

Strategies for Selecting the Right Third-party Administrator

Finding the right third-party administrator (TPA) can be challenging, and organizations often underestimate the time and resources required to select the best candidate for their needs. However, understanding the importance of finding the right TPA and exercising due diligence can pay dividends by ensuring a smooth and cost-effective plan operation and minimizing legal risks.

Why organizations use TPAs

Unlike insurance providers that sell coverage, TPAs provide administrative and operational services most often for employers with self-insured health plans. Some services they provide are claims processing, management, and reporting. TPAs can also help organizations with plan design and implementation. TPAs charge fees for their services and may earn commissions from premiums paid to an insurer.

Administering benefits can be overwhelming. Many organizations rely on TPAs to, for example, meet regulatory standards more efficiently than they could on their own. Organizations can focus their efforts and attention elsewhere by outsourcing administrative and operational services to TPAs, thereby conserving time, resources, and efforts.

Benefits of selecting the right TPA

An organization must choose the right TPA for its needs. An organization's goals should match the TPA's offerings; otherwise, it may pay for services it does not need. Choosing the wrong TPA can lead to poor claim outcomes, legal exposures, and higher insurance costs.

Choosing the right TPA can provide an organization with responsive, flexible, and personalized service. It can enable an organization to operate more efficiently by minimizing claim and administrative costs. The appropriate TPA can also offer an organization considerable knowledge and experience in administering health plans. A TPA can identify potential trouble spots and reduce an organization's legal risks.

Strategies for selecting the right TPA

Each organization is unique. Selecting the right TPA depends on an organization's specific health plan and related needs. However, a potential TPA's qualifications, quality of services, and fees should also be considered when deciding if it's the right fit.

Consider the following strategies when searching for a TPA:

- **Understand the organization's needs and priorities.** Plans have different needs depending on type, design, asset size, and the number of participants. Knowing what an organization needs and setting priorities to meet those needs can go a long way toward finding a TPA. A suitable TPA can provide answers to problems and solve issues quickly.
- **Determine whether a TPA can meet needs.** TPAs offer various services, and they should be reviewed individually. By understanding a TPA's services and how it administers them, an organization can determine whether the TPA will meet its needs.
- **Ensure legal compliance.** The regulatory landscape is constantly changing, so organizations should consider how a TPA remains current on legal developments and how it can help with compliance. The right TPA should be able to guide an organization through its legal issues.
- **Compare candidates.** An organization's relationship with a TPA is based on reliability, so any potential TPA must be able to work effectively with their client. Organizations may review metrics of a TPA's actual claim outcomes and know how fast it pays claims as well as its error rates. By comparing these metrics to other TPAs, organizations can select the right TPA for them.
- **Check references.** Organizations can ask a potential TPA about other clients of similar size and needs. Then, those clients can be contacted to discuss their experience working with the TPA.
- **Know costs.** Organizations should be aware of all services offered by a TPA and know the costs of each. Understanding the terms of any agreement with a TPA, especially fees and expenses, is essential when choosing a TPA.
- **Assess data security.** TPAs should have safeguards in place to handle and protect clients' data. Verifying a TPA's security protocols and standards will help an organization determine whether the TPA is a good fit.

Reviewing all relevant factors, quality, and cost of services can help an organization choose a TPA. After making a selection, it's important to regularly review the TPA's performance to ensure it meets the organization's needs.

Conclusion

There's a lot at stake for an organization when selecting a TPA. The right TPA can improve an organization's claim outcomes, reduce legal exposures, and lower insurance costs. Implementing these strategies can help an organization find the best candidate for them.

For more information on third-party administrators, contact Rubicon Benefits, LLC today.

This Benefits Insights is not intended to be exhaustive, nor should any discussion or opinions be construed as professional advice. © 2022 Zywave, Inc. All rights reserved.