Medicare Plans Held Administrative Costs Flat in 2025

Per member costs of Medicare-focused plans declined slightly on a constant-mix basis, the slowest result in ten years, as Account and Membership Administration stopped growing and Corporate Services became the fastest-growing cluster

September 2026

Conclusions

- Administrative costs per member of Medicare-focused plans were essentially unchanged from 2024 to 2025, a median decline of 0.3% among the six continuously participating plans when product mix is held constant, compared with growth of 3.6% in the prior year. This is the slowest growth since 2015.

- As reported by the plans, before adjusting for changes in product mix, per member costs grew at a median of 0.7%, down from 6.4% in the prior year. Health benefit costs and premiums grew near double digits over the same year, so the administrative cost ratio fell.

- Account and Membership Administration, the largest cluster, grew by less than 1% on a constant-mix basis after near 7% growth in the prior year. Claim and Encounter Capture and Adjudication grew by double digits, led by Payment Integrity, but Customer Services and Pharmacy Administration were lower.

- Corporate Services exceeded Account and Membership Administration as the fastest-growing cluster, at a median of 1.4%, after declining in the prior year. Finance and Accounting and Actuarial each grew by double digits.

- Sales and Marketing and Medical and Provider Management both declined. Advertising and Promotion fell by low double digits and Provider Relations Services by high teens, while External Broker Commissions grew by low single digits.

- Staffing ratios declined by mid single digits at a constant product mix, while compensation per FTE grew by mid single digits and Non-Labor Costs per FTE by high single digits. Outsourcing increased by about three percentage points of combined FTEs.

- Median administrative expenses of all eleven participating plans were $56.76 per member per month, 8.5% of premium equivalents, both slightly lower than the values published last year. Not all plans were the same in both years, and product mixes changed among continuous participants.

Administrative Expense Trends

Eleven plans participated in the 2026 edition of the Medicare Sherlock Benchmarks, reflecting 2025 results. Seven of them also participated in the 2025 edition. Six of the seven were used to calculate trends; the seventh reported a scope of products in 2025 that was not comparable with its prior year, so it is included in the values for the universe as a whole but not in the year-over-year comparisons.

The participating plans collectively served 2.1 million Medicare Advantage and Medicare Special Needs Plan members and 15.4 million people in total. An average of 34% of their revenues came from Medicare Advantage and SNP products. The Medicare share of revenues was at least 24% in every case and was the plurality product for two plans.

The six continuously participating plans served 1.6 million Medicare Advantage and SNP members and 357,000 Medicare Supplement members. Commercial products comprised 7.7 million members, of which 4.6 million were ASO. Medicaid products served 1.8 million people. The continuous plans served 11.5 million people in total.

Figure 1

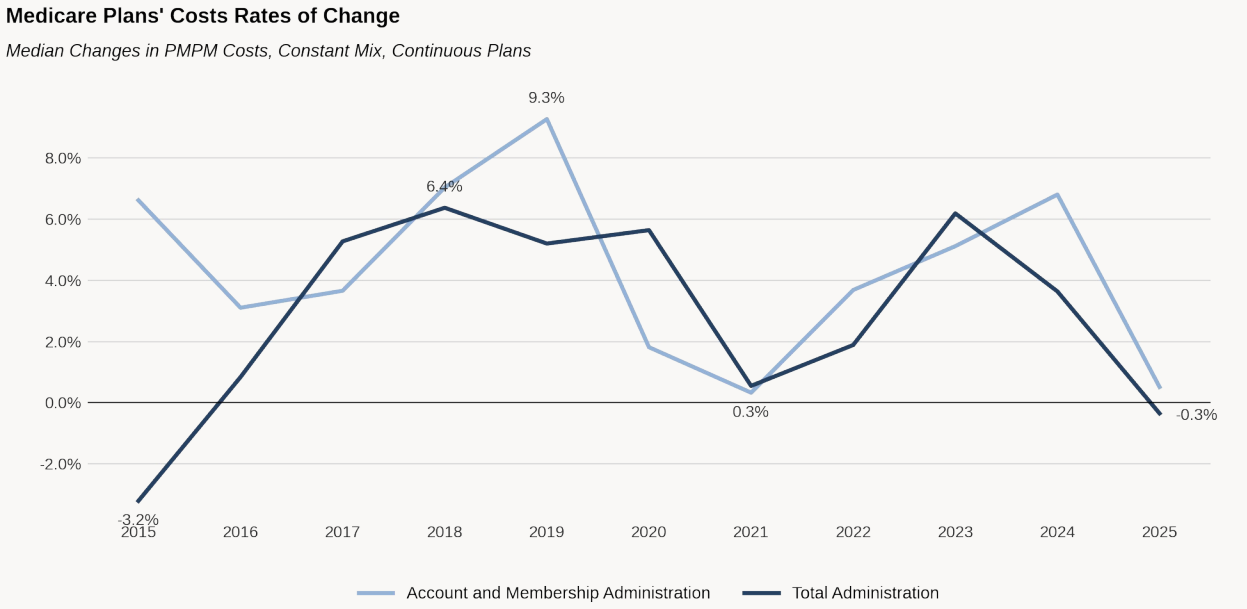


Figure 2 shows year-over-year trends on both an as-reported and a constant-mix basis. When the effect of product mix changes is excluded, per member costs of the six continuously participating plans declined at a median rate of 0.3%, compared with an increase of 3.6% in the prior year. On an as-reported basis these plans' per member costs increased at a median of

0.7%, compared with 6.4% in the prior year. Over the same year, premiums per member of these plans grew at a median of 9.7% and health benefit costs per member, measured on the same basis including pharmacy and behavioral health, grew by 9.6%, both as reported. Administrative costs therefore declined as a share of premiums. These changes, all other trends, and the PMPM and percent of premium values in this Navigator exclude Miscellaneous Business Taxes.

The gap between the as-reported and constant-mix trends narrowed sharply from the prior year, when a shift toward higher cost Medicare products and away from Medicaid added nearly three percentage points to reported growth. In 2025 the product mix of the continuous plans was steadier. Medicare Advantage membership grew at a median of 6% across the plans reporting two years, while Medicaid declined by 2% and Commercial by 1%. Comprehensive membership was flat, at a median decline of 0.1%. Medicare Supplement was unchanged and the small SNP product declined by 2%.

Figure 2

Medicare Plans' Median Changes in Per Member Per Month Expenses

Continuous Plans, Constant Mix and As Reported

	2024 Increase		2025 Increase	
Clusters of Functions	As Reported	Constant Mix	As Reported	Constant Mix
Sales and Marketing	6.6%	2.9%	-0.7%	-0.6%
Medical and Provider Management	4.3%	2.4%	0.4%	-0.9%
Account and Membership Administration	12.5%	6.8%	1.4%	0.5%
Corporate Services	6.9%	-1.8%	2.3%	1.4%
Total Expenses	6.4%	3.6%	0.7%	-0.3%

Trends Holding Product Mix Constant

Trends that are free of the distortion of product mix changes are a more accurate representation of the underlying dynamics, so the discussion that follows is based on them. To hold product mix constant, we reweight the continuing plans' prior-year expenses so that the product mix of the prior year matches that of the current year. Only plans that reported in both years are included in these comparisons, and every trend is a median of the plans' changes.

Functions with the greatest cost increases, measured by percent trends weighted by their dollar values, were Claim and Encounter Capture and Adjudication, Information Systems, External Broker Commissions, Finance and Accounting and Corporate Executive and Governance. The largest declines, on the same basis, were in Medical Management, Advertising and Promotion, Provider Relations Services, Member Services and Other Sales. The clusters are discussed below in order of their contribution to the change in total cost. When we refer to staffing ratios, they include outsourced staffing.

Corporate Services

The Corporate Services cluster grew at a median of 1.4% per member, the fastest of the four clusters, after a decline of 1.8% in the prior year. Non-Labor Costs per FTE were the driver, up by a median of 27%, while the cluster's Staffing Ratio and Compensation per FTE were both

lower. Finance and Accounting grew by mid double digits, on Other Finance and Accounting and on Credit Card Fees, and Actuarial grew by high double digits. Corporate Executive and Governance grew by 6.5%, with Strategic Expenses sharply higher. The Corporate Services Function was flat, with Legal, Audit and Purchasing higher and Human Resources, Compliance and Facilities little changed or lower. Association Dues and License and Filing Fees grew by 11.3%.

Account and Membership Administration

This cluster of expenses had a per member increase of 0.5% at a median, after growth of 6.8% in the prior year, the slowest growth for this cluster since 2021. A lower Staffing Ratio offset most of the growth in Compensation and Non-Labor Costs per FTE, each up by a median of 4%. For this Navigator analysis, Account and Membership Administration includes Pharmacy and Behavioral Health administration. (They are analyzed separately in the Sherlock Benchmarks because of health benefit plan sponsor decisions and outsourcing.) Pharmacy Administration declined at a median of 8.1% and Behavioral Health Administration by 3.1%, and their inclusion reduced the median growth of this cluster by one percentage point; excluding them, the cluster grew by 1.5%.

Claim and Encounter Capture and Adjudication was the fastest growing function in this cluster and the most important source of cost growth overall, by low double digits. Payment Integrity was the driver, up by high double digits, on a higher Staffing Ratio and a higher share of outsourced staffing. Coordination of Benefits and Other Claims were lower.

Information Systems grew at low single digits, with Operations and Support Services and Applications Maintenance higher and Applications Acquisition and Development up slightly. Enrollment / Membership / Billing grew somewhat faster, on higher Non-Labor Costs per FTE, reversing five consecutive annual declines.

Customer Services declined at low single digits, as Member Services fell on a lower Staffing Ratio. Grievances and Appeals grew faster than the Member Services decline.

Sales and Marketing

The Sales and Marketing cluster declined at a median of 0.6%, after growth of 2.9% in the prior year, as a lower Staffing Ratio and less outsourcing more than offset higher Compensation and Non-Labor Costs per FTE.

Advertising and Promotion posted the largest decline, at low double digits, on lower Media and Advertising spending. Sales declined, led by Other Sales and Account Services, while Internal Sales Commissions were also lower. Marketing was flat, with Product Development and Market Research higher and Other Marketing lower.

External Broker Commissions, the largest function in the cluster, grew by low single digits at a median, and Rating and Underwriting was flat, with Risk Adjustment up slightly and Other Rating and Underwriting up at a higher pace.

Medical and Provider Management

The Medical and Provider Management cluster declined at a median of 0.9%, after growth of 2.4% in the prior year. Its Staffing Ratio fell by high single digits, more than offsetting Compensation per FTE growth of high single digits and higher Non-Labor Costs per FTE.

Medical Management declined by 3.2%. Case Management, Quality Components, Utilization Review, Medical Informatics and Health and Wellness were lower, while Disease Management grew. Provider Network Management and Services was essentially flat: Provider Relations Services fell sharply on a lower Staffing Ratio, while Provider Contracting grew at low single digits, with Provider Configuration and Other Provider Contracting both higher.

As-Reported Trends

When a plan reports costs in sequential years, its per member changes reflect both real changes and the effect of product mix differences. In 2025 the two measures were close: as-reported costs grew at a median of 0.7% against the constant-mix decline of 0.3%. This section notes the functions with notable differences between the two calculations.

The Account and Membership Administration cluster grew by 1.4% on an as-reported basis against 0.5% at constant mix. Claim and Encounter Capture and Adjudication grew six percentage points faster as reported than at constant mix, and Enrollment / Membership / Billing grew by high single digits as reported. Information Systems was slightly slower as reported.

The Corporate Services cluster grew by 2.3% as reported against 1.4% at constant mix, with Finance and Accounting and Actuarial each faster by one to two percentage points. Corporate Executive and Governance flipped from growth at constant mix to a decline as reported.

Sales and Marketing declined by 0.7% as reported, at the same rate as the constant-mix decline of 0.6%. Sales grew as reported but declined at constant mix, while External Broker Commissions were flat as reported and up slightly at constant mix.

Medical and Provider Management grew by 0.4% as reported against a decline of 0.9% at constant mix. Provider Network Management and Services declined as reported and was flat at constant mix.

Enterprise Cost Drivers

We think that it is helpful to understand enterprise expenses by their cost drivers. PMPM costs can be thought of as the product of the staffing ratio and total costs per FTE, and total costs per FTE as the sum of staffing costs and non-labor costs per FTE. Levels in this section are medians of all eleven participating plans; changes are medians of the six continuously participating plans, and include staffing and costs of activities performed on an outsourced basis.

Median compensation per FTE was approximately $135,000. Among continuous plans, compensation per FTE grew at a median of 5.8%. Compensation was higher in most functions, with Nurse Information Line, Human Resources, Quality Components, Health and Wellness and Provider Relations Services posting double-digit increases.

Staffing ratios were lower. The median plan employed 57 FTEs per 10,000 Medicare Advantage members and 29 FTEs per 10,000 members across all products. (Staffing ratios reflect both internal and outsourced staffing. Outsourced staffing is inferred, often from invoice amounts. When calculated by product, we assume that all products have the same mix of staffing and non-labor costs.) Among continuous plans, the staffing ratio at a constant product mix declined at a median of 5.1%. Declines were broad: Provider Relations Services, Provider Network Management and Services, Quality Components and Member Services posted the largest, while Payment Integrity, Billing and Other Sales were staffed more heavily than last year.

Median Non-Labor Costs per FTE were approximately $112,000, and grew at a median of 9.7% among continuous plans. Enrollment and Membership, Provider Network Management and Services and Billing had large increases; Medical Informatics, Rating and Underwriting and Quality Components had the largest declines.

We draw a distinction between non-labor and outsourcing activities in that the latter engages a vendor to supply services that are core to health plan operations and are usually performed by health plans using their own staff. For instance, paying an actuary to calculate claim reserves each month is outsourcing, while paying an actuary to support a plan's consideration of a new product is consulting, a form of non-labor cost.

The propensity to outsource increased. Outsourced staff were a median of 15.2% of combined FTEs among all plans, and among continuous plans the outsourced share rose by a median of 3.2 percentage points. Payment Integrity, Claim and Encounter Capture and Adjudication, Health and Wellness and Medical Management had the largest increases in outsourcing.

Costs of Medicare-Focused Plans, by Cluster, PMPM

Figure 3 shows the values of administrative expense clusters for all eleven participating Medicare-focused plans. In this section we touch on comparisons with the results published last year, notwithstanding limitations on comparability. The prior year's values are shown in Appendix A.

The comparability limitations are that this universe of Medicare-focused plans differs from that of last year in composition, and also in the product mix of the continuing participating plans. Four plans that participated last year did not participate this year, and four plans joined. For the new plans we can know neither their trends nor their changes in product mix. Trends among the continuous plans, described above, are the better measure of change.

The median total PMPM administrative expenses were $56.76, 0.8% lower than the $57.21 published last year, shown in Appendix A. In comparison, the constant-mix change among continuous plans was a decline of 0.3%. With a median of $22.67, Account and Membership

Administration was 5.9% lower than last year's median, while the constant-mix increase among continuous plans was 0.5%.

The Sales and Marketing cluster was lower by 1.0% at a median of $15.31, while it declined by 0.6% on a constant-mix basis. The Corporate Services cluster was $9.96 PMPM, 25.0% higher than last year's median, against a constant-mix increase of 1.4%, and the Medical and Provider Management cluster was 18.3% higher at $10.73, against a constant-mix decline of 0.9%. The differences between the two measures reflect the change in the composition of the universe.

The dispersion of expenses in 2025 was lower than in 2024. The Coefficient of Variation declined by 12 percentage points to 21% for Total Expenses. Medical and Provider Management narrowed by 24 percentage points to 23%, Corporate Services by 23 points to 33%, and Sales and Marketing by 22 points to 17%. Account and Membership Administration was the exception, widening by 10 points to 31%.

Dispersion measured as the difference between the 75th and 25th percentiles narrowed for every cluster except Medical and Provider Management, which widened by $0.56. Sales and Marketing narrowed by $1.21, Corporate Services by $0.64 and Account and Membership Administration by $0.51. In total, the interquartile range was little changed, wider by $0.09.

Figure 3

Medicare 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
Sales and Marketing	$13.98	$15.31	$16.86	17%
Medical and Provider Management	8.43	10.73	12.11	23%
Account and Membership Administration	21.73	22.67	26.78	31%
Corporate Services	7.48	9.96	10.17	33%
Total Expenses	$54.81	$56.76	$62.60	21%

Costs of Medicare-Focused Plans, PMPM by Product

The importance of considering each product's costs in assessing performance is shown in Figure 4. The products vary greatly in their per member costs and, for each plan, the mix of those products affects total costs. For this reason, when we report results to participants, we often reweight product mix to eliminate the effect of any differences between the participants and the universe as a whole.

For the universe as a whole, Medicare products are relatively high cost at medians of $127.80 and $164.09 PMPM for Medicare Advantage and Medicare Special Needs Plans, respectively. Compared with the medians published last year, Medicare Advantage was 1.1% higher and SNP, offered by four plans, was lower.

The high administrative costs for these products reflect the high health care needs of the population that they serve, medical management and claims functions being obvious examples. Medicare Advantage's average membership mix was 14%, while its average revenue share was

32%. Medicare SNP's average membership mix and revenue mix were 1% and 2%, respectively. Medicare Advantage and SNP revenues were 34% of the total for the universe.

The median PMPM administration for the Medicare Supplement product was $42.57, and it was offered by eight of the plans. The average member mix was 3% and revenue mix was 2%. Medicare Supplement is included as a Comprehensive product in the Sherlock Benchmarks, though it pays only when Medicare does not.

Medicaid products, serving primarily qualified low-income beneficiaries, are generally the lowest cost to administer of the Comprehensive products of this universe. Medicaid HMO had a median PMPM cost of $38.09, while the median PMPM for CHIP was $35.82. Medicaid HMO's average share of members was 19% and its revenue share 17%. CHIP's average member mix was 1% and its revenue mix one half of 1%.

The mean mix of Commercial Insured products among the Medicare plans in our universe was 30% of the membership and 40% of revenues. Administrative expenses for these products are higher than the median comprehensive administrative costs. The largest Commercial Insured product was Indemnity and PPO at $73.31 PMPM. HMO cost $64.18 and POS $76.41. Total Commercial costs were $53.09 PMPM.

Commercial ASO products represented a mean of 32% of Comprehensive members and 3% of revenues. While Commercial Insured products have higher administrative costs than the other products offered by these plans, the ASO products are much lower cost. The ability of a group to self-insure is related to group size, and it is less expensive per member for health plans to serve larger groups than smaller ones: per group Sales and Marketing costs are spread over greater numbers of members. These products had a median cost of $35.68, half of the Commercial Insured median.

Five of the plans offered stand-alone Medicare Part D, at a median administrative cost of $21.84 PMPM and a mean of $26.53. One plan offered Medicaid Managed Long Term Services and Supports (MLTSS), at $182.44 PMPM, and it is not shown among the products in Figure 4.

Medicare Plans' Costs by Product, 2025 Results

Per Member Per Month

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Medicare				
Advantage	$117.58	$127.80	$136.23	18%
SNP	$142.86	$164.09	$207.59	42%
Medicare Total	$121.33	$132.04	$141.87	18%
Medicare Supplement	$37.60	$42.57	$53.58	38%
Medicaid				
HMO	$35.08	$38.09	$45.61	32%
CHIP	$30.83	$35.82	$37.95	25%
Medicaid Total	$35.08	$38.18	$44.11	32%
Commercial Insured				
HMO	$56.86	$64.18	$79.52	22%
POS	$58.71	$76.41	$85.80	26%
Indemnity & PPO	$62.05	$73.31	$81.36	18%
Commercial Insured Total	$59.83	$71.03	$76.67	16%
Commercial ASO / ASC	$28.89	$35.68	$40.52	29%
Commercial Total	$44.10	$53.09	$59.80	23%
Comprehensive Total	**$54.81**	**$56.76**	**$62.60**	**21%**
Stand-Alone Medicare Part D	$19.87	$21.84	$33.01	62%

Costs of Medicare-Focused Plans, Percent of Premiums by Product

When analyzing administrative expenses as a percent of premiums, most of the differences between the products that are evident in PMPM comparisons diminish. As we note in other Navigators, per member administrative costs for any product are partly explained by the underlying health care needs of the population served and also by the costs to distribute the product. So, expressing costs as a percent of premiums or equivalents reduces the effect of the differences in costs due to health care needs, while much of the distribution system cost differences remain.

Medicare SNP, at 7.4% of premiums, was among the lowest ratios of any product despite the highest PMPM cost. Medicare Advantage costs, twice the PMPM of Commercial HMO, were 10.3% of premiums, in line with the Commercial HMO ratio of 10.8%. Indemnity and PPO and POS products had ratios of 10.7% and 9.4%, respectively.

Medicaid HMO was below average in PMPM costs and, at 7.8%, was below the median in percent of premiums. Sales and Marketing expenses tend to be far lower for these products, reflecting state policy.

The administrative expenses of Commercial ASO products were 5.9% of premium equivalents, and Total Commercial was 8.0%. The lower Sales and Marketing costs of self-insured groups are the key reason.

While Medicare Supplement is below average cost when measured PMPM, at 23.0% its cost ratio was the highest among the comprehensive products sold by this universe. Medicaid CHIP had lower than median PMPM costs but, at 13.1%, was higher than the median percent of premium equivalents. For Medicare Supplement, this reflects that it is a secondary payer; in the case of CHIP, the tendency for health care costs for children to be modest.

Figure 5

Medicare Plans' Costs by Product, 2025 Results

Percent of Premium Equivalents

Product	25th Percentile	Median	75th Percentile	Coefficient of Variation
Medicare				
Advantage	9.8%	10.3%	10.9%	13%
SNP	6.6%	7.4%	9.7%	43%
Medicare Total	9.4%	10.5%	11.1%	14%
Medicare Supplement	19.5%	23.0%	27.7%	29%
Medicaid				
HMO	7.1%	7.8%	9.4%	25%
CHIP	11.7%	13.1%	13.8%	20%
Medicaid Total	7.2%	8.0%	9.4%	24%
Commercial Insured				
HMO	8.9%	10.8%	11.3%	46%
POS	7.0%	9.4%	10.7%	34%
Indemnity & PPO	10.6%	10.7%	11.3%	8%
Commercial Insured Total	10.4%	10.6%	11.3%	10%
Commercial ASO / ASC	5.0%	5.9%	7.0%	34%
Commercial Total	7.3%	8.0%	9.8%	18%
Comprehensive Total	**7.9%**	**8.5%**	**9.4%**	**16%**
Stand-Alone Medicare Part D	6.0%	10.0%	11.4%	51%

Costs of Medicare-Focused Plans, Expense Clusters as Percent of Premium

Figure 6 shows the ratios of administrative expenses to premiums or equivalents. Administrative expenses had a median of 8.5% of premium equivalents, 0.8 percentage points lower than last year's 9.3%, as premiums grew near double digits while per member administrative costs were flat.

Both health benefits and premiums increased at rates approaching double digits. This increased the denominator of the moderately growing administrative costs, reducing the ratio.

Sales and Marketing was 2.1% of premium equivalents, 0.4 percentage points lower, and Account and Membership Administration was 3.6%, also 0.4 points lower. Medical and Provider Management, at 1.5%, and Corporate Services, at 1.3%, were essentially unchanged.

Dispersion, measured by the Coefficient of Variation, declined for the total and for every cluster except Account and Membership Administration, and the difference between the 75th and 25th percentiles narrowed for the total and for Sales and Marketing.

Figure 6

Medicare Plans' Costs by Functional Area Cluster, 2025 Results

Median Percent of Premium Equivalents

Clusters of Functions	25th Percentile	Median	75th Percentile	Coefficient of Variation
Sales and Marketing	2.0%	2.1%	2.4%	20%
Medical and Provider Management	1.2%	1.5%	1.7%	18%
Account and Membership Administration	3.2%	3.6%	3.8%	23%
Corporate Services	1.1%	1.3%	1.6%	28%
Total Expenses	7.9%	8.5%	9.4%	16%

Comparisons Across Universes

Health plans in other Sherlock Benchmarks universes also offer Medicare Advantage. In this section we compare the Medicare Advantage product of the Blue Cross Blue Shield plans and the Independent / Provider-Sponsored plans that are not in this universe with the results of the organizations focused on Medicare. The three sets shown in Figure 7 are mutually exclusive. Together, they serve 2.7 million Medicare Advantage members. Not included in the comparisons are members served through SNP products.

Since the cost definitions and activities are the same, it is possible to directly compare the Medicare universe with the other two. As shown in Figure 7, the Medicare-focused plans' Medicare Advantage expenses were $8.33 PMPM lower at a median than those of the Blue Cross Blue Shield plans, and 1.8 percentage points lower as a percent of premiums.

Most of the Independent / Provider-Sponsored plans that offer Medicare Advantage are also in this universe, so the IPS column of Figure 7 reflects only two plans this year. Their Medicare Advantage expenses were higher than those of the Medicare-focused plans on both bases.

Figure 7

Medicare Advantage Product Characteristics by Universe, 2025 Results

Medicare Plans, Independent / Provider-Sponsored Plans and Blue Cross Blue Shield Plans

	Medicare Plans	IPS Plans	BCBS Plans	Combined Plans
Total Costs, Per Member Per Month				
25th Percentile	$117.58	$142.56	$131.44	$121.48
Median	127.80	153.59	136.13	131.79
75th Percentile	136.23	164.61	168.27	147.85
Coefficient of Variation	18%	20%	28%	23%
Percent of Premiums and Equivalents				
25th Percentile	9.8%	13.2%	10.3%	9.9%
Median	10.3%	13.8%	12.1%	10.8%
75th Percentile	10.9%	14.4%	14.6%	12.6%
Coefficient of Variation	13%	12%	30%	24%
Plans Offering Medicare Advantage	11	2	7	20
Medicare Advantage Members (millions)	2.0	0.1	0.7	2.7
Comprehensive Total Members (millions)	15.4	2.4	31.9	49.7

Background on Medicare Advantage

Attractiveness of the Product

Medicare Advantage ("MA") is chosen by an increasing proportion of beneficiaries in place of regular FFS Medicare. MA supplies additional benefits above regular Medicare but, unlike Medicare Supplement policies, those benefits are integrated with the standard benefits of traditional Medicare.

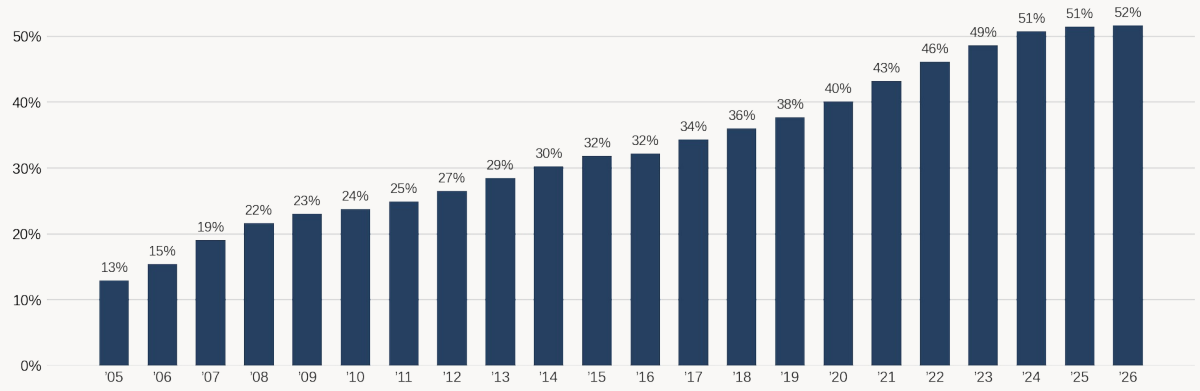
According to the Kaiser Family Foundation, in 2026 more than half of eligible Medicare beneficiaries, 35.2 million of the 64.2 million with both Parts A and B, were enrolled in Medicare Advantage plans, an increase of 1.1 million, or 3%, from 2025. Special Needs Plans accounted for 8.2 million of MA enrollment and for most of its growth. KFF attributes the growth of MA to the supplemental benefits it offers, the availability of zero-premium plans, rebate payments that have doubled since 2017, and the wider availability of Special Needs Plans since the Bipartisan Budget Act of 2018.

In March 2024, Medicare Advantage passed a milestone when a majority of Medicare beneficiaries, 50.8%, chose Medicare Advantage. As of March 2026 the share was 51.7%, up from 51.5% in 2025. There were 68.7 million people eligible for Medicare, including those not purchasing Medicare Part B, a prerequisite to participation in Medicare Advantage. According to the CMS State/County Penetration file, Medicare Advantage plans served 35.5 million people, an increase of 2.5% year-over-year from 34.7 million (please see Figure 8). The KFF count above is lower because it counts only beneficiaries with both Parts A and B.

Figure 8

Medicare Advantage Share of Eligible Beneficiaries

March of each year; denominator includes those not paying the Part B premium



Health Benefit Cost Pressures

Medicare Advantage medical costs remained elevated in 2025. For the plans in the Medicare universe of the Sherlock Benchmarks that participated in both years, the Medicare Advantage health benefit ratio increased by an average of 2.6 percentage points and by a median of 1.9 points, so margins narrowed even as administrative costs were held flat.

How We Performed This Analysis

This analysis is based on the twenty-third annual edition of our performance benchmarks for Medicare-focused health plans. The Sherlock Benchmarks (Sherlock Expense Evaluation Report or SEER) represent the cumulative experience of more than 1,000 health benefit organization years.

Each peer group in the Sherlock Benchmarks is established to be relatively uniform. So, within that constraint, it is open to all Medicare-focused plans possessing the ability to compile high-quality, segmented financial and operational data. This analysis of Medicare plans is based on a peer group of eleven plans that collectively serve 15.4 million people, in which a disproportionate amount of plan revenues came from Medicare products. Of the eleven participating plans, seven also participated last year.

The average plan participating in the Medicare Sherlock Benchmarks this year served 1.4 million people and the median membership was 1.2 million. The geographic reach extended from coast to coast.

Health plans included in the Medicare universe emphasized Medicare Advantage (including SNP), and collectively served 2.1 million such members. It composed an average of 34% of revenues and 14% of membership in comprehensive products. The median Medicare revenue and membership proportions were 35% and 14%, respectively.

Medicaid products comprised an average of 17% of revenues and 21% of membership, or 2.2 million members. They were offered by eight plans.

An average of 43% of revenues and 62% of membership was commercial, or 10.5 million members. Approximately 6.1 million of the commercial members were served under some form of self-insurance arrangement, 58% of the commercial total.

The Sherlock Benchmarks universe of Medicare plans is remarkable because of the high national concentration of Medicare members in relatively few health plans. According to CMS enrollment figures for March 2026, the five largest organizations serving Medicare Advantage serve 68% of the total, little changed from a year ago, with UnitedHealth and Humana alone serving nearly half. Of the 11.3 million members not served by those organizations, the Sherlock Benchmarks for Medicare include the results of 18%. If the 0.8 million members served through other Sherlock Benchmarks universes are included (they are referenced and detailed in an exhibit in the Medicare universe), approximately 24% of those members are included in the Sherlock Benchmarks, as Figure 9 shows.

Figure 9

Share of Medicare Advantage Members, March

CMS State County Penetration files and Monthly Enrollment by Contract, March of each year

	2025	2026
Eligible beneficiaries (millions)	67.3	68.7
Medicare Advantage members (millions)	34.7	35.5
Share of eligibles in Medicare Advantage	51.5%	51.7%
UnitedHealthcare	9.9	9.3
Humana	5.7	7.0
CVS Health	4.1	4.1
Elevance Health	2.2	1.9
Kaiser Permanente	2.0	2.0
Total, five largest (millions)	23.9	24.3
Share of five largest	68.9%	68.3%
Members other than the five largest (millions)		11.3
Sherlock Benchmark participants, Medicare universe (millions)		2.0
Share of members other than the five largest		17.5%
Participants in all three universes (millions)		2.7
Share of members other than the five largest, three universes		24.4%

Reporting Conventions

We employ a number of conventions to make the metrics most beneficial for the audience of Plan Management Navigator.

- The trends reported in this analysis are median changes, and when we refer to PMPM or percent of premium ratios, these too are medians. This convention reduces the effect of outlying values on overall trends and values. Since each median value is calculated independently, the component expenses will not equal the total.

- References to growth rates hold the universe constant in the comparison years unless otherwise noted. Rates of change identified as “as reported” are of health plans participating during both comparison years. When we refer to “constant mix” we are calculating rates of change for that same set of plans after reweighting each plan’s costs to eliminate the effect of plan product mix changes between the years.

- Percent of premium ratios are calculated on a premium-equivalent basis. That is, in the case of ASO arrangements, we build to a premium from fees by adding the health benefits incurred by the self-insured group to the fees for the product. In this way, premium equivalents sum to all of the expenses of health insurance, including profits earned by the health plan, analogous to premiums on insured products. While not in accordance with GAAP, this approach has two advantages: comparability of ASO ratios with those of insured products offered by these plans, and an intuitive appeal to most readers.

- Expenses exclude capital costs and investment income. We specifically exclude interest and similar debt capital costs and other capital formation costs (debt or equity), including transaction costs, and interest payments to providers under “prompt pay” laws.

- Participants in and licensees of the Sherlock Benchmarks will note that the values for Account and Membership Administration and Total Administrative costs reported here will differ from those reported in the Benchmarks. The values in Navigator include administrative expenses associated with pharmacy and behavioral health while the Sherlock Benchmarks do not. Because of variation in employer benefit designs and the propensity for the administration of these benefits to be outsourced, the Benchmark reports carve them out. Tab 2 of Volume I of the 2026 Sherlock Benchmarks reconciles the two presentations.

- The Sherlock Benchmarks report premiums or self-funded fees in a single figure that includes pharmacy and behavioral health, but report benefit costs in components. Where this Navigator compares the two, the components are added back so that both are measured on the same basis: health and other benefit costs, plus pharmacy benefits, less pharmacy rebates, plus behavioral health benefits.

- Medicare Part D is not discussed in this Navigator, but five plans offered this product. The median administrative cost for stand-alone Part D in the Medicare universe was $21.84 PMPM and the mean was $26.53.

- Miscellaneous Business Taxes are a special case among administrative expenses since, short of recapitalization or elimination of commercial insured business, such expenses are impossible to manage. So, expense trends, along with the PMPM and percent of premium ratios, are calculated before the effect of Miscellaneous Business Taxes.

Note on the Sherlock Benchmarks

The Sherlock Benchmarks are the health plan industry's metrics informing the management of administrative activities. They are based on validated surveys of approximately 30 health plans serving over 52 million Americans and provide costs and their drivers on key administrative activities. The Benchmarks are reported in multiple universes of health plans: Blue Cross Blue Shield, Independent / Provider-Sponsored, Larger Plans, Emerging Plans, Medicare and Medicaid.

The Sherlock Benchmarks are the "gold standard" of health plan administrative cost benchmarks. Health plans use them to determine whether their administrative costs are competitive, to prioritize for improvement among numerous specific activities, and to identify cost drivers such as staffing ratios that, overall and within functions, can help implement those improvements.

These Plan Management Navigator results are excerpted from the Medicare edition of the 2026 Sherlock Benchmarks. We earlier reported on the Blue Cross Blue Shield, Independent / Provider-Sponsored and Medicaid editions. Detailed health plan costs and operational drivers are available by licensing the Sherlock Benchmarks.

Tables of contents, report formats, citations, quality assurance and other information can be found at sherlockco.com/sherlock-benchmarks. Our 2026 edition brochure is at sherlockco.com/docs/Brochure, and the Sherlock Company website has an application that allows you to try out the Benchmarks free of charge at sherlockco.com/test-drive.

If you are interested in licensing these materials or have questions about them or about this Plan Management Navigator, we hope you will not hesitate to contact us at sherlock@sherlockco.com. You will be among good company.

Medicare 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
Sales and Marketing	$13.88	$15.46	$17.96	40%
Medical and Provider Management	8.39	9.07	11.50	47%
Account and Membership Administration	22.03	24.10	27.59	21%
Corporate Services	6.96	7.97	10.28	56%
Total Expenses	$53.51	$57.21	$61.22	33%

Medicare Plans' 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	2.3%	2.5%	3.1%	24%
Medical and Provider Management	1.4%	1.5%	1.8%	35%
Account and Membership Administration	3.6%	4.0%	4.2%	16%
Corporate Services	1.2%	1.4%	1.6%	36%
Total Expenses	8.9%	9.3%	11.1%	18%

Functions Included in Administrative Expense Clusters

Sales & Marketing

1. Rating and Underwriting
   - (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
   - (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) 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 and Abuse
      - (6) 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 & Governance
    - (a) Strategic Expenses
    - (b) Management Consulting
    - (c) Other Corporate Executive and Governance
16. Association Dues and License/Filing Fees