FREE MARKET
MEDICAL ASSOCIATION

Self-Funded Employer's Guide to Finding a Free Market Friendly TPA

Transparency is vital to a self-funded health Plan
Many healthcare providers and hospital systems have a great deal invested in the status quo of healthcare. It is becoming widely known that many healthcare systems are masking revenue streams, taking federal dollars to reimburse themselves for 'uncompensated care', and relying on political favors to maintain their monopoly status. They are bankrupting patients and self-funded health plans while continuously claiming imminent bankruptcy.

Self-funded employers have been forced to rely not only on PPO networks to give a percent off billed charges from these providers, but also on Third Party Administrators who often are rewarded when Plan costs are high. Like the PPO networks, who are taking a portion of 'savings' as an additional revenue stream, many TPAs have similar pricing strategies.

<u>*For a self-funded employer, these costs are not monopoly money.*</u> The cost increases can mean the difference between paying claims verses giving raises, buying new equipment, or increasing staff. Incenting employees to use providers who offer bundled, cash-based pricing can save that employer millions of dollars in claims in just a few years.

Transparency from the TPA
Transparency from an independent TPA is not scrutinized as closely as the free market movement in the provider sphere. However, it is just as important for the TPA to embrace transparency in their own business as it is for providers.

TPAs generally have multiple revenue streams, from commissions on a stop loss policy, to percentage of savings on out of network or third party recovery. Insurance carriers masquerading as ASO's are able to find even more ways of hiding their compensation (especially if they also own the network, the stop loss carrier, PBM. etc.) Even though many of these revenue streams are considered standard industry practice; they are not transparent, nor are they in the best interest of the self-funded employer. ERISA requires that self-funded employers use Plan assets only for reasonable expenses. The inability to quantify the exact compensation paid to their TPA puts employers in a non-compliant position with ERISA and may violate the employer's fiduciary responsibility to the Plan.

Getting an automatic raise when your client has a poor claims year puts the TPA at odds with the best interest of the client. Self-funded employers should never need someone to 'protect' them from their TPA! Compensation should always be based on VALUE. Value is determined based on what is fair and equitable to both the buyer and the seller when all parties are aware of what the actual cost is.

Finding a Free Market Friendly TPA
The questions included below should be part of your RFP process if finding a free market friendly TPA is important to you.

Compensation
Self-funded employers have a fiduciary duty to know and understand how Plan assets are being spent. Subrogation recovery, negotiations, PBM rebates are ALL Plan assets.

1. What is your TOTAL annual compensation quoted?
    a. Please list all of the items included in your administrative fee
    b. Is your entire compensation stated up-front in our proposal?
2. Do you keep any percentage of subrogation recovery?
3. Do you keep any percentage of out of network negotiated "savings?"
4. Do you receive any commissions on our stop loss policy?
5. Do you receive any commissions or fees on any other products offered by us?

PPO Networks
The TPA may be utilizing carrier networks with contracts that do not allow direct contracting, have exclusivity language, or other anti-free market provisions. These agreements do not allow the self-funded

employer to manage their Plan in compliance with ERISA. Handing the 'keys' to the Plan assets to an entity who has a vested interested in high care costs being high is a breach of fiduciary responsibility.

6. Do you recommend using a specific PPO network? If so, why?
7. Do any of your contracts with networks prohibit you from directly working with ANY provider on behalf of our Plan and in our Plan's best interest?
8. Do any of your contracts with networks prohibit the Plan from directly working with ANY provider in our Plan's best interest?
9. Are you willing and able to work directly with any provider in the best interest of the Plan; including negotiating up-front, bundled, transparent pricing for our employees?

Education
Educating your employees about what it means to be self-funded and how to shop for healthcare services based on Value is integral to the success of your Plan.

10. What type of employee education materials and meetings do you provide?
11. How often are employee education meetings offered?
12. Are free market and consumer driven ideas and options presented and promoted?

Plan Protection
The TPA should have the Plan's best interest in mind.

13. Do you perform large dollar claim audits to ensure that large claims are not being blindly paid?
14. How do you handle large claims where the discount is not meaningful and the PPO allowable is not reasonable?
15. Do you solely rely on a PPO discount to determine reasonableness?
16. Do you currently work directly with free market friendly physicians, providers, and facilities?
    a. If yes, do you charge a separate fee for this service?
    b. Do you keep any percentage of the 'savings'?

Where to look for a TPA
The FMMA has members that are third party administrators. Feel free to contact our member TPAs using their contact information under your member login. Have additional questions? Please reach out to us and we will help you!