

SHERLOCK COMPANY

Administrative Cost Trends of Medicaid-Focused Plans in 2025

Sherlock Benchmarks Webinar

October 7, 2026

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Photograph by Jay Fleming



TOPICS

- Background on Medicaid
- Long term cost trends
- Changes in cluster costs
- Reasons for cost increases
- Costs by Cluster: Percent and PMPM
- Costs by Product: Percent and PMPM
- Comparisons of Medicaid HMO costs across universes

APPENDICES

- A and B. Last year's cluster values
- C. Functions in each cluster
- D. Quality assurance
- E. Reports and guidelines
- F. The Sherlock Benchmarks network

Racing workboats is our metaphor for health plans striving for performance improvement.

MEDICAID COVERAGE: ACA EXPANSION, COVID, REDETERMINATIONS.

57.8 MILLION IN 2025, 17% OF THE POPULATION.

Figure 2

Health Insurance Coverage in the United States: Census Bureau (000's)

Beneath each count, its share of the population; beneath each change, the percent change.

	2013	2014	2015	2020	2023	2024	2025	2025 Chg.	Chg. since 2013
Any Health Plan	271,606 87%	283,200 90%	289,903 91%	299,230 91%	305,200 92%	309,900 92%	311,200 92%	1,300 0%	39,594 15%
Any Private Plan	201,038 64%	208,600 66%	214,238 67%	217,896 67%	216,800 65%	222,100 66%	222,000 66%	-100 0%	20,962 10%
Employment-based	174,418 56%	175,027 55%	177,540 56%	178,737 55%	178,200 54%	180,500 54%	180,700 53%	200 0%	6,282 4%
Direct purchase	35,755 11%	46,165 15%	52,057 16%	33,869 10%	33,850 10%	36,260 11%	35,530 11%	-730 -2%	-225 -1%
Any Public Plan	108,287 35%	115,470 37%	118,395 37%	112,925 34%	120,400 36%	120,800 36%	121,100 36%	300 0%	12,813 12%
Medicare	49,020 16%	50,546 16%	51,875 16%	58,541 18%	62,550 19%	65,740 20%	67,910 20%	2,170 3%	18,890 39%
Medicaid	54,919 18%	61,650 19%	62,384 20%	58,778 18%	62,700 19%	59,220 18%	57,800 17%	-1,420 -2%	2,881 5%
Military health care	14,016 4%	14,143 4%	14,849 5%	12,132 4%	11,892 4%	13,458 4%	13,506 4%	48 0%	-510 -4%
Uninsured	41,795 13%	32,968 10%	28,966 9%	28,291 9%	26,440 8%	26,940 8%	26,670 8%	-270 -1%	-15,125 -36%
Total	313,401	316,168	318,869	327,521	331,640	336,840	337,870	1,030 0%	24,469 8%

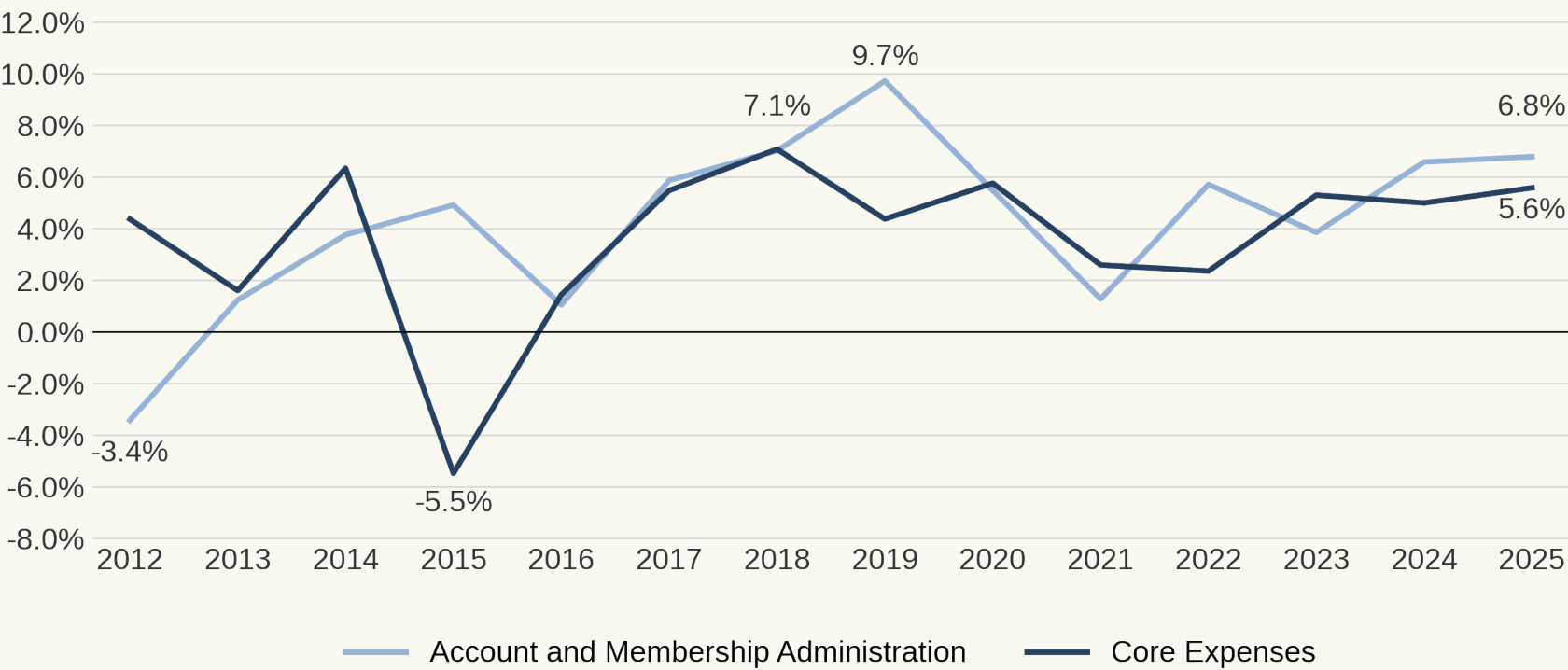
Source: U.S. Census Bureau, Health Insurance Coverage in the United States: 2025 (P60-291), Table 1, for 2024 and 2025, with 2024 as re-estimated in that report with Vintage 2025 population controls; earlier years as published in each year's report.

Note: The Census Bureau counts individuals as uninsured "if they did not have health insurance coverage for the entire calendar year," and the estimates by type of coverage "are not mutually exclusive; people can be covered by more than one type of health insurance during the year."

CORE COST AND A&M ADMINISTRATION GROWTH MODESTLY ACCELERATED.

Figure 1

Medicaid Plans' Costs Rates of Change
Median Changes in PMPM Costs, Constant Mix, Continuous Plans



Medians. Rates of change hold universe and product mix constant.

AMONG CONTINUOUSLY PARTICIPATING PLANS, MEDIAN CORE COST GROWTH WAS 5.6% HOLDING PRODUCT MIX CONSTANT AND 2.6% AS REPORTED.

Figure 3

Medicaid Plans' Median Changes in Per Member Per Month Expenses
Continuous Plans, As Reported and Constant Mix

Clusters of Functions	2024 Increase		2025 Increase	
	As Reported	Constant Mix	As Reported	Constant Mix
Medical and Provider Management	7.9%	7.1%	0.2%	-0.3%
Account and Membership Administration	9.9%	6.6%	6.0%	6.8%
Corporate Services	8.5%	4.1%	0.9%	-0.3%
Subtotal: Core Expenses	8.3%	5.0%	2.6%	5.6%
Sales and Marketing	8.8%	0.0%	2.5%	-1.8%
Total Expenses	8.5%	3.6%	2.6%	2.8%

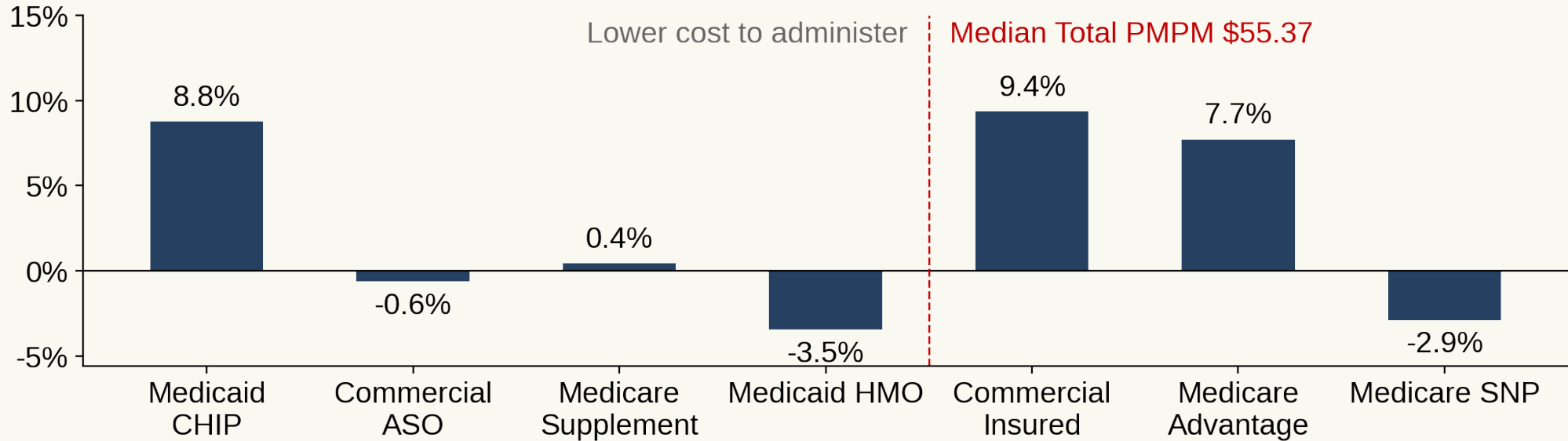
Constant Mix adjusts to exclude product mix differences between years.

MEDICAID HMO MEMBERSHIP CONTINUED TO DECLINE, WHILE MEDICARE ADVANTAGE AND COMMERCIAL INSURED MEMBERSHIP GREW.

Sherlock Benchmark Summary

Medicaid Plans' Median Membership Growth by Product, 2024 to 2025

Continuous plans reporting the product both years; products ordered by 2025 median PMPM administrative cost



Plans reporting the product in both years: Medicaid CHIP 5, Commercial ASO 5, Medicare Supplement 3, Medicaid HMO 9, Commercial Insured 5, Medicare Advantage 7, Medicare SNP 5.

Medicaid HMO membership declined at a median of 3.5% ; Commercial Insured grew 9.4% and Medicare Advantage 7.7%. Comprehensive membership declined 0.5%. Products right of the line cost more than the median Total PMPM to administer.

USING AVERAGES RATHER THAN MEDIANS, GROWTH WAS FASTER AS REPORTED THAN AT CONSTANT MIX FOR EVERY CLUSTER, CORE AND TOTAL.

Supplement to Figure 3

Medicaid Plans' Median and Average Changes in Per Member Per Month Expenses
Continuous Plans, 2025, As Reported and Constant Mix

Clusters of Functions	2025 Increase, Median		2025 Increase, Average	
	As Reported	Constant Mix	As Reported	Constant Mix
Medical and Provider Management	0.2%	-0.3%	2.7%	2.2%
Account and Membership Administration	6.0%	6.8%	5.2%	5.0%
Corporate Services	0.9%	-0.3%	-0.6%	-0.7%
Subtotal: Core Expenses	2.6%	5.6%	3.3%	3.0%
Sales and Marketing	2.5%	-1.8%	7.3%	3.4%
Total Expenses	2.6%	2.8%	3.0%	2.1%

Medians (as in Figure 3) and averages of the nine continuously participating plans.

SOURCES OF “REAL” CHANGE IN MEDICAID-FOCUSED ADMINISTRATIVE COSTS IN 2025

Sherlock Benchmark Summary

Sources of Real Change in Medicaid-Focused Administrative Costs, 2025

Median changes of the nine continuous plans, product mix held constant

Clusters of Functions	Change	Greatest Change	Highest Weight
Med & Provider	(0.3%)	▲ Provider Network Mgmt.	▼ Medical Management
Acct & Memb	6.8%	▲ Claims	▲ Claims
Corp. Serv.	(0.3%)	▲ Corp. Executive and Governance	▼ Corp. Services Function
Core	5.6%	▲ Claims	▲ Claims
Sales & Mkt.	(1.8%)	▼ Advertising and Promotion	▼ Advertising and Promotion
Total	2.8%	▲ Claims	▲ Claims

Core and Total exclude Miscellaneous Business Taxes. The mark shows the direction of the function named.

Highest Weight: the function with the largest change in dollars, its median 2025 PMPM times $g / (1 + g)$, where g is its median change.

SOURCES OF REPORTED CHANGE IN MEDICAID-FOCUSED ADMINISTRATIVE COSTS IN 2025

Sherlock Benchmark Summary

Sources of Reported Change in Medicaid-Focused Administrative Costs, 2025

Median changes of the nine continuous plans, as reported

Clusters of Functions	Change	Greatest Change	Highest Weight
Med & Provider	0.2%	▲ Provider Network Mgmt.	▲ Provider Network Mgmt.
Acct & Memb	6.0%	▲ Claims	▲ Claims
Corp. Serv.	0.9%	▲ Actuarial	▼ Corp. Services Function
Core	2.6%	▲ Claims	▲ Claims
Sales & Mkt.	2.5%	▲ Ext. Broker Commissions	▲ Ext. Broker Commissions
Total	2.6%	▲ Claims	▲ Claims

As reported, before holding product mix constant. The mark shows the direction of the function named.

Highest Weight: the function with the largest change in dollars, its median 2025 PMPM times $g / (1 + g)$, where g is its median change.

COMPARED WITH 2024, MEDIAN TOTAL COSTS WERE 5.7% HIGHER IN 2025. DIFFERENT UNIVERSE AND PRODUCT MIX: LIMITED RELATIONSHIP TO CONSTANT-MIX TRENDS.

Figure 4

Medicaid Plans' 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
Medical and Provider Management	\$10.67	\$12.49	\$14.58	28%	\$12.55
Account and Membership Administration	20.70	24.61	25.78	30%	\$23.10
Corporate Services	6.16	7.80	9.13	39%	\$7.43
Subtotal: Core Expenses	\$36.79	\$47.40	\$49.08	25%	\$44.49
Sales and Marketing	\$5.88	\$8.78	\$11.68	46%	\$10.19
Total Expenses	\$43.93	\$55.37	\$60.21	25%	\$52.40

CONFIDENTIAL AND PROPRIETARY

PMPMs VARY BY PRODUCT.

Figure 5

Medicaid Plans' Costs by Product, 2025 Results

Per Member Per Month

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Medicaid				
HMO	\$35.82	\$39.23	\$46.79	27%
CHIP	\$23.63	\$31.44	\$38.85	33%
Medicaid Total	\$35.04	\$39.11	\$46.33	28%
Medicare				
Advantage	\$120.90	\$128.49	\$164.44	26%
SNP	\$170.77	\$245.40	\$280.57	30%
Medicare Total	\$132.69	\$145.61	\$180.20	22%
Medicare Supplement	\$37.73	\$37.83	\$63.80	55%
Commercial Insured				
HMO	\$47.65	\$69.28	\$78.85	28%
POS	\$78.27	\$78.92	\$83.51	7%
Indemnity & PPO	\$60.61	\$87.56	\$113.36	41%
Commercial Insured Total	\$51.18	\$62.45	\$78.93	28%
Commercial ASO / ASC	\$29.69	\$32.37	\$34.03	10%
Commercial Total	\$43.40	\$47.13	\$54.06	18%
Comprehensive Total	\$43.93	\$55.37	\$60.21	25%
Note: Core Expenses of Medicaid				
HMO	\$31.45	\$37.14	\$42.72	30%
CHIP	\$19.66	\$28.02	\$35.79	39%
Medicaid Total	\$31.81	\$37.21	\$42.72	31%

PERCENTS CLUSTER MORE THAN PMPMs BECAUSE ADMINISTRATIVE EXPENSES OFTEN TRACK WITH HEALTH CARE COSTS.

Figure 6

Medicaid Plans' Costs by Product, 2025 Results
Percent of Premium Equivalents

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Medicaid				
HMO	6.2%	7.4%	8.7%	27%
CHIP	8.5%	8.9%	11.7%	26%
Medicaid Total	6.5%	7.5%	8.7%	26%
Medicare				
Advantage	9.6%	10.7%	13.1%	25%
SNP	7.8%	12.2%	15.0%	38%
Medicare Total	9.3%	11.2%	14.0%	24%
Medicare Supplement	11.6%	14.9%	25.7%	74%
Commercial Insured				
HMO	8.0%	10.9%	12.1%	29%
POS	7.6%	8.8%	10.9%	36%
Indemnity & PPO	9.7%	11.9%	13.6%	40%
Commercial Insured Total	8.8%	10.1%	12.0%	26%
Commercial ASO / ASC	4.7%	5.1%	6.0%	21%
Commercial Total	7.0%	8.1%	9.1%	22%
Comprehensive Total	6.7%	8.1%	9.5%	21%
Note: Core Expenses of Medicaid				
HMO	5.6%	6.7%	8.4%	30%
CHIP	7.4%	8.3%	10.1%	29%
Medicaid Total	5.8%	6.9%	8.4%	29%

CONFIDENTIAL - PMPM DATA

TOTAL PERCENT OF PREMIUM EQUIVALENTS WAS 8.1%, DOWN FROM 9.2%, AS PREMIUMS GREW BY DOUBLE DIGITS. EVERY CLUSTER WAS LOWER, CORPORATE SERVICES ONLY SLIGHTLY.

Figure 7

Medicaid Plans' 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
Medical and Provider Management	1.6%	1.7%	2.5%	28%	2.2%
Account and Membership Administration	3.0%	3.5%	4.3%	26%	4.2%
Corporate Services	1.0%	1.3%	1.4%	39%	1.4%
Subtotal: Core Expenses	5.7%	6.3%	8.2%	21%	7.8%
Sales and Marketing	1.0%	1.3%	1.8%	44%	1.8%
Total Expenses	6.7%	8.1%	9.5%	21%	9.2%

CONFIDENTIAL & TRADE SECRETS

THE INCREASE IN PREMIUMS PMPM WAS WIDESPREAD AMONG THE CONTINUOUSLY PARTICIPATING PLANS.

- Medicaid HMO increased at a median rate of 16.1%, Medicare Advantage by 10.5%, Commercial Insured by 5.7% and Commercial ASO by 33.0%.
- Across all products, premiums and premium equivalents per member grew 13.8% as reported.
- Increases can arise from responses to changes in the competitive environment or from higher health care costs. Commercial ASO is a clear example of the latter.
- Higher health care costs may also stem from a change in the health status of the population served: if healthier Medicaid beneficiaries leave the pool, premiums reflect the greater needs of those who remain.

Medians of the continuously participating plans, change in premium equivalents per member, 2024 to 2025.

COMPARISONS WITH BLUE AND IPS UNIVERSES

Figure 8

Medicaid HMO Product Characteristics by Universe, 2025 Results
Medicaid Plans, Independent / Provider-Sponsored Plans and Blue Cross Blue Shield Plans

	Medicaid Plans	IPS Plans	BCBS Plans	Combined Plans
Core Costs				
Per Member Per Month				
25th Percentile	\$31.45	\$33.43	\$29.71	\$31.60
Median	37.14	37.71	33.26	35.23
75th Percentile	42.72	47.41	34.28	41.96
Coefficient of Variation	30%	36%	15%	31%
Percent of Premiums and Equivalents				
25th Percentile	5.6%	6.7%	8.7%	6.0%
Median	6.7%	7.1%	9.1%	7.3%
75th Percentile	8.4%	7.7%	11.9%	9.0%
Coefficient of Variation	30%	19%	32%	32%
Total Costs				
Per Member Per Month				
25th Percentile	\$35.82	\$35.79	\$34.37	\$35.34
Median	39.23	40.54	38.19	38.19
75th Percentile	46.79	51.21	38.72	45.20
Coefficient of Variation	27%	37%	13%	28%
Percent of Premiums and Equivalents				
25th Percentile	6.2%	7.1%	9.8%	6.6%
Median	7.4%	7.6%	10.4%	7.7%
75th Percentile	8.7%	8.4%	13.8%	9.6%
Coefficient of Variation	27%	19%	35%	34%
Plans Offering Medicaid HMO	12	4	3	19
Medicaid HMO Members (millions)	4.99	0.50	1.07	6.56
Comprehensive Total Members (millions)	8.38	5.08	20.48	33.94

CONFIDENTIAL DATA

CORE COST GROWTH MODESTLY ACCELERATED FOR MEDICAID-FOCUSED PLANS IN 2025

- Holding universe and product mix constant, Core costs grew 5.6% in 2025 after 5.0% in 2024, the fastest since 2020. As reported, Core grew 2.6%, down from 8.3%. Our use of medians affected the measures, and we think it likely that the decline in membership affected true cost trends.
- Total expenses, adding Sales and Marketing, grew 2.8% at constant mix and 2.6% as reported.
- Medicaid HMO membership declined 3.5% at the median; Medicare Advantage and Commercial Insured grew. Total membership declined by 0.5%.
- Actual PMPM costs were \$55.37, \$52.40 last year. Different universe and mix.
- Across all functions, the Staffing Ratio was 27 per 10,000 members and declined 6.1% at constant mix. Compensation per FTE of about \$120,000 grew 7.2%; Non-Labor Costs per FTE of about \$95,000 grew 10.5%.
- Account and Membership Administration grew fastest, 6.8%, on Claims, up 23% on Payment Integrity. Enrollment / Membership / Billing grew 7.2%; Information Systems 2.0%.
- Medical and Provider Management declined 0.3%: Medical Management fell 3.7% while Provider Network Management grew 8.7%.
- Corporate Services declined 0.3%. Corporate Executive and Governance grew 11.8%; Finance and Accounting and the Corporate Services Function declined.
- Sales and Marketing declined 1.8%. Advertising fell 12.8%; External Broker Commissions grew 3.2%.
- Premiums grew 13.8% as reported, 16.1% for Medicaid HMO, so Total costs fell to 8.1% of premiums from 9.2%.

APPENDIX A. MEDICAID-FOCUSED PLANS' ADMINISTRATIVE COSTS IN 2024

Appendix A

Medicaid Plans' Costs by Functional Area Cluster, 2024 Results
Median Per Member Per Month Expenses

Clusters of Functions	25th Percentile	Median	75th Percentile	Coefficient of Variation
Medical and Provider Management	\$11.35	\$12.55	\$14.63	30%
Account and Membership Administration	20.07	23.10	26.31	26%
Corporate Services	6.51	7.43	8.95	33%
Subtotal: Core Expenses	\$38.80	\$44.49	\$47.03	22%
Sales and Marketing	\$6.04	\$10.19	\$13.17	44%
Total Expenses	\$47.47	\$52.40	\$59.29	21%

APPENDIX B. MEDICAID-FOCUSED PLANS' ADMINISTRATIVE COSTS IN 2024

Appendix B

Medicaid Plans' Costs by Functional Area Cluster, 2024 Results

Median Percent of Premium Equivalents

Clusters of Functions	25th Percentile	Median	75th Percentile	Coefficient of Variation
Medical and Provider Management	1.8%	2.2%	2.9%	31%
Account and Membership Administration	3.3%	4.2%	4.9%	25%
Corporate Services	1.0%	1.4%	1.7%	31%
Subtotal: Core Expenses	6.8%	7.8%	9.3%	22%
Sales and Marketing	1.2%	1.8%	2.1%	43%
Total Expenses	8.4%	9.2%	10.7%	20%

APPENDIX C. FUNCTIONS IN EACH CLUSTER

Appendix C

Major Functions Included in Each Administrative Expense Cluster

Core Functions:

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

Non-Core Functions:

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

APPENDIX D. 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 Medicaid plans participating this year also participated last year.
- 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 E. 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 F. STRONG NETWORK, BROAD ACCEPTANCE

- The *Sherlock Benchmarks* is in its 29th consecutive year. Our cumulative experience exceeds 1,000 plan years. 29 organizations serving 53 million members participated 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. These Plans serve 58% of all Blue Cross Blue Shield Plan members not served by publicly-traded Plans.
- Health plans serving 53% members of those served by the Alliance of Community Health Plans participated in this year's *Sherlock Benchmarks*. This ratio excludes ACHP's staff model plans.
- Health plans serving 58% of members served by the Health Plan Alliance are participating in this year's *Sherlock Benchmarks*.

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