

Case Study

For School Districts, Not All TPAs Are the Same.

A transition from an administrative claims processor to a strategic TPA partner modernized and customized one consortium's health benefit plan for long-term success

Summary

In the late 1990s, a large school district consortium (the Consortium) in Northern New York was looking for validation from its consulting team that its current health benefit plan and third party administrator (TPA) were properly aligned to offer its nearly 11,000 plan members a comprehensive, affordable, and modern health plan. After a thorough request for proposal (RFP) process vetted a variety of plan administration options, the Consortium identified a strategic TPA partner that could modernize its self-funded benefit plan in an affordable and customizable manner. The same TPA has been helping to guide the Consortium's benefit plan and provider network strategy for almost two decades, and the financial results have more than justified the original transition decision.

The Problem

In 1996, the Consortium and its benefit plan consultants were ready to expand beyond the basic major medical plan that it was offering to its valued employees for the past several years. The Consortium recognized that there would be value from both an employee recruitment and retention, and union satisfaction perspective, to offer a health benefit plan that truly encompassed a complete coverage model, including hospital, prescription drug, and vision coverage. In order to successfully offer a comprehensive medical benefit, the plan would need to be supported by two important elements:

- A strategically minded TPA that could guide benefit design best practices
- A strong provider network that gave members access to high-quality, conveniently located providers

The Process

In 1996, the Consortium worked with its long-standing consulting team to issue an RFP for medical benefit plan administration services. Though currently self-funded, the Consortium was willing to consider:

- A fully-insured health plan product sold by an insurance carrier
- A self-funded plan managed by an administrative service only (ASO) arrangement administered by an insurance carrier

- Continuing a self-funded financial model, but with a new TPA that could offer data analytics, a long-term vision for the Consortium's benefit plan, and a responsive service model: three criteria that it felt was missing from its current TPA arrangement

The Consortium's primary requirements for its new health benefit plan were:

- An administrative partner that would work in tandem with both the Consortium and its consultant to develop an affordable benefit plan design
- Responsive service from a strategically minded account management team
- An administrative partner that maintained a positive reputation across New York State for service and financial reliability
- An expansive provider network that gave plan members convenient and varied access to high-quality care

The Continued Benefits of Self-Funding

After reviewing all the options available, the Consortium's first decision was to remain self-funded. As a consortium comprised of individual school districts with individual employee needs and union contracts, the Consortium needed to maintain a self-funded plan that would give it flexibility over benefit design nuances based on eligibility and employment status at the school level.

Visionary Plan Design Solutions for Long-Term Success

The next decision to be made was which TPA could best lead the Consortium through the radical benefit plan design changes it needed. As part of the proposal process, each bidder submitted a recommendation for the Consortium's plan design with the goal of providing affordable comprehensive benefits. One TPA's proposal was predicated upon a concept that was considered revolutionary at the time: a preferred provider organization (PPO) plan model. Recommending a transition from a major

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medical plan to a PPO would give the Consortium everything it needed:

- Comprehensive benefits
- Tiered in and out-of-network coverage that would steer members toward lower cost in-network providers
- The financial benefits of contracted provider cost savings

The Consortium and its consultant agreed that the recommended PPO plan, administered in a self-funded model, would offer customization, flexibility, and cost savings. However, all agreed that the success of the PPO plan design necessitated a strong provider network. The selected TPA would have to offer an affordable and comprehensive provider network.

A Proprietary Network Solution

The Consortium's final selection was a TPA that could offer a provider network with a wide range of quality care providers, with deep discounted rates, that could support the desired PPO network. It was the same TPA that proposed the PPO plan as a forward-thinking benefit strategy for long-term self-funded success. The chosen TPA maintained its own proprietary network of local, regional, and national providers. Compared to other TPAs that were offering leased carrier networks for additional administrative fees, the TPA that maintained its own network, with the ability to recruit and custom-negotiate rates on behalf of the Consortium, proved to be the clear choice for the multi-faceted, fully integrated solution provider that the Consortium required.

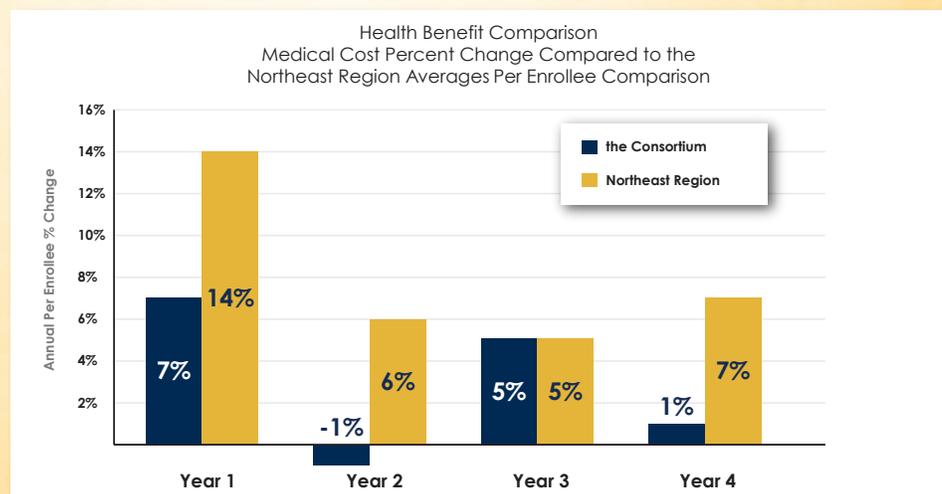
The Payoff

Almost two decades later, the Consortium is still with the same strategic TPA partner. The Consortium still values this TPA as a member of its benefit plan oversight committee. The self-funded PPO plan and proprietary network solution implemented in 1997 have been so successful for the Consortium over the past several years that it has required, or desired, little to no structural changes to its benefit plan design since its implementation. The Consortium also continues to partner with the same consultants that helped to guide it through the RFP process in 1996. Every one of the consultant's administrative and financial reviews since the TPA transition has reinforced the Consortium's decision to:

- **Remain self-funded**
- **Implement a PPO plan**
- **Partner with a strategic TPA offering a strong proprietary network**

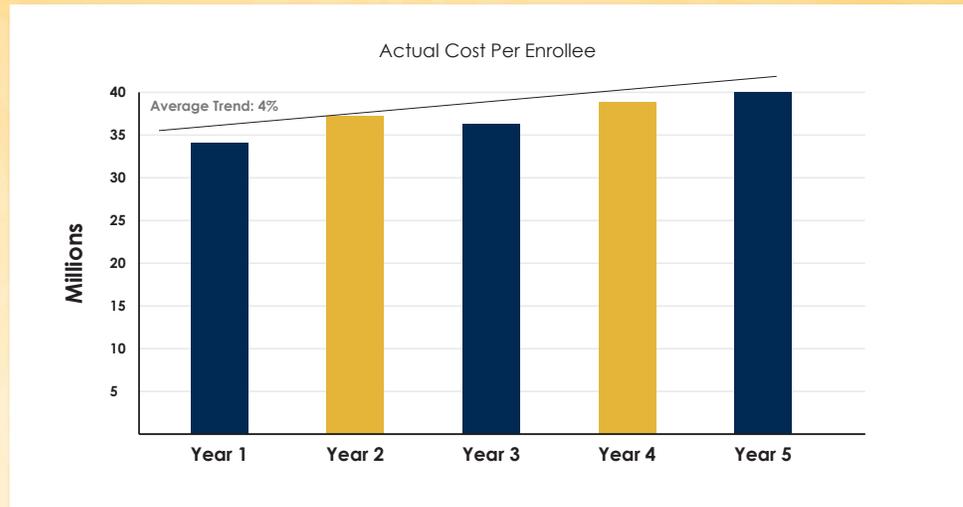
According to an analysis completed in 2014:

- If the Consortium's health plan costs had increased by the northeast regional average for self-funded benefit plans, as reported by Mercer, the plan's total medical costs would have been **\$21 million higher** over the previous four-year time period. This analysis demonstrates that the Consortium TPA's cost-containment strategies and network discounts exceed the claims capabilities of regional competitors.



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- The Consortium's average cost per enrollee trend over the preceding five years was only 3.2 percent, outperforming both the self-funded and fully-insured industry averages
- Finally, the Consortium's plan cost trended, on average only 3.65 percent over the preceding five years, again outperforming both the self-funded and fully-insured industry averages



As part of the standard procurement process, two RFPs have been issued for continued health plan administrative services for the Consortium since 1997, and both have reaffirmed the decision for the Consortium to remain with its current strategic TPA partner.

In addition, since 1997, the Consortium's leadership has benefitted from exceptional account management that has continually resulted in regulatory compliance, financial success, and satisfied membership. Not just a claims processor, its strategic TPA partner serves alongside the Consortium's consultant and its plan manager, to provide benefit insight to the group's executive committee, benefit review committee, and its board of trustees.

To start your own success story, or to learn more about the benefits of self-funding, call POMCO at 800.934.2459.