

ADMINISTRATIVE COST TRENDS OF BLUE CROSS BLUE SHIELD PLANS IN 2024



Greg Pease Photography

SHERLOCK BENCHMARKS

Douglas B. Sherlock, CFA
President, Sherlock Company

sherlock@sherlockco.com

June 18, 2025



TOPICS

- Long term cost trends
- Changes in cluster costs
- Reasons for cost increases
- Costs by Cluster: Percent and PMPM
- Costs by Product: Percent and PMPM

APPENDICES

- Last year's cluster values
- Functions in each cluster of expenses
- About the Sherlock Benchmarks

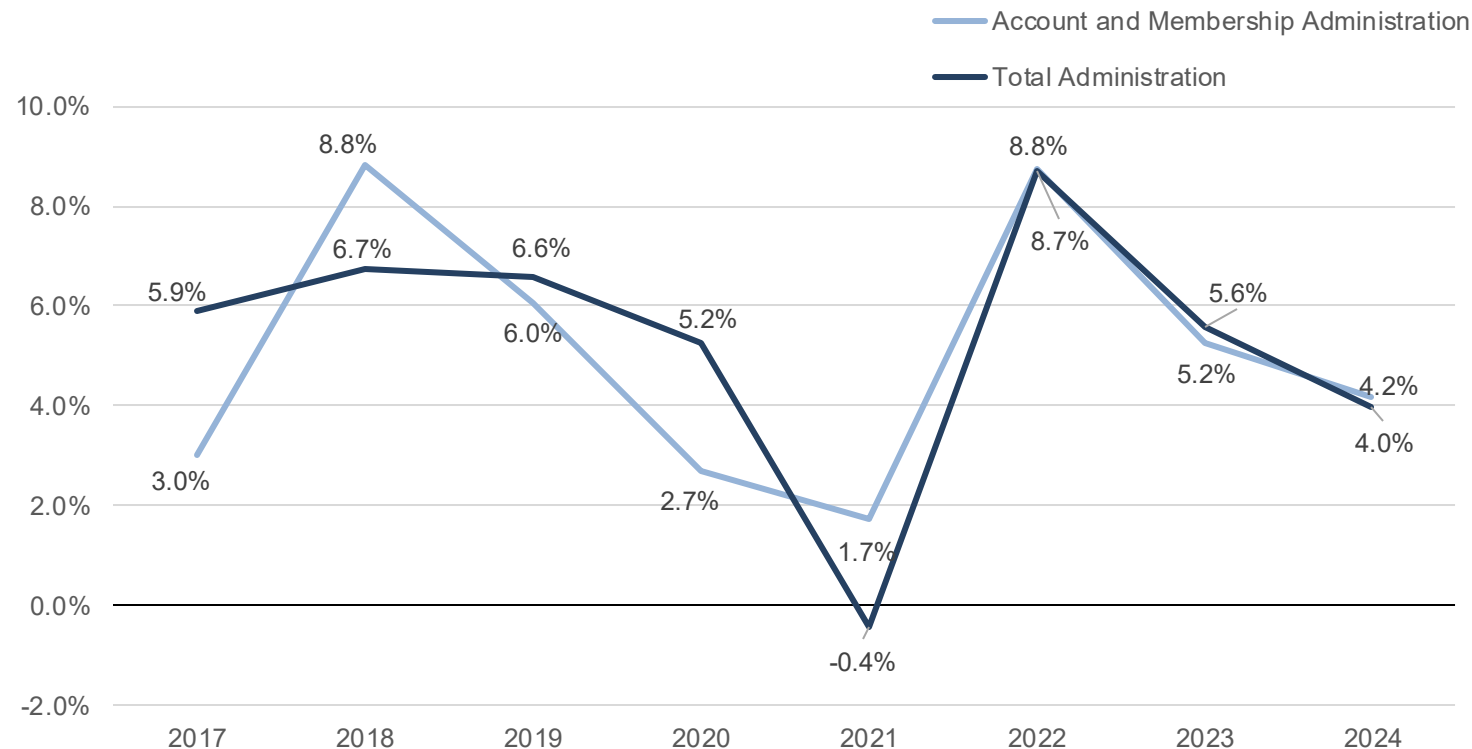
Racing workboats is our metaphor for health plans striving for performance improvement.



TOTAL COST GROWTH DECLINED. A&M ADMINISTRATION GROWTH DECELERATED.

Figure 1. Sherlock Benchmark Summary

Blue Cross Blue Shield Rates of Change for Account and Membership Administration and Total, Constant Mix
Median Changes in PMPM Costs




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



AMONG CONTINUOUSLY PARTICIPATING PLANS, WHEN MIX IS HELD CONSTANT, COST GROWTH WAS LOWER THAN AS-REPORTED.

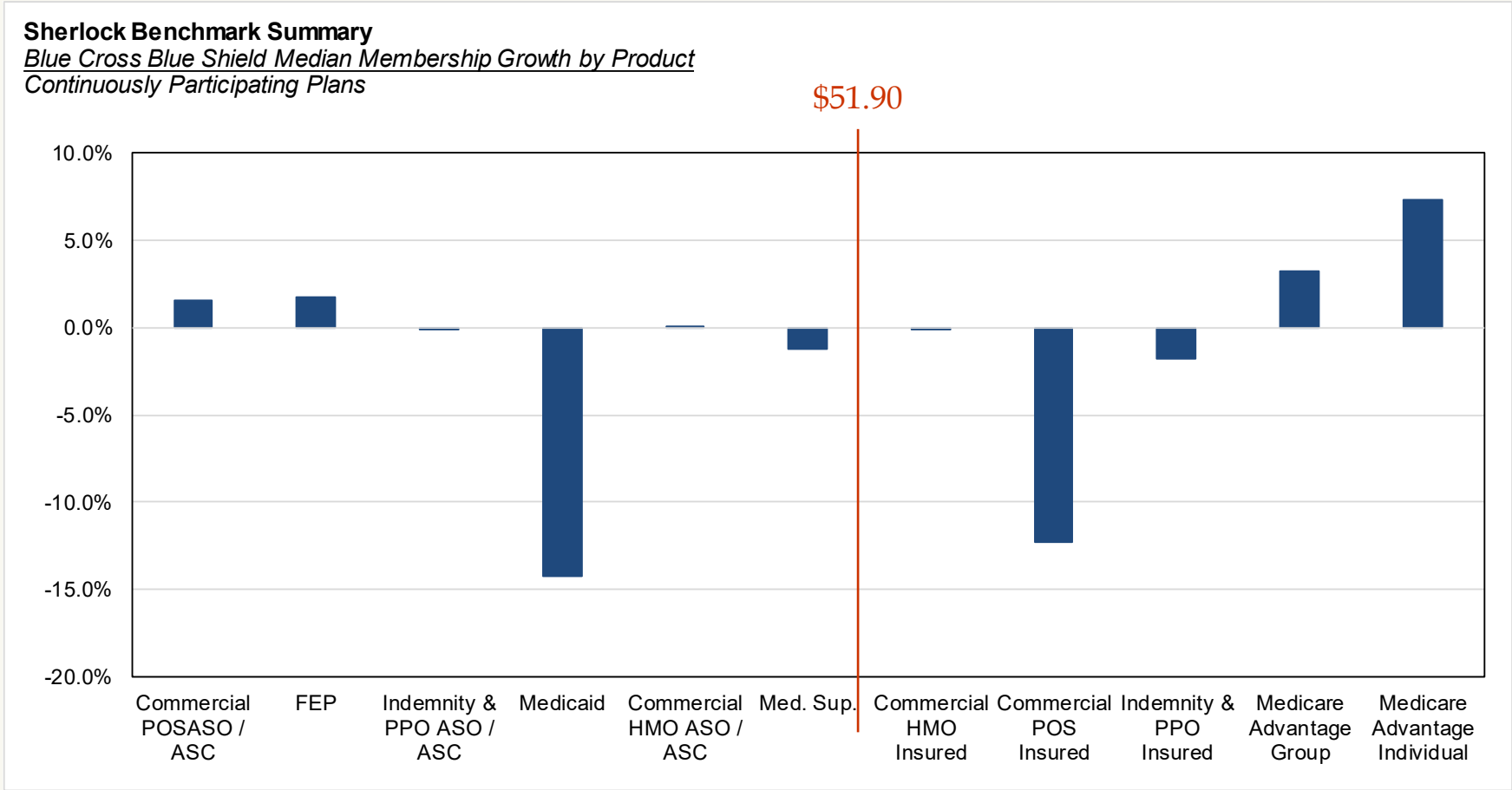
Figure 2. Sherlock Benchmark Summary
Blue Cross Blue Shield Median Changes in Per Member Per Month Expenses

Functional Area	2023 Increase		2024 Increase	
	As Reported	Constant Mix	As Reported	Constant Mix
Sales and Marketing	6.0%	6.2%	4.9%	2.8%
Medical and Provider Management	3.5%	3.7%	7.7%	9.1%
Account and Membership Administration	5.6%	5.2%	4.0%	4.2%
Corporate Services	5.9%	5.7%	1.4%	1.2%
Total Expenses	5.9%	5.6%	6.6%	4.0%



Constant Mix adjusts to exclude product mix differences between years.

SHIFT IN FAVOR OF HIGHER COST-TO-ADMINISTER PRODUCTS.



SOURCES OF “REAL” GROWTH IN BLUE CROSS BLUE SHIELD ADMINISTRATIVE COSTS IN 2024

	Chg.	Greatest Change	Highest Weight
Sales & Marketing	2.8%	Sales* ↑	Commissions ↑
Med & Provider	9.1%	Medical Management ↑	Medical Management ↑
Acct & Membership	4.2%	Customer Services ↑	Information Systems ↑
Corp. Serv.	<u>1.2%</u>	Corporate Exec. & Gov. ↑	Corporate Exec. & Gov. ↑
Total	4.0%	Customer Services ↑	Commissions↑

** Broker Commissions are nearly identical in growth rate.*



SOURCES OF REPORTED GROWTH IN BLUE CROSS BLUE SHIELD ADMINISTRATIVE COSTS IN 2024

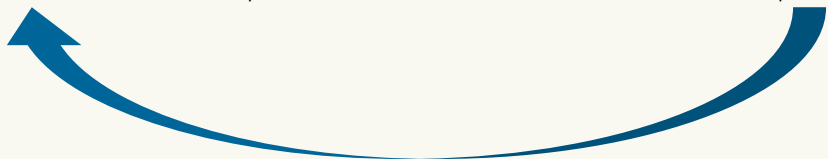
	Chg.	Greatest Change	Highest Weight
Sales & Marketing	4.9%	Commissions ↑	Commissions ↑
Med & Provider	7.7%	Medical Management ↑	Medical Management ↑
Acct & Membership	4.0%	Customer Services ↑	Information Systems ↑
Corp. Serv.	<u>1.4%</u>	Actuarial ↑	Corporate Exec. & Gov. ↑
Total	6.6%	Customer Services ↑	Medical Management ↑



COMPARED WITH 2023, COSTS WERE 11.4% HIGHER IN 2024. COST TRENDS, CHANGES IN THE PRODUCT MIX AND THE UNIVERSE WERE RESPONSIBLE. A LOOSE RELATIONSHIP TO PMPM GROWTH.

Figure 3. Sherlock Benchmark Summary
Blue Cross Blue Shield Costs by Functional Area Cluster, 2024 Results
Median Per Member Per Month Expenses

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation	2023 Values
					Median
Sales and Marketing	\$9.86	\$11.82	\$15.06	26%	\$11.44
Medical and Provider Management	6.99	7.40	8.20	17%	6.71
Account and Membership Administration	20.58	22.17	24.59	17%	20.70
Corporate Services	6.78	7.76	10.00	34%	7.02
Total Expenses	\$45.49	\$51.90	\$54.23	14%	\$46.59



PMPMs VARY BY PRODUCT.

Figure 4. Sherlock Benchmark Summary

Blue Cross Blue Shield Costs by Product, 2024 Results

Per Member Per Month

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial HMO				
Insured	\$52.35	\$59.81	\$68.47	42%
ASO / ASC	\$31.19	\$38.18	\$41.69	29%
Commercial POS				
Insured	\$58.55	\$62.51	\$72.97	15%
ASO / ASC	\$32.79	\$34.29	\$38.91	18%
Indemnity & PPO				
Insured	\$55.84	\$64.61	\$67.47	24%
ASO / ASC	\$29.21	\$34.98	\$41.89	21%
Commercial Insured	\$56.52	\$64.82	\$69.50	11%
Commercial ASO/ASC	\$29.41	\$35.31	\$41.89	21%
FEP	\$31.27	\$34.46	\$38.18	18%
Medicare Advantage				
Individual	\$124.99	\$152.50	\$169.48	28%
Group	\$116.46	\$121.72	\$131.79	24%
Medicare Advantage Total	\$123.78	\$141.89	\$152.50	28%
Medicaid	\$31.92	\$37.06	\$57.49	36%
Medicare Supplemental	\$39.37	\$49.04	\$55.98	33%
Comprehensive Total	\$45.49	\$51.90	\$54.23	14%
Medicare Advantage SNP				
Medicare Advantage SNP	\$277.88	\$278.79	\$308.57	29%
Stand-Alone Medicare Part D	\$15.93	\$19.18	\$24.90	41%
Stand Alone Dental	\$2.24	\$3.29	\$4.82	57%

Population

Benefit
Plan
Sponsor

Scope



PERCENTS: EFFECTS OF SPONSOR, POPULATION AND SCOPE.

Figure 5. Sherlock Benchmark Summary

Blue Cross Blue Shield Costs by Product, 2024 Results

Percent of Premium Equivalents

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Commercial HMO				
Insured	8.4%	8.7%	11.2%	51%
ASO / ASC	4.0%	5.7%	8.0%	41%
Commercial POS				
Insured	7.8%	8.6%	13.3%	39%
ASO / ASC	4.6%	5.1%	7.4%	47%
Indemnity & PPO				
Insured	9.6%	10.5%	11.3%	15%
ASO / ASC	6.2%	6.6%	8.2%	29%
Commercial Insured	9.5%	10.2%	11.2%	14%
Commercial ASO/ASC	6.2%	6.4%	8.2%	30%
FEP	4.7%	5.4%	6.3%	25%
Medicare Advantage				
Individual	11.9%	13.9%	17.1%	38%
Group	9.4%	9.8%	12.9%	25%
Medicare Advantage Total	11.3%	12.3%	17.1%	40%
Medicaid	7.6%	9.6%	10.5%	23%
Medicare Supplemental	17.2%	21.2%	24.1%	29%
Comprehensive Total	8.3%	9.1%	9.8%	25%
Medicare Advantage SNP	15.4%	18.1%	19.6%	41%
Stand-Alone Medicare Part D	9.0%	17.5%	22.4%	54%
Stand Alone Dental	12.2%	17.1%	23.2%	46%

Population:

2.0x → 1.1x

*Benefit
Plan
Sponsor:*

1.8x → 1.6x

Scope:


Low → High



THE PERCENT OF PREMIUM EQUIVALENTS WAS 9.1%,
SLIGHTLY HIGHER THAN LAST YEAR’S. THE MOST
SIGNIFICANT CHANGE WAS A DECLINE IN ACCOUNT
AND MEMBERSHIP ADMINISTRATION.

Figure 6. Sherlock Benchmark Summary
Blue Cross Blue Shield Costs by Functional Area Cluster, 2024 Results
Median Percent of Premium Equivalents

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation	2023 Values
					Median
Sales and Marketing	1.9%	2.4%	2.6%	22%	2.3%
Medical and Provider Management	1.3%	1.4%	1.4%	15%	1.3%
Account and Membership Administration	3.4%	3.7%	5.2%	32%	3.9%
Corporate Services	1.2%	1.3%	1.9%	49%	1.3%
Total Expenses	8.3%	9.1%	9.8%	25%	8.9%



BLUES ADMINISTRATIVE COSTS: DECELERATED IN 2024



Greg Pease Photography

- Blue Plan costs were \$51.90, compared with \$46.59 last year.
- Holding universe and product mix constant, cost growth declined to 4.0% in 2024 from 5.6% in 2023. As reported expenses *accelerated* in 2024 to 6.6% from 5.9% in 2023.
- Product mix shifted towards higher cost products. Medicare grew as Medicaid and Medicare Supplemental declined.
- Medical and Provider Management grew faster than any cluster. Medical Management grew much faster than Provider Network.
- Account and Membership Admin. was the second fastest growing cluster. But Customer Services and Information Systems were fastest and most impactful among all functions in the cluster.
- Sales and Marketing cluster grew modestly. R&U, Sales and Commissions grew, Marketing and Advert. & Promotion declined.
- Corp. Services cluster was the slowest growing cluster. Corporate Executive & Governance had greatest impact and grew faster.
- Staffing Ratio, Compensation and Outsourcing all increased.



APPENDIX A. BLUE CROSS BLUE SHIELD ADMINISTRATIVE COSTS IN 2023

Appendix A. Sherlock Benchmark Summary
Blue Cross Blue Shield Costs by Functional Area Cluster, 2023 Results
Median Per Member Per Month Expenses

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	\$8.27	\$11.44	\$14.91	32%
Medical and Provider Management	5.56	6.71	7.84	30%
Account and Membership Administration	18.82	20.70	22.87	15%
Corporate Services	5.74	7.02	8.37	31%
Total Expenses	\$39.48	\$46.59	\$52.22	17%

APPENDIX B. BLUE CROSS BLUE SHIELD ADMINISTRATIVE COSTS IN 2023

Appendix B. Sherlock Benchmark Summary

Blue Cross Blue Shield Costs by Functional Area Cluster, 2023 Results

Median Percent of Premium Equivalents

Functional Area	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	1.8%	2.3%	2.6%	24%
Medical and Provider Management	1.1%	1.3%	1.4%	26%
Account and Membership Administration	3.7%	3.9%	4.5%	25%
Corporate Services	1.1%	1.3%	1.4%	46%
Total Expenses	8.2%	8.9%	9.6%	20%

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: 93% of Blue Plans participating this year also participated last year. 71% of Blue participants have done so for ten or more years.
- *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 28th consecutive year. Our cumulative experience exceeds 1,000 plan years. We expect 32 organizations serving 58 million members to participate in 2025.
- Since June 2022, health plans serving 170 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 33 U.S.-based Blue Cross Blue Shield primary licensees, fourteen serving approximately 43.3 million people, participate in this year's Sherlock Benchmarking Study for Blue Cross Blue Shield Plans.
- Health plans serving 64% 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 62% of members served by the Health Plan Alliance are participating in this year's *Sherlock Benchmarks*.



APPENDIX F. FUNCTIONS IN EACH CLUSTER

Appendix F. Sherlock Benchmark Summary

Functions Included in Each Administrative Expense Cluster

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
 - (b) Printed Materials and Other
 - (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 Expenses
 - (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) Other Corporate Executive and Governance
16. Association Dues and License / Filing Fees

