



TPA SELECTION PROCESS PAPER “MAXIMIZING YOUR TPA RELATIONSHIP”

MAXIMIZING YOUR TPA RELATIONSHIP

Self insurance, individually or through Self insurance groups, trusts or funds (SIGs), can be a wonderful vehicle to help companies take control of their workers compensation costs. One of the fundamental factors to the long-term success of a self insurance program is finding the right business partners. While there are numerous key relationships - the program manager or administrator, the loss control service provider, the excess insurer to name a few - perhaps the one with the opportunity to most impact the individual or SIG's financial results is the third party administrator (TPA). Partnering with the right TPA, whose interests, goals and objectives are aligned with yours and who takes an aggressive and proactive approach to managing your claims, is what will help provide the best resolution for injured workers and pay "dividends" to the individual or SIG and its members. This paper will help you to identify the questions that you should be asking the TPA, and yourselves, as you go through the process of identifying and selecting a TPA, and re-evaluating the relationship on an on-going basis.

SELECTING A TPA

Many factors will go into your decision in selecting the TPA that is right for your organization. When considering potential TPAs for your program, you will want to make sure you address some key areas.

Stability:

- How long has the TPA been in business?
- What kind of turnover has the TPA had in its staff, in its clients?
- Is the TPA (and its parent company, if applicable) financially solid?
- Has the TPA recently merged or acquired another TPA? If so, what were the reasons for this?

When interviewing potential TPAs, make sure you review their financial statements and address these questions about their business. Instability in any of these areas could be a red flag for potential problems down the road.

Management and Service Team/Organizational Structure:

In order to develop a strong relationship with your TPA, there needs to be consistency with the individual(s) handling your program. You want your members to know their adjusters and, perhaps even more importantly, the adjusters to be familiar with your members, how they run their businesses, etc.

- Who will have overall responsibility for your program?
- What is the structure of the claim management team (manager, supervisor, senior adjuster, medical-only adjuster...)?
- What kinds of backgrounds and credentials do the adjusters have? Do they hold the necessary licenses? The TPA should provide bio's of key personnel and organizational charts.
- How long have the adjusters worked for the TPA?
- How long have the adjusters worked in the industry?
- Does the TPA have a history of developing and educating their staff and promoting from within?
- Who, specifically, will be working on your account and what is their experience? What is the backup plan?

- Will the adjusters be designated or dedicated to your account?
- Will you require/will the TPA seek written consent prior to changing individuals in key roles (assignability)?
- What kind of clients does the TPA have now? Do they have expertise in your industry?
- What reputation does the TPA have in the industry?
- Does the TPA maintain good relationships with regulators, excess carriers, and other vendors?
- Most excess carriers require pre-authorization of the TPA. Ensure that the TPA is or will be approved by your excess carrier
- Can the TPA supply relevant client references?

Service Standards - Special Account Instructions (SAI):

In generating a request for proposal (RFP), it is imperative that you are clear with regard to the service standards to which you expect the TPA to adhere. These are important to establish up-front and to measure and re-evaluate together as you move forward in your relationship. Among other things, service standards should include requirements for:

- Adjuster caseloads (the maximum number of active indemnity files the adjuster should be handling at any time). Typical maximum caseloads range from 125 to 150 indemnity files, however this may vary based on jurisdictional needs and requirements;
- Acceptable timeframes for three-point contact on indemnity claims (with the injured worker, the employer and the treating physician) on lost time claims and two-point contact on medical-only claims (with the employer and the treating physician). A period of no more than 24 to 48 hours is suggested, with attempts at contact clearly documented in the file (including sending a note to the injured worker if other attempts at contact are unsuccessful);
- Obtaining written/recorded statements from the injured worker on certain types of claims or under certain circumstances;
- Reserving practices – how quickly are initial reserves established, how often are reserves reviewed, and what is the goal for getting the claim value to probable ultimate cost?
- Timely notification of any significant (\$25,000 or more) increase or decreases in reserves;
- Turnaround time for payment of medical bills;
- Timeliness of filing required reports with the state;
- Timeliness of filing catastrophic claims with the excess carrier;
- Attendance at Board and/or committee meetings – who, how often;

Report generation – what reports, to whom and how often.

KEY ADJUSTING CONCERNS

Subrogation

- Does the TPA handle subrogation?
- Do they have the expertise to handle internally or is this outsourced?
- If outsourced, what are the costs involved?

Litigation Management

- What techniques are utilized by the TPA for litigation management?
- How is the litigation function monitored by the TPA?
- Does the TPA use legal bill audit software?
- Do representatives from the TPA attend settlement conferences and related key legal proceedings?

Diary System

- What type of Diary System does the TPA's Claim System have?
- How often are adjusters required to diary claim files?
- Are there back up diaries to supervisors and or managers to monitor claims? How often does the supervisor/manager review claims?

Systems and Reporting Capabilities:

To successfully manage your program you must receive timely and meaningful information on your results and trends.

- What kind of reports and analysis does/can the TPA generate and how often?
- How is the accuracy of reports verified by the TPA?
- How can/will you receive the reports?
- Will you and your members have online access to view real-time claim information?
- How often will claims reviews occur?
- What types of medical analytics does the TPA provide/utilize to help positively affect the outcome of a claim?

Location, location, location:

The ideal situation, for the best outcome for your claims, is to have your claim adjusters located relatively close to your organization and its' members (if applicable). Determine if the TPA you are considering has offices covering your area. This provides flexibility for your adjusters to meet with your members and with injured workers in person when appropriate, to attend Board or committee meetings as desired, to attend hearings and conferences, etc. This will also help to ensure that they are familiar with regulations and requirements particular to your state. If the TPA is not local, consider their expertise in your industry and whether a lack of local presence would have a negative impact on your program.

Pricing:

When it comes to pricing, less is not always more. It is important to understand exactly how the TPA's services are priced, what is included in their fee, and what isn't. Understanding this will better allow you to compare and contrast the fees charged by the various TPAs to determine what services and fee structure make the most sense for your program. Transparency is key here. And beware of rock bottom pricing. Sometimes, you get what you pay for.

- Do the TPA's fees cover the life of the claim, or the life of the contract? Will additional claim handling fees apply after a period of time?
- If the fees are for the life of the claim, does the TPA defer a portion of their revenue to cover future costs of handling current claims?
- Will a portion of the TPA's fees be based on meeting certain performance standards or achieving certain results? If so, how will these be measured?
- Does the TPA have a separate initial fee for taking over your existing claims?
- Will there be a separate charge for transferring the electronic claims data from the current TPA into the new TPA's system?
- Will you pay extra for certain services or custom reports?
- Does the TPA include any "special" services in their pricing?
- What services are charged directly to the claim file and how are they priced?
- What services will be provided directly by the TPA and what will be contracted out to vendors?
- Do outside vendors have adequate levels of insurance (E&O) etc. Who verifies this requirement?
- Can the TPA bundle or unbundle services with/without your permission?

For contracted services, you should ask for the names and bios of vendors commonly used and how their services are billed. Alternatively, you may request/require that they use the services of vendors with whom you already work and have a comfort level.

Management and Control Environment:

As your business partner, the TPA will have access to sensitive and private data on injured workers and will also manage the funds and payments to your injured workers and other claim service providers. A strong internal control program is mandatory to ensure that your self insured entity and injured workers will be adequately protected.

- What kind of internal control environment does the TPA maintain to ensure proper segregation of duties, control over funds, no duplication of payments, etc.?
- Does the TPA conduct internal claim audits of adjusters on a frequent basis? Can they provide details and examples of the internal audit measures?
- Can the TPA provide an SSAE16 or similar report attesting to its control environment?
- What steps has the TPA taken to ensure the privacy and security of sensitive claimant data, both physical and electronic?
- Will the bank account out of which claim payments are made be in the name of the program or the TPA?
- What controls will you require over the payment of your claims? Will a second signature be required on claim payments over a certain threshold?
- Does the TPA maintain adequate levels of E&O coverage to protect your program in the event of employee dishonesty or misappropriation?
- Does the TPA have cyber liability coverage to address exposures surrounding gathering and maintaining sensitive data?
- How are fines for late reporting or payments to injured workers tracked by the TPA? How is the self-insured made aware of levied fines on claims? Are payments of fines being charged to the file or does the TPA pay directly?
- Are there any conflict of interests within the TPA and Vendors? Does the TPA require conflict of interest information from its employees?

Transition Management:

While the goal of a Self-Insured is to work towards a long term partnership with their TPA, changes can and do occur for many reasons. When that happens it is very important that a smooth and efficient transition take place to ensure compliance. Both the current TPA and the new TPA have a number of core items which need to be completed in order that a successful transfer takes place. With all the electronic data which is now exchanged, one broad critical component is that the IT department of each TPA will need to work very closely together, even more so where a paperless environment exists.

For the current TPA who is transferring the claims, some of the key items which need to be prepared are:

- A detailed loss run showing, at the date of transfer, all open, re-opened and closed claims along with the current reserves;
- A report which displays all the files which have been reported to the excess carrier – along with a listing which shows who the excess carriers were through the years and the self insured retention (SIR) for each;
- A report which shows all claims that are currently drawing some type of workers' compensation indemnity benefits – the current weekly/bi-weekly/monthly amount and duration/pending awards;
- A data exchange into the new TPA's system which will load all open, re-opened and closed files showing all past payments which will allow the new TPA a way to monitor for future excess reporting
- Physical files/hard copies should be sent in alpha order and tagged with which files are currently receiving indemnity benefits (assuming they are not paperless);
- Current medical bills requiring processing should be attached to the particular file in order that they can be processed quickly.

For the new TPA, some of the core items which need to be addressed should be:

- Since this was likely an RFP – make sure your claims team is on staff (new or existing) and ready to tackle this assignment from day one;
- Once the new files are received, a goal of 30 days should be set to review the files, set up diaries, review reserves, make all time sensitive medical/indemnity payments and place notes in the system;
- A form letter should be prepared to go out to all parties involved with the claims indicating the change, contact information, mailing address etc. Sometimes the current TPA will do this, but not often;
- A meeting should be scheduled within 60 days in with the new TPA, enabling the TPA to provide an overview of what they are finding on each claim and the direction it needs to take.
- What payments will the departing TPA be instructed to issue to avoid late payment of benefits, fines and disruption with the injured workers?

In addition to the above, if the former TPA was the Responsible Reporting Entity (RRE) for MMSEA (Medicare, Medicaid and the SCHIP Extension Act) reporting compliance, each TPA representative who has ownership will need to closely coordinate the electronic data transfer ensuring all information is correctly sent. This is a critical component with the level of reporting fines which can be levied.

MEASURING AND RE-EVALUATING YOUR RELATIONSHIP

SPECIAL ACCOUNT INSTRUCTIONS (SAI):

After selecting your TPA your work isn't done. When you begin a new relationship, and ideally on an annual basis thereafter, the Board and the TPA should set mutually agreed upon goals and service standards. As you periodically measure and evaluate your TPA, it is good to re-visit the reasons you chose them in the first place. Have they made good on promises and deliverables? Have there been changes in their corporate, management or service team structure that have or could impact their services? Does the TPA do a good job communicating to maximize information shared and minimize surprises?

Does the TPA still share the same philosophical and ethical standards values that your organization holds? Do they treat their own employees with respect and dignity? Has their corporate mission statement changed?

Claim Audits

One of the best ways to objectively evaluate the performance of your TPA is through claim audits performed by outside consultants, either annually or on a regular basis. Through their review of claim files and system notes the auditor can, without bias, provide feedback on how actively your claims are being managed and whether established service standards are consistently being met. In addition to consultants, audits by state examiners and your excess carrier will also provide you with valuable program and claim management insight.

Addressing Problems

Relationships are often not without their bumps, and not all personalities mesh. A good TPA will listen to your concerns and implement changes (reporting needs, changing adjusters) when necessary to ensure your satisfaction. Is your TPA flexible and responsive to your needs?

At the same time, when evaluating issues with your TPA relationship, it is important to objectively look at your practices and expectations and to be open and willing to making changes where necessary. You don't want to change TPAs just to find that you have the same problems with the new one.

Communication

Is your TPA easy to reach?

Do your members receive prompt responses to their inquiries?

Are reports and other deliverables sent in accordance with established timeframes?

Is your entity/Board kept informed of trends and potential issues?

Program Results

Is your TPA pro-actively managing your claims?

Are reserves reviewed regularly and adjusted appropriately and timely?

Are claims being closed timely?

What is your ratio of claims in litigation to total lost time claims?

Your relationship

As companies grow and change, their focus can change as well. Sometimes the change is for the better (enhanced management focus on service, for instance), sometimes it is not (strain on resources, diminished focus on the relationship with your organization). Is your program as important to your TPA as it was when your relationship began?

At the end of the day, the best case scenario for your self insured entity is to identify and maintain a sound, long-term relationship with a TPA that will allow you to leverage the TPA's experience, knowledge of your industry, and familiarity with your members for the benefit of your program. Occasionally, when things go off track, changes may need to be made. Ultimately, the key to a successful partnership with your TPA is similar to the keys for any successful relationship—mutual respect, strong communication, and consistent business goals and objectives.

ABOUT SIIA

The Self-Insurance Institute of America, Inc. (SIIA) is a national trade association that represents companies involved in the self-insurance/alternative risk transfer marketplace. Additional information about SIIA can be accessed on at www.sia.org, or by calling **800/851-7789**.