SHERLOCK COMPANY

Independent / Provider-Sponsored Results - 2025

Sherlock Benchmarks 2026

July 23, 2026

Photograph by Jay Fleming

Conclusions

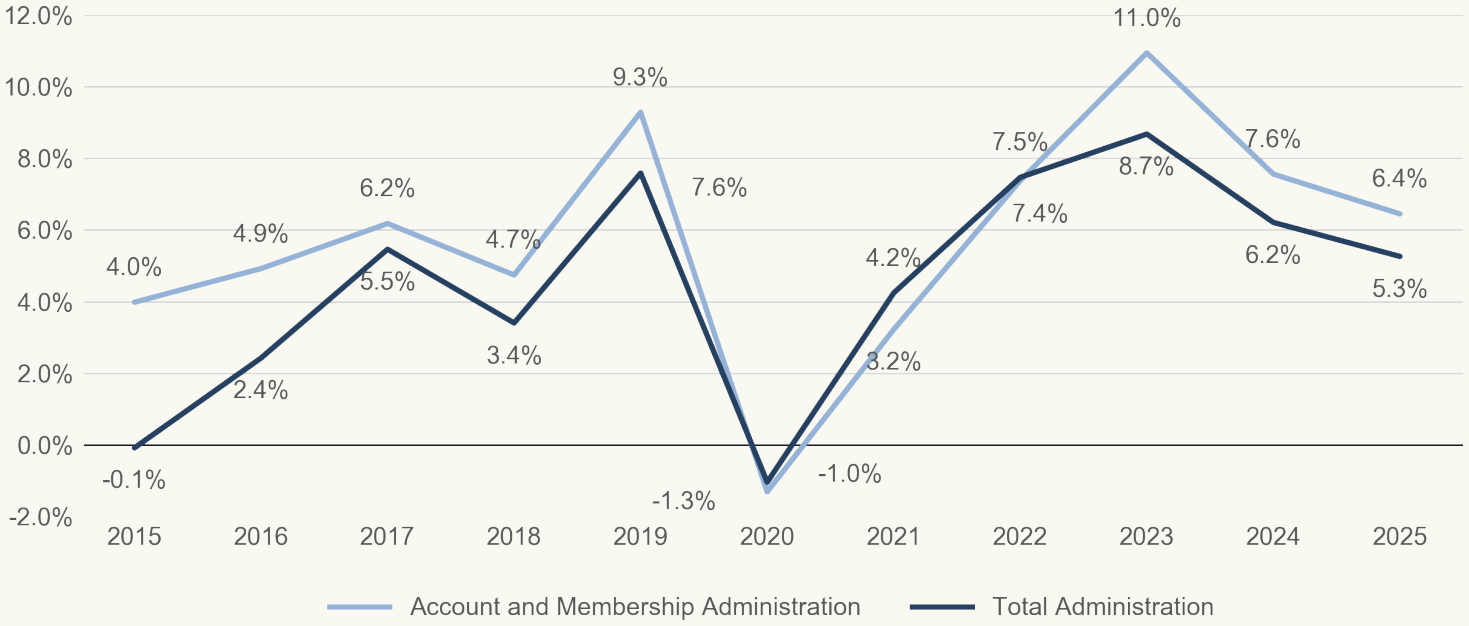
- Cost growth decelerated again: Total 5.3% holding mix constant, versus 6.2% last year. 8.7% in prior year. 4.0% as reported.
- Unusually, median constant mix growth exceeded as reported. Averages show slower constant mix versus as reported.
- Holding mix constant, growth declined in all clusters but Corporate Services; as reported, every cluster declined.
- Sales and Marketing declined outright; Commissions was the only increase.
- Fastest functions: Claims, Finance & Accounting, Actuarial.
- Factors: Declining staffing ratios, compensation well above inflation, outsourcing increased especially in certain functions.

Cost Growth Decelerated Again in 2025

Figure 1

Independent / Provider-Sponsored Rates of Change for Account and Membership Administration and Total, Constant Mix

Median Changes in PMPM Costs



The 10-year average of median Total increases was 5.0% and 5.9% for Account and Membership Administration.

Percents shown are medians. Rates of change hold universe and product mix constant.

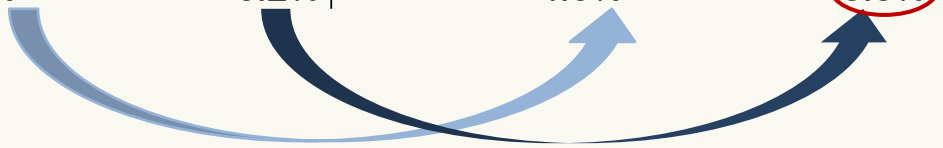
Constant Mix Growth Exceeded As Reported, a Reversal of Recent Years

Figure 2

Independent / Provider-Sponsored Median Changes in Per Member Per Month Expenses

2024 and 2025, As Reported and Constant Mix

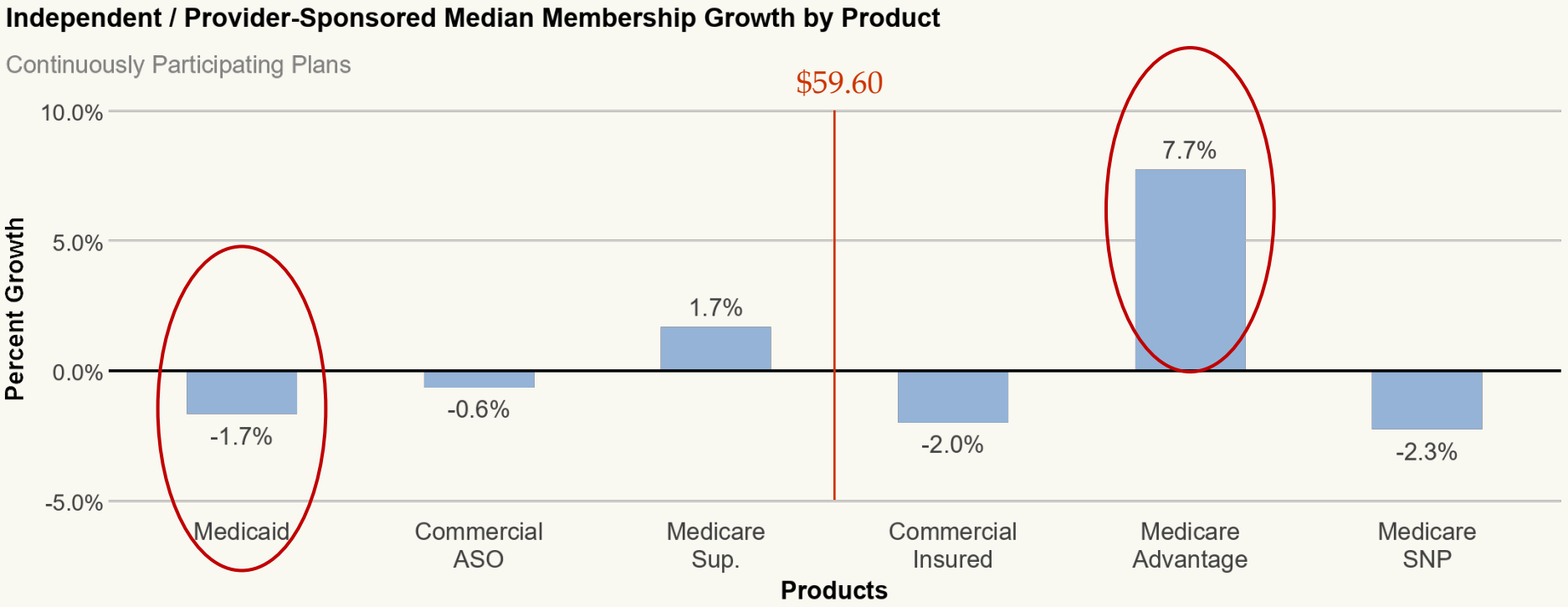
	2024 Increase		2025 Increase	
Clusters of Functions	**As Reported**	**Constant Mix**	**As Reported**	**Constant Mix**
Sales and Marketing	6.9%	1.5%	0.4%	-3.5%
Medical and Provider Management	7.4%	7.6%	4.2%	0.6%
Account and Membership Administration	10.0%	7.6%	6.4%	6.4%
Corporate Services	9.5%	5.9%	8.3%	7.1%
Total Expenses	9.5%	6.2%	4.0%	5.3%



*For 2025, the **average** Total increase was 3.8% on a Constant Mix basis versus 5.4% on an As Reported Basis, more typical of a shift towards more expensive products.*

Constant Mix adjusts to exclude product mix differences between years.

Mix Shifts: Medicare Advantage grew as Medicaid Declined



Growth Declines in all but Corp. Services Cluster: Holding Mix Constant

	Chg.	Greatest Change	Highest Weight
Sales & Marketing	-3.5%	Advertising[1] ↓	Marketing ↓
Med & Provider	0.6%	Provider Network ↑	Medical Management ↑
Acct & Membership	6.4%	Claims ↑	Claims ↑
Corp. Serv.	7.1%	Finance & Accting ↑	Corporate Exec. & Gov. ↑
Total	5.3%	Claims ↑	Claims ↑

[1] *Marketing declined at a nearly identical rate.*

Growth Declines in Every Cluster: As Reported

	Chg.	Greatest Change	Highest Weight
Sales & Marketing	0.4%	Commissions[1] ↑	Commissions ↑
Med & Provider	4.2%	Provider Network ↑	Medical Management ↑
Acct & Membership	6.4%	Claims ↑	Claims ↑
Corp. Serv.	8.3%	Actuarial[2] ↑	Finance and Accounting ↑
Total	4.0%	Claims ↑	Claims ↑

[1] *Declines in Rating & Underwriting, Advertising and Promotion and Marketing were within 0.8 percentage points.*

[2] *Only slightly faster than Finance and Accounting.*

Analysis of Changes in Factors of Expenses

Percent changes are averages unless noted.

	Percent Change[1]	Metrics, All Participating Plans, Medians
Staffing Ratio[2] x	-5.4%	28.3 Total, 27.8 Commercial Insured
(Staffing Costs[3] / FTE +	10.2%	$122,000
Non-Labor / FTE)[4] =	-0.5%	$118,000
PMPM	3.8%[5]	$59.60

[1] *All Continuing Plans, Means.*

[2] *FTEs per 10,000 members. Includes outsourced FTEs. Outsourcing increased by 0.9 percentage points. Median was 14.5%.*

[3] *Includes all benefits.*

[4] *Inferred from total and staffing costs. Excluding the effects of lower staffing ratios, non-Labor declined by 5.9%.*

[5] *Excludes the effects of R_x and Behavioral Health Administration.*

Compared with 2024, Costs were 7.1% Higher. Little Relationship to PMPM Growth.

Figure 3

Independent / Provider-Sponsored 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	$13.13	$16.42	$18.52	28%	$14.41
Medical and Provider Management	7.89	11.24	12.85	30%	9.57
Account and Membership Administration	20.86	22.23	25.80	32%	22.13
Corporate Services	7.45	8.05	10.17	37%	7.36
Total Expenses	$53.57	$59.60	$65.27	22%	$55.67

All participating Plans, not just continuing.

PMPMs: Population, Scope, Distribution System

Figure 4

Independent / Provider-Sponsored Costs by Product, 2025 Results

Per Member Per Month

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial Insured				
HMO	$58.50	$71.31	$80.71	19%
POS	$53.39	$75.76	$81.21	27%
Indemnity & PPO	$61.16	$80.88	$86.83	35%
Total	$56.36	$71.03	$76.98	19%
Commercial ASO	$31.71	$35.55	$40.52	27%
Medicare				
Advantage	$116.36	$129.32	$140.37	30%
SNP	$142.86	$164.09	$207.14	42%
Medicaid				
HMO	$36.30	$36.95	$49.19	30%
CHIP	$24.27	$29.76	$36.66	26%
Medicare Supplement	$37.61	$41.02	$57.75	43%
Comprehensive Total	**$53.57**	**$59.60**	**$65.27**	**22%**
Stand-Alone Medicare Part D	$29.15	$36.45	$43.76	57%
Stand-Alone Dental	$2.66	$3.04	$3.08	16%
MLTSS	$178.03	$179.50	$180.97	2%

Population

Scope

Distribution

Percents: Population, Scope, Distribution System

Figure 5

Independent / Provider-Sponsored Costs by Product, 2025 Results

Percent of Premium Equivalents

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial Insured				
HMO	10.0%	10.8%	12.3%	25%
POS	8.2%	10.2%	11.5%	32%
Indemnity & PPO	10.7%	11.1%	11.4%	35%
Total	9.5%	10.7%	11.4%	17%
Commercial ASO	4.9%	6.2%	8.8%	34%
Medicare				
Advantage	9.5%	10.8%	12.4%	28%
SNP	6.6%	7.4%	9.7%	43%
Medicaid				
HMO	6.3%	7.4%	7.9%	28%
CHIP	9.0%	11.0%	13.4%	22%
Medicare Supplement	18.6%	22.7%	26.5%	42%
Comprehensive Total	**8.4%**	**9.8%**	**10.8%**	**19%**
Stand-Alone Medicare Part D	10.3%	10.7%	11.0%	9%
Stand-Alone Dental	20.3%	24.0%	35.3%	54%
MLTSS	6.0%	6.3%	6.6%	12%

Population: 1.8x ⬆ 1.0x

Scope: Low ⬆ High

Distribution: 2.0x ⬇ 1.7x

The Percent of Premium Equivalents was 9.8%, 0.5 Points Higher. Most clusters, notably, Sales and Marketing Declined.

Figure 6

Independent / Provider-Sponsored 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	2.1%	2.1%	3.1%	35%	2.6%
Medical and Provider Management	1.4%	1.5%	1.8%	30%	1.6%
Account and Membership Administration	3.3%	3.6%	4.8%	25%	3.7%
Corporate Services	1.0%	1.3%	1.7%	37%	1.2%
Total Expenses	8.4%	9.8%	10.8%	19%	9.3%

All participating Plans, not just continuing.

Conclusion

- IPS costs were $59.60, compared with $55.67 last year.
- Holding universe and product mix constant, cost growth declined to 5.3% in 2025 from 6.2% in 2024. As reported expenses decelerated to 4.0% from 9.5%.
- Unusually, total constant mix growth exceeded as reported growth despite growth in MA. Average was less though. Mix shifts increased as reported cost growth.
- Corporate Services grew faster than any cluster. Finance & Accounting and Actuarial grew fastest within it. Corporate Executive had a
- Account & Membership Admin. was the second fastest growing cluster. Claims grew fastest and was most impactful this year.
- Medical and Provider Management decelerated sharply; Provider Network outgrew Medical Management.
- Sales and Marketing costs declined, constant mix: Advertising & Promotion, Marketing and R&U declined; Commissions was the only increase.
- Among continuing plans, Staffing Ratios declined as Compensation rose well above inflation. Outsourcing increased by 0.9 percentage points on average. Notably high in Claims, Enrollment, down in IS.

Photograph by Jay Fleming

Appendix A: Independent/Provider-Sponsored Administrative Costs in 2024

Independent / Provider-Sponsored 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	$13.17	$14.41	$17.16	32%
Medical and Provider Management	8.04	9.57	11.40	28%
Account and Membership Administration	19.07	22.13	23.79	20%
Corporate Services	6.14	7.36	8.58	28%
Total Expenses	$50.07	$55.67	$57.73	18%

All Plans, not just continuing.

Appendix B: Independent/Provider-Sponsored Administrative Costs in 2024

Independent / Provider-Sponsored 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	2.1%	2.6%	3.1%	32%
Medical and Provider Management	1.5%	1.6%	1.8%	33%
Account and Membership Administration	3.4%	3.7%	4.1%	18%
Corporate Services	1.0%	1.2%	1.4%	28%
Total Expenses	8.7%	9.3%	10.2%	18%

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: 75% of IPS Plans participated last year also participated this year. 77% of IPS participants have done so for five or more years. The average Plan has 11.3 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. The 2026 edition is based on validated surveys of approximately 30 health plans serving over 52 million Americans.
- 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.
- 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.
- 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.

Appendix F. Functions in Each Cluster

Major Functions Included in Each Administrative Expense Cluster

Sales & Marketing

1. Rating and Underwriting
   - (b) Risk Adjustment
   - (c) All 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
   - (d) 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
   - (a) Enrollment and Membership
   - (b) Billing
9. Customer Services
   - (a) Member Services
   - (b) Printed Materials and Other
   - (c) Grievances and Appeals
10. Claim and Encounter Capture and Adjudication
    - (a) Coordination of Benefits (COB) and Subrogation
    - (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) All Other Applications Maintenance
    - (c) Applications Acquisition and Development
    - (d) Security Administration and Enforcement

Corporate Services

12. Finance and Accounting
    - (a) Credit Card Fees
    - (b) Fund Accounting for Self-Insured Groups
    - (c) 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) All Other Legal
    - (c) Facilities
    - (e) Audit
    - (f) Purchasing
    - (g) Imaging
    - (h) Printing and Mailroom
    - (i) Risk Management
    - (j) Other Corporate Services Function
15. Corporate Executive and Governance
    - (a) Strategic Expenses
    - (b) Management Consulting
    - (c) Other Corporate Executive and Governance
16. Association Dues and License/Filing Fees

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