

eBook

# The Broker's Imperative: Guiding self-insured clients to smarter TPA solutions

By Paul Wann, Chief Operating Officer, Personify Health

The self-insured benefits market is surging. Employers are leaning on brokers and leaning *toward* independent TPAs for solutions as never before. Are your TPA partners ready to meet this moment?



If you're an insurance broker or consultant who views the employer-sponsored health benefits market as relatively stable, even static, it's time to pay closer attention.

A recent McKinsey & Company analysis of annual growth in the main types of employer-sponsored plans forecasts the following tectonic shifts in market share between 2024 and 2028:

**-1.2%** Members in fully insured plans

**0%** Members in self-funded plans managed by an administrative services organization (ASO)

**+4.7%** Members in self-funded plans administered by a third-party administrator (TPA)

Underlying these projections, more than 60%<sup>1</sup> of employers surveyed said they probably or definitely will switch from being fully insured to self-insured, a level of interest up 13%<sup>2</sup> just since 2024.

Meanwhile, McKinsey research finds that nearly 60%<sup>3</sup> of employers also expect to switch carriers/vendors in the next four years. To bring that shaky loyalty into sharper focus, more than 30%<sup>4</sup> anticipate changing carriers/vendors in the next two years. An even greater number — 35%<sup>5</sup> — expect to bid farewell to their broker during that timeframe.

Reading between the research lines, employers facing rising costs and often shrinking benefits budgets are most disgruntled with carriers for their inability to control costs and their less-than-stellar member service. As for brokers, employers want to see a wider range of plans and solutions offered, including more effective strategies to contain costs.

There, in a nutshell, are key factors driving what has become a highly dynamic, more competitive benefits administration marketplace. More employers:



**Plan to self-insure for employees' health benefits**



**Prefer a TPA-driven model over an ASO-controlled approach**



**Seek partners and strategies that will deliver results, especially controlling costs**



**Prepare to move on from underperforming carrier and broker relationships**

If your takeaway from this market outlook is that brokers might want to revisit and reimagine their relationship with TPAs, you're on the right track. After all, self-insured membership in TPA-led plans is set to grow nearly **5% per annum** for the near future, while ASO-managed plans project to remain flat.

That means independent TPA partnerships and the value they can deliver for employers, plan members, and benefits advisors will be at the center of more advisor-client conversations and decisions than ever before.

# Freedom and flexibility: Employers looking for more

Clearly today's employers are embracing the strategic advantages of self-insuring for health benefits. In fact, McKinsey's research found that more than half of fully insured employers surveyed said it was their broker who recently advised that they transition to a self-funded model.

**But how should we account for employers' strong preference for having TPAs administer their self-insured health plans?**

In a recent conversation, one HR executive used the word "handcuffed" to describe the limitations and frustrations they and their organization felt with an ASO-managed plan. Perhaps echoing the sentiment held by many peers, they described the ASO as "antiquated" in its standardized systems and approach. They said the ASO stubbornly pushed proprietary add-on services rather than "play nice" with the expanding universe of specialty point solutions and cost-control strategies coming to market in support of self-insured employers and their plan members.

What this HR leader clearly longed for, rather than continue to chafe under a model where services are "bundled" with single vendor, was the ability to "unbundle" self-insured benefits, in collaboration with a more flexible, client-centric administration partner.

Therein lies a primary reason employers are opting so decidedly for independent TPAs. They've already taken the major step to break away from a traditional fully insured, one-size-fits-all carrier-ASO service model and relationship. Now they prefer a more independent administration partner that empowers them to continue along a path of greater benefits flexibility, innovation, and self-determination.





# Finding a smarter TPA

Industry estimates place the number of independent TPAs in the United States in the thousands. The challenge for brokers and consultants comes in evaluating which TPA, or curated roster of go-to TPAs, you'll feel most confident recommending to self-insured clients.

Based on how the most experienced and innovative TPAs are steadily evolving their models and solutions to serve employers and members, following are nine criteria you can use to assess the overall capabilities, cultural fit, and performance of current and prospective TPA partners.

**The deeper you drill for convincing answers and credible results in these areas of inquiry, the closer you'll get to identifying not just a solid TPA partner, but a superior TPA. A smarter TPA. A TPA that will consistently delight clients and justify the trust you've invested in forming a win-win referral relationship.**

# Cost conscious

With healthcare costs stubbornly rising, cost control persists as Worry 1 on the minds of HR leaders and C-suite executives who've decided to self-insure for employees' health benefits.

Research suggests many employers are either reaching, or well beyond, their tolerance for shifting costs to employees by increasing out-of-pocket expense limits or offering high-deductible plans. The resulting client mood and budget pressures makes it incumbent on benefits partners to come to employers with real cost-containment options and solutions.

If there were a single magic wand for healthcare costs, everyone would be waving it. Instead, what brokers want in a smarter TPA is one committed and structured to pursue cost control in myriad ways, at all levels of the benefits and healthcare process.

***What specific steps might a smarter TPA take to control costs?***

You'll want to ask that question of any firm you're evaluating. Then ask again.



## A multi-faceted, always-on approach might include:

### Payment integrity

Day in, day out, one of the best ways for a TPA to help control costs is by auditing claims before a client's self-insured dollars get spent. Many carriers and TPAs auto-adjudicate 90% or more of claims they process. By contrast, a smarter TPA will have a more thorough claims validation process. They'll scrub a significantly higher percentage of claims (perhaps as many as 30%) to catch everything from honest procedure code mistakes to outright instances of fraud, waste, and abuse.

Many firms set a dollar limit of \$25,000 or more before they'll go through the trouble to audit a claim. Smarter TPAs are pairing human analysts and artificial intelligence to review claims as small as \$5,000, and do so quickly, still meeting reasonable turnaround times for payment processing.

### Out-of-network (OON) negotiations

In today's highly network-compliant benefits marketplace, it's common for as few as 5% of members' claims to be with OON providers. Still, 5% of claims across a mid-size, large or jumbo employer group translates into a significant cost-trend pain point for self-insured employers.

The most cost-conscious TPAs have strategies and staff focused on closing OON leaks in a client's overall cost-containment effort. Direct negotiation with OON providers often brings claims 20% or 30% closer to what is reasonable and customary. With advanced capabilities, a TPA might even identify OON trends within a large, geographically dispersed member population. They'll then negotiate with that regional facility or provider to set negotiated rates prior to future claims being filed.

### Reference-Based Pricing (RBP)

A leading benefits consultant recently compiled a list of more than 20 benefits "levers" that could be pulled to help employers control costs, along with the estimated savings to be gained from each. The levers ranged from Centers of Excellence for some surgeries to programs that shift certain types of care to lower-cost, still clinically appropriate settings.

Atop this levers list? RBP, which according to the consultant's estimates holds the potential to reduce claims costs by 10% or more. But beware: You and your clients don't need a TPA simply recommending RBP. You need one experienced and adept at implementing and administering RBP. Without that, the confusion and complexity experienced by members, providers and the HR/benefits team will likely not be worth any cost savings that result.

**Smart TPAs will have their own list of cost levers that they and their trusted partners can bring to a client's program. The scope and specifics of that list, and the TPA's track record in pulling levers for real results, will determine whether you've found a partner that can discuss and deliver meaningful cost containment with even the most skeptical clients.**

# Size matters

The old adage “good things come in small packages” might apply to birthday or anniversary gifts. But another bit of time-tested advice — caveat emptor, “buyer beware” — is more applicable when using size as a factor in gauging TPA partners.

After all, bulky, one-size-fits-all plan administration is a main reason employers are moving away from ASO-managed solutions. At the other end of the spectrum, smaller, less sophisticated TPAs are more likely to have a staffing model and systems that will bog down, even break, when challenged by an influx of new clients, or a few larger member groups with complex benefits and client expectations.

How should brokers factor size into assessing TPAs? Start from the premise that bigger probably means better, provided size clearly translates to relevant advantages for you and your clients. For example

**✓ Negotiating strength.** The more plan members a TPA serves in the aggregate, the stronger and smarter they can be in negotiating rates with provider networks, point solutions, and other benefits vendors. You'll want to probe how a TPA leverages its size to create cost-value advantage.

**✓ Concerning capacity.** You'd rather not have to ask “Can you handle this?” each time you introduce a TPA to a prospective client. Instead, seek advance insight and assurances around how (or whether) they smartly approach staffing and systems capacity.

**✓ Implementation excellence.** When a family doctor refers a patient for surgery, they'll often try to calm any concerns by citing the volume of procedures performed by the surgeon. Similarly, the larger and more diverse a TPA's client base, the more they've had to develop and refine an extensive, efficient implementation process. The more detailed and synchronized a TPA's implementation is, the more likely you and your clients will sleep well choosing them as a partner.

**✓ Technology commitment.** Size also matters when it comes to whether a TPA can afford to invest in advanced system and technology upgrades. You'll want to inquire about their technology roadmap to learn whether they're committed to making forward-leaning technology investments. Without those, a TPA's ability to continuously improve your members' experience, or integrate with the latest cost containment vendors and solutions, will be limited.

**✓ Client count.** Finally, consider the level of customer satisfaction it takes for a TPA, a broker, or any service organization to reach a client base in the hundreds or even thousands. In that sense, a TPA's client count serves as a de facto barometer of its ability to satisfy and renew clients.

**The more clients a TPA has, the more likely they have experience with member groups of all shapes and sizes. Private and public sector. Across industry categories. They've almost certainly served and satisfied the types of clients your firm is intent on winning and keeping.**

# Core strength

There is no minimum or mandatory suite of services and capabilities required of a company to describe itself as a TPA. That said, you'll want to ensure that any TPA you recommend excels operationally at certain core administrative functions.

Those fundamentals typically include **claims processing** (i.e., health, dental and vision), access to multiple national and regional **provider networks**, and **member services** (typically including phone and online support for finding in-network providers, answering basic benefits coverage and billing questions, ordering replacement ID cards, etc.).

Interviewing a TPA's current clients is one smart way to confirm whether they excel or struggle at delivering these bread-and-butter services. More sophisticated TPAs also will have analytics and accreditations to show their efficiency and effectiveness at claims processing and other core functions.

**Where a smarter TPA often stands apart is by handling core services exceptionally well, while also anticipating and solving other foundational admin needs and challenges faced by self-insured employers.**



## Expanded member accounts administration

Today's employers empower employees with an alphabet soup of optional health savings and flexible spending accounts. Managing these can be a bureaucratic quagmire for HR. A smarter TPA has the scope and expertise to administer everything from HCFSA and DCFSA accounts to education/tuition and Continuation of Health Coverage (i.e., COBRA) programs. In the process, they'll free resource-strapped HR teams from significant amounts of non-strategic workload.



## Consolidated billing

Employers intent on attracting and retaining talent are adding more specialty care services and point solutions to their benefits. These increasingly robust offerings lead to a blizzard of vendor billing. A smarter TPA will consolidate bills from multiple ecosystem partners into a single monthly invoice, creating time and cost savings for clients' HR, purchasing and finance departments.



## Stop-loss expertise

No employer would want to self-insure without the protection of stop-loss insurance. Recognizing this, even a modestly capable TPA should be prepared to integrate with a broker's or employer's preferred stop-loss partner. Meanwhile, a smarter TPA will have relationships with multiple A-rated carriers. They can assist employers and brokers in shopping stop-loss coverage for an optimal combination of rates and service.

# Scale ability

When people refer to “scalability” in a business context, it’s usually describing a capacity to grow or expand. But that’s only half the story. For benefits administration, what brokers need most is a TPA able to “scale” its solution up or down. In other words, to flexibly calibrate and customize to the unique needs, preferences, and budget of each client.

How can you judge a TPA’s ability (and willingness) to flex and scale? Factors to look for include:



## Partner agnostic

From pharmacy benefits managers (PBMs) to chronic condition management solutions, a strong TPA will have a diverse roster of specialty vendors it’s integrated with and “pre-vetted” in past client relationships. This lets brokers and employers confidently “plug and play” partners from that roster as needed, often without the time and trouble of an extensive RFI/RFP and integration process.

What if a client or broker already has a trusted vendor it prefers? A smarter TPA should be able (and willing) to integrate with that partner. What should matter, above all, is not whether their suggested vendor gets included. Instead, their clear priority should be collaborating on a robust, highly effective benefits ecosystem that meets both client and member needs.



## Paper sharing

The more a TPA can bring other vendors into a client on its “paper”, its contract with that self-funded employer, the better. It makes it more efficient for clients and advisors to tweak and evolve a benefits offering.

This ability to efficiently bundle contracted services requires a degree of back-office legal expertise that not all TPAs possess, but a smarter TPA will have down to a routine.

Combined with flexibility to scale, and an agnostic approach to integrating partners, a smarter TPA’s ability to share paper can effectively “future proof” a client’s benefits strategy. Clients and advisors can aggressively experiment with plan design ideas and vendor solutions. Overall plan strategy and design can flex efficiently across plan years. Meanwhile, the same stable, high-performing TPA relationship and infrastructure, claims processing, member services, consolidated billing, umbrella contract, remains solidly in place.

# Clinically capable

When you think about an employer's investment in health benefits at its most basic, their main goals are to help plan members get and stay healthy.

On the get healthy side, you and your clients will value a TPA that is highly experienced and equipped to engage members on, or about to begin, a healthcare "journey." Those journeys can range from relatively simple and short term to more complex and acute. They routinely include members:

- Deciding whether to visit urgent care or the ER for an injury or suspected infection.
- About to undergo (and, ideally, recover from) a major surgery or treatment regimen.
- Living with chronic diseases and conditions for an extended period, even for life.

It's during such journeys when clinical decisions, health outcomes, claims costs, and plan members' ultimate wellbeing and satisfaction all hang in the balance. It's when you don't want members relying on Google to self-diagnose and self-direct their own care. It's also when members' lack of experience with healthcare and benefits, and their stress and distraction over immediate health concerns, leave them vulnerable to making uninformed or unnecessarily costly care decisions.

**This is where today's most capable TPAs go leaps beyond processing claims and answering members' benefits questions. Instead, they're equipped to provide highly personalized, proactive levels of care management and advocacy.**



How can you gauge a TPA's ability to provide advanced levels of clinical expertise and value within the scope of its contracted services? Two main factors to examine include:

## 01 In-house clinical expertise

True care management requires the knowledge and services of licensed clinical professionals. The more a TPA must steer members to specialty partners for clinical expertise, the more complex to navigate (and potentially costly) a client's benefits ecosystem becomes.

Therefore, the smartest TPAs will staff a clinical team of significant size and breadth. Typically, this in-house team will include physicians, nurses, social workers, pharmacists, dietitians, and physical therapists.

## 02 Comprehensive care management

The best TPAs leverage these in-house clinical experts to engage with member and providers, seek improved outcomes, and control costs in at least three key areas along the healthcare continuum. Those include:

- **Utilization management.** When a plan requires pre-authorization before a provider can proceed with a service, it's the TPA's nurses and physicians who typically provide the expert oversight and approval. They'll review and promptly approve care that meets plan guidelines for clinical necessity. They can also spot instances where a certain diagnostic test might be duplicative, or a specialist is seeking approval for a complex procedure before the member has seen a primary care provider and explored less-intensive and -costly treatment options.
- **Case management.** When a member is admitted to a hospital, a smarter TPA will assign a clinical case manager to monitor and advocate for that member's care and for the employer's plan. They'll coordinate with the hospital care team to ensure the member is getting the appropriate level and quality of care and is set up for successful recovery post-discharge. They'll also track to ensure any changes in acuity of care during the member's stay are reflected accurately in claims, and that any bureaucratic hurdles to a timely discharge are anticipated and resolved.
- **Chronic disease management.** Diabetes, asthma, and chronic obstructive pulmonary disorder are among the diseases and conditions that significantly affect members' physical and mental health, as well as claims costs, over the long haul. A smarter TPA routinely does predictive modeling on claims history, biometrics, and other data to intervene with members who show signs of these emerging, chronic health risks.

A smarter TPA will have the ability to pull all of a member's health information, from prescriptions to past procedures and treatment plans, into a full view of the member's health history, status and risk. They'll then assign nurses or other clinical staffers to provide these members with personalized health monitoring and guidance. These highly supportive relationships typically include ongoing condition education, goal setting (with motivational cheerleading!), encouraging therapy adherence, nutrition counseling, even identifying and overcoming barriers posed by social determinants of health.

**If comprehensive care management sounds both valuable and complex, it is. You'll want to probe whether a TPA has anywhere close to the required clinical staffing levels and commitment. For example, it's not uncommon for carrier/ASO models to maintain member-to-nurse ratios of 40:000 to 1. The smartest TPAs? They're probably closer to 4,000:1.**

It's those kinds of gaps that can separate one TPA model from another. You'll want a thorough explanation of a TPA's care management approach, staffing commitment and results to assess whether members and your client's plan will be in expert clinical hands.

# Prevention powered

It's a health benefits truism that the best way to control costs is by helping members avoid becoming sick. In a sense, it represents a 100% discount on healthcare costs, much better than even the steepest discount an employer might gain from the rates negotiated with a provider network.

That's why the smartest TPAs are especially strong when it comes to the stay healthy side of the employer objectives noted earlier. They bring state-of-the-discipline prevention and wellbeing options to the table, plus deep experience implementing, communicating, and measuring those programs for maximum participation and positive impact.

**The more prevention reach and impact a client can gain from a TPA's core capabilities (versus needing to contract with multiple partners for niche prevention solutions), the more you can either conserve a client's benefits budget, or focus those finite resources on other specialty care and cost-containment services.**

## Advantages to look for in an independent TPA's capabilities:



**Holistic approach.** Some TPAs maintain that stacking a collection of niche programs — weight management, smoking cessation, sleep — is the best way to promote prevention and wellbeing among discrete subsets within a member population. A more holistic and powerful approach to prevention gives virtually all members access to taking an initial health assessment. From there, members are empowered and supported along their own personalized paths to improved physical and mental health.



**Seamless transitions.** Members and their health status are constantly in flux. The smartest prevention models sustain consistent clinical monitoring and member experience as members move back and forth from needing case management or chronic condition support to participating in wellbeing and behavior change types of services.



**Member marketing.** One of employers' most consistent disappointments is the low level of member participation they see in prevention, wellbeing and employee assistance-type programs. The smartest TPAs (and any partners they recommend) will bring member marketing experience and support services to ensure that the responsibility for driving participation doesn't fall on HR and benefits teams alone.

# Engagement edge

If the primary way a TPA engages with members is via phone operators standing by, waiting to field benefits and billing questions, rest assured you're not working with a smarter TPA.

In today's advanced world of plan administration, a TPA's approach to member engagement must be, at minimum, a highly trafficked two-way street that blends human and digital conversations, education, information access, and value exchange.

When evaluating TPAs for their approach to member engagement, features to watch for include:

## ✓ Consumer-grade digital

Today's smartest TPAs go well beyond providing clients and members with toll-free phone support and a modestly functional benefits enrollment website. After all, consumers' reliance on their mobile devices is nearly universal for everything from navigation to shopping and social connection.

That means you'll want clients to be impressed (better yet wowed) by the intuitive user interface and level of functionality served up by a TPA's mobile app. The more an employer's plan members feel empowered to understand and access their benefits, the more confidence they're likely to have in managing and improving their health.



## ✓ Purposeful outreach

Since so many members struggle to understand and navigate healthcare and benefits complexity, more of a TPA's engagement will come in supporting inbound member inquiries versus making outbound member and provider outreach.

Still, you can judge a TPA's smarts, in part, by the volume of outreach its members services and clinical team members initiate to members. Many of the clinical services and cost levers described above hinge on a TPA being in consistent, two-way dialogue with individual members and their providers.

Lacking effective engagement with members, a TPA simply can't be the connecting hub and catalyst for all the cost-saving and health-improvement potential embodied within a client's overall self-insured benefits strategy.

The greater the ease and amount of engagement with members and their providers, the more a TPA is in position to not simply administer a client's health plan but also activate the underlying benefits strategy for maximum results.

# Proof positive

Here's one of the most cut-and-dry ways to evaluate whether a TPA provides a next-level solution: Can they show you and your clients measurable results? Third-party validated results?

**Smarter TPAs will be able to show meaningful, measurable impact on the “triple aim” of performance factors self-insured employers value most:**

**Cost control. Health outcomes. Member experience and satisfaction.**

**Ideally, their results are reviewed and validated by a third-party organization, and perhaps even doubly validated by The Validation Institute or a similar certifying entity.**

In addition to results validation, the best TPAs also gain independent accreditation for certain core services, often including utilization management, case management, claims administration and their member health/benefits contact center. Among the best-known and respected accreditations are those granted by URAC (formerly Utilization Review Accreditation Commission), NCQA (National Committee for Quality Assurance) and ACHC (Accreditation Commission for Health Care).



# Strategic partnership

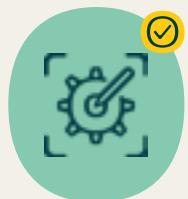
Finally, the best TPAs deserve (and appreciate) a seat at the client's benefits strategy table. They'll earn that position by:



**Core services consistency.** That means they're continuously acting as the client's benefits administration and strategy activation arm, while also serving as a listening post to members' experience and satisfaction with their healthcare and benefits.



**Decision-support data and analysis.** This includes consistently reporting on plan performance, including claims costs, health outcomes, emerging risk factors and more. Many TPAs publish performance reports annually. Fewer do it quarterly. Even fewer make performance data available to clients and their advisors online, in near-real time.



**Problem solving.** The smartest TPAs generate plan insights and improvement ideas based on expert interpretation of what they're seeing in performance data and hearing in member engagements. Because they respect the advisory relationship brokers have with a shared client, the most effective TPAs bring those ideas and insights to the advisor first. That way both partners can collaborate on any recommendations going to the client for consideration.



# Conclusion

As a broker, you probably already have a sense for which (if any) current TPA partners fit the description of highly effective and insightful, but also professionally respectful. TPAs that come to you and your clients with more answers than questions. That never seem to lack the capacity to smoothly onboard a new client. That consistently bring to strategy discussions insightful ideas and pre-vetted network, cost-containment, and specialty care solutions.

If you're already getting that level of collaboration from an independent TPA, you'll want to nurture that relationship. But if matching that TPA profile has proven difficult for your firm, it's all the more reason to start searching now for a smarter TPA.

Perhaps more than ever, research tells us, self-insured clients want and need that sort of plan administration partner and solution. And they're trusting their broker-advisor to guide them to it.



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With more than 30 years of experience in healthcare and benefits, Paul Wann's expertise spans all aspects of TPA operations and service delivery, including claims processing, member services, system implementation/migration, and solution architecture. Prior to joining Personify Health, Paul held leadership positions at companies including Health Plans, Inc., Centivo, and Consociate Health. He is a frequent expert speaker and panelist at Self-Insurance Institute of America (SIIA) and the Health Care Administrators Association (HCAA) events.

# About Personify Health

By bringing industry-leading third party administration, holistic wellbeing, and navigation solutions together, all in one place, we have created the industry's first and only personalized health platform. With decades of experience and global operations, we empower diverse and unique businesses – and diverse and unique people – to engage more deeply in health at a lower cost. Through our proprietary combination of data-driven personalization, science-backed methodology, and concierge-level clinical expertise, our end-to-end platform makes it easier to proactively address people's needs across their lives. With a personalized, holistic, and powerfully simple experience, we are redefining industry expectations and what it means to manage health.

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