

Abstract: Whether an organization is transitioning from a fully insured plan to a self-funded plan, or is currently self-funded and issuing an RFP for services, the relationship between the self-funded organization and its benefits administrator is essential to the overall success of a benefits strategy. Just as with any other important decision, choosing a third-party administrator (TPA) can be a difficult task, and one that can mean the difference between meeting or missing corporate goals.

Self-funding is a financial strategy; therefore the work of the carrier or TPA supporting that strategy should be entirely integrated into administrative operations. A business partner that offers a true professional benefits administration platform, rather than just routine TPA services, is invaluable in today's complex healthcare industry. A valuable TPA partner should have the expertise to strategically design and administer a plan that is fully customized to meet the organization's goals—providing its plan members with access to high-quality benefits at the most affordable cost.

When evaluating prospective plan administration partners, a network discount comparison is usually the first step. Too often, however, it is the only tool used to select an administration partner. The discounts offered by provider networks can deliver significant and obvious savings; yet they are only one aspect of the strategy needed to provide optimal benefits at minimal cost to your company. There is greater opportunity for significant savings in implementing a holistic cost management approach, one that focuses on reducing claim costs and increasing processing efficiencies across all aspects of the health plan. In addition, a true administrative partner should have the ability to drive plan strategy based on the employer's benefit utilization, claims and clinical data, and predictive modeling.

Given the many aspects of the plan a TPA may be managing, key benefit opportunities are often a moving target, especially in light of continuously changing, federally-mandated regulations. The ideal professional administrator should be adept at creatively optimizing goal performance within the confines of federal mandates, including those for benefits, eligibility, employee contributions, and wellness plan incentives. It is critical to partner with a carrier or TPA with a proven track record of success, one fully capable of providing a holistic, tailored business solution. But what measures determine a proven track record of success?

This guide will help you identify an expert benefits partner able to assist in managing your benefits strategy. The following is a list of the top items necessary to find the administration partner best suited to optimize your plan's performance.

1. Flexibility in Benefit Design

Unlike fully insured health benefit plans, a self-funded plan model offers your organization the ability to fully customize your plan design in order to meet specific needs and goals. While insurance carriers may claim to provide full plan customization through administrative services-only (ASO) arrangements, they are typically restricted by systems that

only process claims for pre-determined products, and do not allow for true customization. If you intend to either move to a self-funded financial strategy or change carriers/TPAs, but have a desire or need to maintain your existing plan design (possibly due to collectively bargained agreements), make sure that any TPA or carrier you are considering is able to not only customize your existing plan design, but mirror it exactly. Even if your plan has unique features—such as non-standard limits on non-essential benefits, participating provider arrangements, or tiered plan design options based on union or employer group affiliation—ensure that your benefits partner has the system-wide ability to replicate your contractual arrangements.

2. Cost-Containment

A self-funded cost containment strategy should focus on mitigating unnecessary plan payments, like those from provider billing practices, rather than simply denying services or shifting costs to members. A medical record review can achieve significant savings by identifying instances when a service was incorrectly coded—resulting in a higher charge—or when protocols set out by the plan were not followed. It can also uncover billing fraud and abuse in the process of flagging inappropriate services. The success and thoroughness of these steps will set a valuable business partner apart from a typical TPA.

While a typical insurance carrier or TPA will limit its administrative role to paying claims based on contracted rates, a strategic benefits partner will go beyond simply paying claims. It will have audit review processes in place to proactively reduce the plan's payment on every applicable claim, beyond network discounts. An expert benefits administration partner will have the ability to offer multiple cost-containment strategies, such as: proactive payment reductions for proper coordination of benefits; eligibility auditing, including dependent and Medicare eligibility verifications; fraud and abuse protections; subrogation and workers' compensation coordination; case management of members with catastrophic claims through appropriate treatment strategies; wellness programs; and other benefit leakage protection strategies.

Another important, and often overlooked, factor in cost-containment is the application of predictive modeling to develop benefit design and support strategies throughout the year. The ability to analyze your own member data is a valuable benefit of self-funding, but having a partner that

knows how to take claims data and turn it into an actionable strategy for cost-mitigation is even more valuable. A strategic TPA with the systems and expert staff to complete true cost-containment services should be able to monetize its cost-containment strategies and report on itemized annual savings.

3. Reporting

Having access to claims and clinical data is essential to making educated plan decisions. However, the access itself is only a portion of the equation, since the manner in which the data is analyzed and used in predictive modeling is just as important as access to quarterly financial reports. An experienced TPA will not only invest in advanced technology that can produce fully customized, easily accessible reports, it will also utilize clinical data and plan utilization data to develop predictive modeling. The models can support strategic decisions on plan benefit design, wellness and disease management programs, plan eligibility guidelines, and stop-loss integration.

A true TPA business partner will collaborate with both the plan administration team and its broker or consultant on a continual basis, to identify opportunities that are in the plan's best interest relative to pre-determined goals. A collaborative TPA, one that maintains open lines of communication and holds routine integrated team meetings throughout the year, will foster the most opportunities for strategic success.

4. Service Model

While cost is a primary indicator of plan success, plan service elements are often the underlying reasons organizations issue an RFP. When evaluating a TPA, be sure to examine the service model not only for you as the client, but for your members and providers as well. It can be argued that the ability to fully customize plan design is self-funding's most powerful benefit; however, full customization makes it more complex to achieve high service levels. Since no two self-funded plans are alike, customer service representatives must have extensive knowledge of varying plan designs and translate the intricacies of plan documents to customers accurately. A thorough understanding of the benefit administrator's claims training process, as well as a review of key customer service performance indicators, will provide insight into the quality of service your members can expect to receive. In addition, your plan administrator should inquire about dedicated customer service units—those in which established teams of customer service representatives are assigned to specialize in a limited number of employer plans. This dedicated service structure results in service representatives that are more knowledgeable about the plans they service—and as a result, able to offer a better member experience—as opposed to service representatives who are expected to answer questions on all plans administered.

Also, from a member satisfaction standpoint, look for a partner with a fully-staffed and -trained customer service unit

dedicated to first-call resolution. A first-call resolution strategy aims to answer a caller's question upon their first interaction with a customer service representative, eliminating the need for return phone calls, either from the service center or the caller, on the same issue. For both patients and providers, there can be no greater frustration than time spent on hold, being transferred among departments, following up with multiple phone calls, or trying to obtain answers from an automated menu.

Take notice of the TPA's client philosophy as well. The ideal administrative partner has an account management team as responsive and attentive to its clients as its customer service department is to members and providers. With an ideal benefits partner, your account manager will be your single point of contact for all needs throughout the partnership. That account manager will bring proactive recommendations and strategic guidance to your benefit management team. He or she will provide proactive updates on compliance and regulatory mandates, as well as financial experience reporting and predictive modeling analyses on a schedule that meets your needs.

5. Integrated Services

A comprehensive self-funded plan can contain many additions to core plan elements, including medical, dental, and vision plans; consumer-driven health plans; workers' compensation and disability plans; case management; wellness and disease management programs; pharmacy integration management; employee benefit statements; online enrollment; back-office support for human resources administrative teams; and more. A benefits partner with the industry expertise and systems to integrate the administration of these services not only streamlines administration from an employer perspective, but optimizes overall cost control and helps ensure proper fund management. A partner that can strategically integrate the administration of both your health and workers' compensation plans, for example, can help ensure that accidental injury claims are properly categorized and paid for under the proper budget and benefit plan.

6. Compliance Expertise

Prior to the Affordable Care Act (ACA), issues such as HIPAA, COBRA, and general plan compliance dominated the health benefits regulatory world. Since the ACA was implemented, self-funded organizations rely on their administrators to educate them on the various, ever-expanding health care reform laws, to ensure their decisions are both beneficial and compliant. Benefit partners with internal compliance departments have shown a more thorough understanding of the ACA and its implications. For general plan compliance, an internal compliance team offers more immediate access to information, and often engages in direct and consistent communication with your organization without incurring ad-hoc consultative fees.

7. Provider Network Expertise

A truly strategic TPA partner will offer services beyond regional and national network development. While many TPAs lease networks at an additional cost, those with their own proprietary network and on-site network development experts will offer the most value. Internal network experts can assist with custom network development—a cost-saving strategy for plans able to steer member utilization patterns. A strategic partner with network management expertise will analyze your claims data and recommend unique plan designs that drive members to preferred partners, using a tiered benefit structure. This type of customization in a self-funded strategy allows for strategic partnerships with valuable local providers. Steering members to these first-tier providers enables those providers to offer the greatest discounts possible—helping to lower overall plan costs. A strategic benefits partner will have the relationships and predictive modeling capabilities needed to design the best possible domestic network strategy, one that considers your population’s needs and utilization habits to optimize your plan’s performance.

8. PBM Management

Choosing a self-funded plan not only allows you to choose your administrative partner, but also your pharmacy benefit manager (PBM). Like selecting a TPA or carrier, selecting the right PBM for your organization will ensure that the PBM’s administrative experience and service offering capabilities are aligned with your corporate and benefit plan goals. A strategic benefits partner will help you select the right PBM to administer your prescription drug plan. Ideally, you should be offered aggressive, negotiated contracted rates with more than one PBM, as well as an integrated service model with such benefits as a single member identification card, integrated reporting, case management coordination, and eligibility file sharing. If you are looking to change administrators but keep your existing PBM, a desirable benefits administration partner should not restrict or limit your PBM choice, but should accommodate your existing partnership and integrate your health and prescription drug plans accordingly.

Accessing a PBM contract through your benefits administration partner should be seamless, with the benefits administrator acting on your behalf to ensure proper prescription drug plan execution by the PBM. Your benefits administration partner should routinely audit your PBM’s contract and claims data to ensure accuracy. Also, unlike an insurance carrier, a true administrative partner should return 100% of all prescription rebates to the plan, rather than absorbing them as profit.

9. Stop Loss Reinsurance Administration

For many self-funded plans, but especially those for less than 1,000 employees, adding a level of stop-loss reinsurance protection can help protect your budget from unexpected catastrophic claims. All benefit plans, both fully insured and self-funded, experience catastrophic claims. A strategic and collaborative benefits partner, one with access to your previous claims history and employee census, will be able to strategically guide you as to how stop-loss protection at the specific and/or aggregate levels would benefit your plan ROI. Your partner should then provide strategic guidance as to the deductible threshold, protection terms, and contract length that will best suit your needs. They should provide you with annual contracts for review, taking into consideration such options as contract type, terminal liability protection, advance funding and aggregate liability protections.

Proper stop-loss administration does not end once the contract is secure. An efficient and responsible TPA partner should actively submit claims to the carrier per the terms of your contract arrangement throughout the plan year—ensuring that you are receiving every reimbursable dollar owed in a timely manner. This requires proper coordination with your chosen PBM partner, providers and facilities, case management coordinators, claims processors, and financial analysts—once again proving the necessity of a TPA partner with a holistic and integrated approach to plan management.

For more information on how to select the right benefits partner for your organization, contact POMCO at 800.934.2459.

About POMCO

POMCO is one of the nation’s largest third-party administrators integrating customized services to develop comprehensive, cost-effective solutions for clients. Comprised of specialized divisions with a united focus on offering customized, flexible employee benefits, risk management, and outsourcing options, as well as personalized employee benefit statements, POMCO was established in 1978 and has offices throughout the United States. **Visit POMCO.com for more information.**