (c) Medicare Crossover Fees
 - (d) Payment Integrity
 - (e) Other Claim and Encounter Capture and Adjudication
11. Information Systems Expenses
 - (a) Operations and Support Services
 - (b) Applications Maintenance
 - (1) Benefit Configuration
 - (2) Other Applications Maintenance
 - (c) Applications Acquisition and Development
 - (1) Applications Amortization and Licensing Expense:
 - (2) Pre-Planning Project Costs
 - (d) Security Administration and Enforcement

Corporate Services

12. Finance and Accounting
 - (a) Credit Card Fees
 - (b) 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) Independent Dispute Resolution Fees
 - (6) All Other Legal
 - (c) Facilities
 - (d) OPEB
 - (e) Audit
 - (f) Purchasing
 - (g) Imaging
 - (h) Printing and Mailroom
 - (i) Risk Management
 - (j) Other Corporate Services Function
15. Corporate Executive & Governance
 - (a) Strategic Expenses
 - (b) Management Consulting
 - (c) Other Corporate Executive and Governance
16. Association Dues and License / Filing Fees