How Third-Party Administrators Can Save Millions

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Rising costs, along with the evolving legal landscape of offering employee medical benefits, affect us all. Many employers have recognized that the best way to manage employees' benefits, and increase cost control, is to have a self-funded plan.

More than 60 percent of employer medical benefits are self-funded. Why are so many companies choosing to self-fund? It is simply business economics. Often it costs far less, because any savings remain with the plan, instead of being kept by an insurance company.

Employers who are self-funded frequently employ third-party administrators (TPAs) to help them administer the benefits. The TPA processes claims, helps the employer manage the plan, and advises best courses of action to ensure compliance and efficiency.

However, not all TPAs are created equal, and many of them will not want to help their employers embrace the free market in medicine because it may hurt their own bottom line. They have devoted their business model to working with carrier networks and preferred provider organizations that limit the employer's ability to directly negotiate with independent physicians or facilities. This restricts their self-funded clients and forces the physician and patient to work through a middleman.

There are ways to spot the "good guys" and create good relationships with them and their self-funded clients.

If your practice or facility would like to work with self-funded employer plans, the first step is to ask your local employers whether they are interested in this type of arrangement. The following checklist can be used to determine whether their TPA will be willing and able to embrace a direct relationship, and if not, to help the employer find a TPA who keeps the client's best interest in mind.

How to Identify a Good TPA

1. The TPA will always look for long-term solutions, not temporary fixes. When a TPA is working in the client's best interest, and not out of self-interest, the administrator will seek solutions to the client's specific needs to help the client take control of the plan. The goal is not to blindly pay claims, nor is it to shrug off concerns by stating "that's not what the PPO contract says." The TPA should be willing to stand up for the client and the employees' interests, and their dollars. The client must not be forced to do something merely because it's in the TPA's best interest. The client is the plan sponsor and its named fiduciary. Decisions about benefits, claims, and plan maintenance are always the client's to make.

2. The TPA will believe in and promote transparency at all levels of business. Instead of relying on the PPO to simply decide the price, the good TPA seeks out physicians and facilities that believe in transparency, free-market principles, and excellent care for the client's employees. Medical prices have been hidden from consumers for decades, allowing rampant price-gouging. The good TPA explores partnering with like-minded medical professionals who believe that together they can change the way people make medical purchasing decisions, and therefore change the landscape. The TPA should also be transparent about its own business practices. For example, how is the TPA paid? Is it on the basis of a percentage of the client's stop-loss coverage, or is it fully disclosed as a per-employee fee? The TPA's proposal should always state true administrative fees in total dollars. Being paid on numerous, difficult-to-track line items, and/or on a percentage of an unknown number, can make TPA compensation far higher than is stated. This is never in the client's best interest.

3. The TPA will promote employee education. When an employer has a self-funded plan, employee education is the first priority. The TPA should not merely show up at renewal time and hand the client a spreadsheet of stop-loss quotes. TPA interaction with the client's employees needs to be frequent, and focused on educating them about what having a self-funded plan means. The dollars they save stay with the employer and help the business thrive. This translates into lower contribution amounts for the employees and their families, higher raises, and a more stable employment environment.

4. The TPA will offer innovative programs that encourage employee participation through incentives and education. The good TPA will offer inventive programs and tools that motivate employees to seek valuable care—that is care based on price and quality. For example, the Kempton Group Administrators (KGA) promotes the ideas of transparency and quality with the Kempton Premier Provider™ (KPP) program. Program members, like the Surgery Center of Oklahoma, agree to let KGA clients use their cash pricing because the plans are all self-funded. Clients benefit by paying claims that are up to 80 percent less than at other facilities, and employees benefit because all procedures performed at a KPP are covered at 100 percent with no out-of-pocket costs. The facilities benefit by being paid quickly from a simple one-page invoice, and have no accounts receivable to chase. Everyone benefits.

Direct Primary Care

Recently, Direct Primary Care (DPC) has been a big focus in the free market. Our group has begun to promote DPC to self-funded employers as a way to reduce medical costs. DPC physicians focus on patients' long-term health, and greatly reduce specialist and emergency department visits, as well as hospital stays. They also believe in referring to like-minded consultants who share their belief in medical independence and the free market. Introducing DPCs into a self-funded medical plan may generate more claims dollars at the primary-care level, but in the long term will greatly reduce total expenses. Additionally, including a DPC physician benefit is a pronounced morale boost for employees because they get more one-on-one attention.

The Common Goal

Good TPAs, by recognizing the value offered by free-market physicians and facilities, help achieve the employer's goal: "Happy and Healthy Employees, in the Most Cost-Effective Way Possible." With this goal in mind, it is never in the employer's best interest to work with TPAs who look for ways to deny care to employees and their dependents.

As an independent physician, you can grow your business and stay independent by working with your local self-funded employers and their TPAs to treat employees. When an independent physician chooses to embrace the free market and compete for business by seeking out other business partners in this way, it can change medical care in the local community for the better for all.

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