Searching For The Right TPA Critical Step in Self-Insurance

**Finding Right TPA Toughest Part of Setting up Self-Insurance**

The toughest part of setting up a self-insurance program is finding the right third party administrator (TPA) to administer the workers’ compensation claims. The selection of the right TPA is essential to the success of the program. The TPA should work with your company in a partnership arrangement where both your company and the TPA are striving for the best possible outcome on each and every claim.

Finding the right TPA partner is a challenge. While there are mediocre TPAs, there are also some excellent TPAs that will anxiously await your selection of a TPA. When you have received the responses to your Request for a Proposal, take time to interview three to five of the TPAs. The following areas should be included in your interviews.

**Geographical Fit**

The TPA needs to be somewhat local to your location(s). If the TPA is in another state, for example - New York, and you have two facilities in Texas, there are several problems that will arise. First, the TPA adjusters will not know the law in your state, which can result in some serious financial (over-payment) mistakes. Second, the adjusters will not be licensed to handle the claims in your state. Third, the adjusters will not know who the better doctors are and which doctors should be avoided. Fourth, the adjusters will not know who the better defense attorneys are.

Being located in the same state often is not enough. In some states the adjusters are often called on to attend board hearings, mediations, settlement conferences, etc. If the TPA is in the same state as your company, but 250 miles away, attendance at out of the office events becomes an issue.

Obtaining a proper geographical fit can is more difficult for the large company with numerous facilities or locations in several states. The large employer will need either a TPA that has a national presence, or a regional TPA that matches up with the employer locations.

**Claim Management Information Systems**

The TPA must have a claims management information system (CMS) that is compatible with your computer system. If not, the exchange of information between the TPA and your company will be very time consuming if not a nightmare. If you do not have the expertise to know if your computer system and the TPA’s system can be integrated, have your IT person(s) talk in detail with the TPA’s IT person(s).

If it is determined that your computer system is compatible with the TPA’s CMS, you need to establish ahead of time who will be responsible for the interface between the two computer systems.

Assuming the TPA’s CMS is flexible enough to work with your computer system, you will need to know the amount of information that will be available to you via on-line access. At a minimal, you should be able to read the adjuster’s file notes, review documents attached to the claim file and review the financial information on each claim.

To err is human, and humans input the information into the computer system, so expect errors in your data. Wrong locations codes, wrong body part codes, wrong nature of injury codes, wrong social security numbers (999-99-9999 is a favorite), wrong employee age (99 again), etc. can seriously undermine the accuracy of your data and financial management. The TPA’s CMS should provide you with the ability to correct mistakes of this nature. If not, expect to either have seriously inaccurate information for your risk management program, or to spend a considerable amount of personnel time getting each data error corrected.

For many years self-insured employers had to rely on the TPA to produce their loss runs. With the more modern CMS systems, the employer can now run their own loss runs and produce ad-hoc reports to address issues of particular concern.

**Claims Handling**

TPAs are notorious for saying “we have excellent adjusters” and hoping you will leave the discussion of claims handling at that point. The self-insured employer needs to ask lots of questions of the prospective TPA about how the workers’ compensation claims will be handled.

To maintain high quality of claims handling on every claim, a set of Best Practices outlining what is expected on every claim should be agreed to. The Best Practices should state the requirements for contacts, investigation, payments, reporting, etc., and give precise guidelines for timeliness.

The submission process for new claims should be established. The TPA’s CMS should allow you to report new claims electronically. The TPA should also provide you the flexibility of calling in the claims report in emergencies and emailing the First Report of Injury.

The number of workers’ compensation indemnity claims assigned to one adjuster should be discussed in detail. If the TPA assigns too many claims to their adjusters, few of the claims will receive all the attention necessary, resulting in higher claim payments. The maximum number of claims an experienced adjuster will be able to handle properly will vary by the jurisdiction, depending on the number of state forms to be filed, the complexity of the state laws, the selection of medical providers and the amount of involvement of the industrial commission/workers’ compensation board. Generally speaking, 125 claims are a full load for an adjuster without an assigned administrative helper. For the overall success of your self-insured program, the maximum number of claims assigned to the adjusters handling your self-insurance program should be clearly stated in your contract with the TPA.

Depending on the size of your self-insured claims program, you will need to have either a designated adjuster and/or a dedicated adjuster(s). The designated adjuster is one adjuster who handles all the claims for a client, plus claims for other clients. A designated adjuster is used when the claim volume is insufficient to keep one adjuster busy full time. A dedicated adjuster handles the claims of only one client. If you will have enough claims to keep one adjuster busy full time, the TPA should agree to assign a dedicated adjuster to your work comp claims. Often for larger self-insured employers, the TPA will have a number of dedicated adjusters handling the claims along with one designated adjuster who handles variances in the claim load.

It is important for the self-insured employer to know the skill and experience of the designated/dedicated adjusters assigned to their claims program. Not only is the number of years on the job important to know, the employer should know the level of training the adjusters have had including industry courses, completion of continuing education requirements and certifications or designations the adjusters have earned.

**Interface**

The level of communication and information exchange between the self-insured employer and the TPA should be established before a claims handling contract is signed. The employer should establish what level of claim settlement authority the adjuster(s) will have and at what level the adjusters will need to consult with the employer prior to settling a claim. As it is your company’s money that is being spent on the work comp claims, the level of claims direction, supervision and control needs to be clearly delineated prior to the TPA starting to handle your claims.

While the TPA is acting as your fiduciary, the claims are still the responsibility of your company. There should be complete transparency in everything the TPA does on your behalf. Whether you access information about your claims via computer or by talking with the adjuster(s) assigned to your claims, your company should never be in the dark about the status or progress on any claim.

Even though you have complete access to your claims information via the CMS, you should also include in your contract with the TPA the right to fully audit any aspect of your claims program. A file quality review by an independent claims file auditor should be completed at least every other year (larger programs yearly) on all self-insured programs to be sure the TPA is complying with the Best Practices previously agreed to.