

HOW TO CHOOSE YOUR TPA

The 16 risk-mitigating questions you need to ask every TPA before you commit.

A Third Party Administrator (TPA) is an organization that manages employee group benefit plans on behalf of an employer. They have the expertise to administer the entire claims process - a task historically handled by conventional group insurance carriers.

TPAs are responsible for a range of services, from premium administration and billing, up to a full suite of services including maintenance of eligibility records, benefits plan documentation and communication, and claims adjudication.

For small and mid-sized businesses, a TPA can provide group insurance administrative services more cost effectively and with more flexibility than traditional insurance carriers. While a typical administration fee for traditional insurance carriers is 25-35%, a well managed TPA will charge between 12-20%.

How do you choose the right TPA for your company?

While many TPAs are no more than “store-fronts” that use outside processing facilities for all their services, others offer a complete range of in-house services including claims adjudication and payment, securing insurance contracts and drug card printing and delivery.

When choosing a TPA, employers must ultimately understand which critical services reside in-house, which are contracted and how that may impact the accuracy, security and quality of the service they can expect to receive.

» Ask every TPA these 16 questions when evaluating their services:

- 1 What services do you provide in-house and what do you contract out?**
Accurate claims adjudication and rapid claims turnaround are key to both cost and employee satisfaction. Some TPAs offer primarily eligibility and premium administration, with other aspects like claim payment and issuance of drug cards outsourced. With multiple providers involved, it is important to confirm the TPA's privacy policy, and to be informed of any outside service provider so they can be evaluated as well.
- 2 Are you exclusive to any one insurance carrier or free to choose from several based on my company's best interest? If the latter, who do you work with?**
Some TPAs enter into exclusive arrangements with one insurance carrier, while others have professional TPA relationships with a breadth of specialty providers that can offer advantageous rates and coverage for your particular situation.
- 3 Do you work with independent insurance brokers?**
Business owners often have an established and trusted relationship with an independent advisor because they value impartial advice. A good working relationship between the TPA and independent brokers indicates a high level of customer service and proven service delivery.
- 4 Are your customer support staff trained and empowered to solve problems on a client's behalf?**
When you or your employees call for help with your plan, being passed around or lost in an automated system is a frustrating experience. Ask about the TPA's policies and procedures regarding decision making, problem resolution and if a live and knowledgeable person will answer the phone.
- 5 Do you provide a written agreement that outlines all financial terms, services, and fees?**
A financial agreement is key to ensuring that all parties are aware of their responsibilities. This agreement will also specify when benefits plan costs could be changed, and on what basis the agreement could be terminated.

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Can you provide me with your privacy policy?

A TPA will handle very confidential information. You need to be confident they are protecting your information in order to comply with federal and provincial legislation.

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How do you detect and escalate claims fraud?

Fraud detection is an important part of administering your group benefits plan. Ask these key questions when interviewing a TPA:

- Do you have a documented fraud policy?
- Are you a member of CHCAA (Canadian Health Care Anti-Fraud Association)?
- Are your adjudicators trained to identify potentially fraudulent claim expenses and claiming patterns?
- In instances of potential fraud or plan abuse, what is your escalation process?

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Do you provide regular financial reporting with a breakdown of claims paid by type of claim?

This is important to assess your funding surplus or deficit position and make adjustment decisions quickly if required. Some TPAs will provide monthly financial statements to confirm the status of your account.

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Do you carry Errors and Omissions (E&O) and Director's Liability Insurance?

Ask a prospective TPA for a copy of the insurance certificate to be included in their proposal.

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How long have you been in business as a TPA?

As technology continues to improve, many small TPAs have opened their doors, and some offer services at discounted prices. But as always, if it seems too good to be true, it usually is! A full-service TPA will have a robust business presence, and will have a reputation in the marketplace that you or your advisor can research.

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Can you provide recent, established and relevant references?

An experienced TPA should provide you with business references that are similar in type and size to your business. Ask to speak to a mix of recently added clients and mid-long term clients.

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What services are included in your administration fees?

A full service TPA should offer accurate claims adjudication, financial accounting and reporting, tax remittances, and adherence to CRA regulations. When comparing TPA fees, it is important to understand if your administration costs may be impacted by other charges. Ask if there are separate per-claim fees or other service fees in addition to your agreed upon standard fees.

13

Do you produce Drug Cards and Employee Booklets in-house or is this outsourced?

Outsourcing the production of drug cards and booklets can lead to delayed turnaround on new cards and replacement card requests.

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Are you independently audited? If so, by whom and how often?

A full-service TPA will be managing significant funds on your behalf. It is important that the TPAs financial processes are independently audited to verify accuracy and adherence to industry requirements and to ensure that your funds are held in trust.

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Do you offer budgeted ASO plans?

Budgeted ASO plans allow for stable cash flow which is particularly important for small and mid-sized businesses. Under a budgeted ASO plan, fluctuating claims will not jeopardize the financial stability of your plan.

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Are your members restricted to a preferred network?

Similar to the HMO model in the United States, some TPAs restrict their members to certain health care service providers such as dentists, physiotherapists, etc. Ask the TPA if their plans are open or restricted and decide if flexibility is important to you and your employees.

» Talk to your Employee Benefits Advisor about choosing the right Third Party Administrator for your business.