

Effective Interactions with your Third-Party Administrator

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Agenda

During this session, we will:

- Understand the pros and cons of ASO/Self-Insurance plans
- Identify key metrics and requirements for ASO plan performance
- Determine key controls for the review and monitoring of PBM and TPA providers
- Define cost-containment efforts and procedures for your organization/employees based on claim experience and analysis





Self Insurance – What is it?

Basics of Self Insurance

- A self-insured group health plan (or a 'self-funded' plan)
 - Employer assumes financial risk
- Who receives self insurance?
- Why self fund?



Why Self Fund?

Customization

- Plan can be customized to meet specific needs

Control

- Employer maintains control

Freedom

- Choice of providers to contract with



Why Self Fund? (cont.)

Cash Flow

- No pre-pay

Tax Advantage

- Not subject to conflicting state regulations

ERISA

- Not subject to conflicting state regulations



Things to Consider before Self-Insuring

- Not the best option for everyone
- Are you protected?
- How are claims administered?
- Employee withholding
- How are self funded plans governed?



Pro v. Con – Self Insurance

- Self insured employers pay the actual amount of the employee's claim submitted by the provider.
 - Two types of reinsurance an employer can purchase to protect from catastrophic claims – Specific reinsurance and aggregate reinsurance.
- As a self insured employer, you are responsible for administration of the plan and any reporting requirements associated with a plan.
 - Contracting with a third-party administrator (TPA) transfers these responsibilities to the TPA.
- When contracting with a TPA, the self-insured employer pays an administration fee to the TPA to adjudicate and pay claims to providers.
 - Fees are usually fixed per employee



Pro v. Con – Self Insurance (cont.)

- **Pros**

- Access to detailed claims data
- Lower admin fees
- Plan design & flexibility (customization)
- State mandated benefits can be avoided
- Potentially cost saving
- Perceived good experiences

- **Cons**

- Fiduciary liability
- Premiums are not fixed (known)
- HIPAA compliance concerns
- Exposure to liability
- Perceived poor experiences





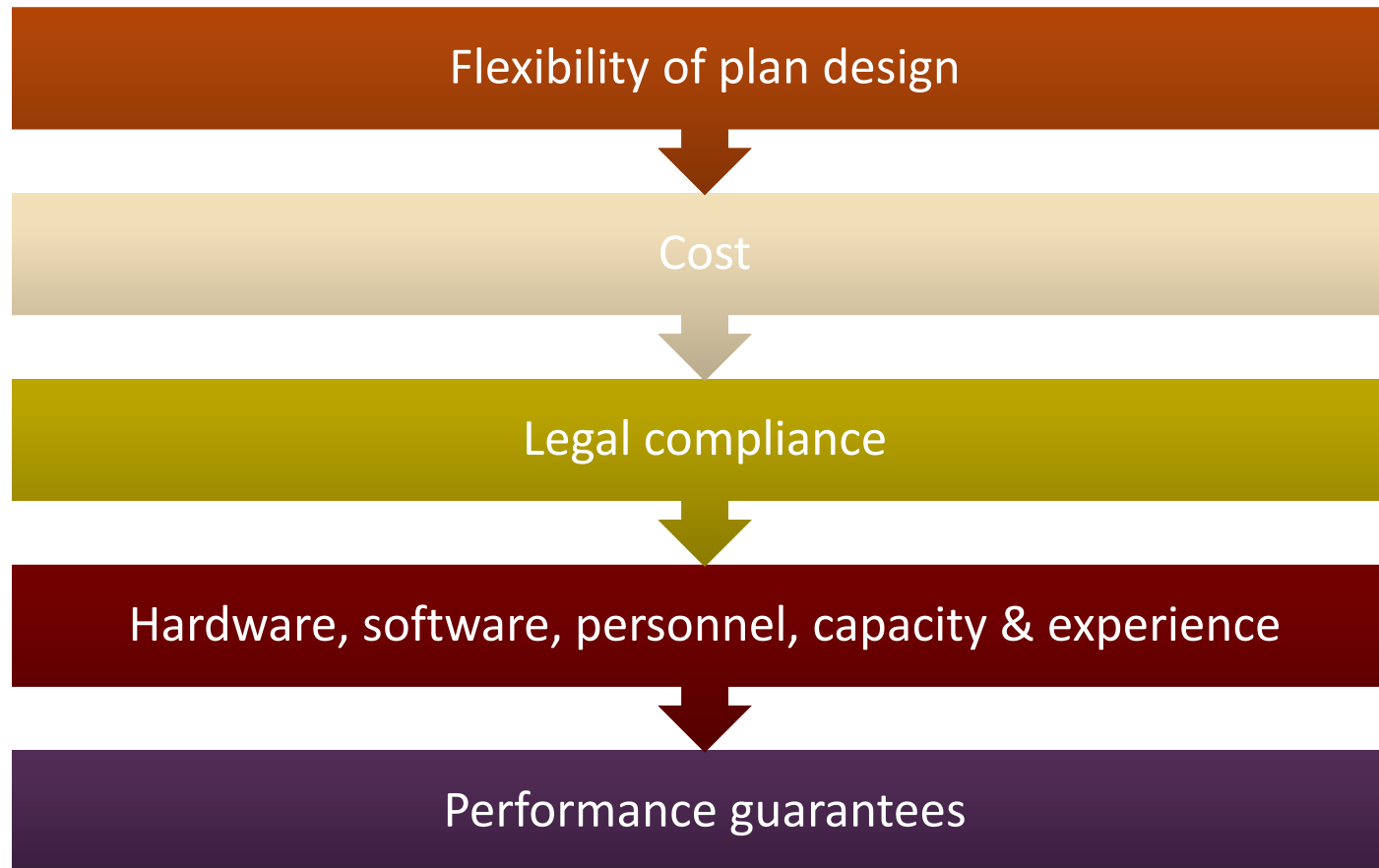
Partnering with Third-Party Administrators (TPAs)

Third-Party Administrators

- A TPA processes claims and performs other administrative services in accordance with a service contract.
 - Employer self-insurance plan underwrites the risk
 - Risk remains with the employer, not the TPA
- When selecting a TPA employers should match the employers needs with the TPA's offerings.
- Five factors to consider:
 - Flexibility in plan design and service
 - Cost
 - Legal compliance
 - Hardware, software, personnel, capacity and experience
 - Performance guarantees



Why Partner with a TPA?





Considerations and Key Controls when Partnering with TPA

Contract Considerations

- Ownership of Claim Files
- Services Covered
- Settlement Authority
- Performance Guarantees/Penalties
- Exclusions
- Right to Audit Clauses
- Record Retention Requirements
- Access to Data
- SOC Reports



Ownership of Claims Files

- All claims files should remain the employer's property
 - Access to detailed claims data means employers have the flexibility to perform data analytics
 - TPAs should make the files available for review

<http://lrionline.com/tag/work-without-a-contract/>



Services Covered

- Access to real-time eligibility and claims history reports
- Accounting Support and Reconciliation
- Ancillary Benefits Administration
- Billing/Premium Billing
- Eligibility
- Enrollment
- Capitation Payment Management and Processing
- Case Management
- Claims Adjudication, Auditing, Repricing, Runoff, Investigation & Subrogation



Settlement Authority

- Varies based on:
 - Expertise of self-insured employer
 - Severity of claims
- Limited authority at onset
 - Increased as trust develops
- Large settlements should always be approved by self-insured employer



Percentage Guarantees/Penalties

- “What gets measured gets done”
- Determine the levels of performance
 - Exceeding the performance level can result in a bonus payment
 - Failing to meet the performance level can result in a penalty reduction in contracted amount
 - Stated as a percentage of a measurable activity
- Gives TPAs a better understanding of how they will be evaluated and a bigger stake in the quality of service provided



Examples of Performance Guarantees

- Percentage of account services calls returned ≤ 1 business day
- Submission of monthly, quarterly, annual reports
- Satisfaction ratings
- Percentage of abandoned calls after entering the queue
- Average speed of answer
- Percentage of calls blocked
- Percentage of prescriptions processed in network



Exclusions

- “Devil is in the details”
- Errors and omissions policies must be read in detail
 - Ensures accurate coverage is provided



Right to Audit Clause

- Important to maintain regular oversight of health care expenses
- Claims audit retrospectively looks at claims that have already been paid
 - Verify their work
- Consider
 - Audit time frame
 - Sample claim sizes
 - Sampling process



Right to Audit Clause (cont.)

- Periodic Review of Claims for:
 - Eligibility
 - Covered and Non-Covered Services
 - Appropriately Priced
 - Co-Pays and Deductibles
 - Lifetime / Other Maximums
 - Duplicate Payments
 - Payments Outside of the Coverage Period
- Service Level Agreements are Met
- Other Technical Performance Measures are Correctly Adhered to
- Performance Guarantees and Penalties are Applied Correctly



Record Retention Requirements

- Where does the responsibility lie?
- Quick/easy retrieval
- ERISA requires 6 years
- Leading practice – retain all signed documents and amendments



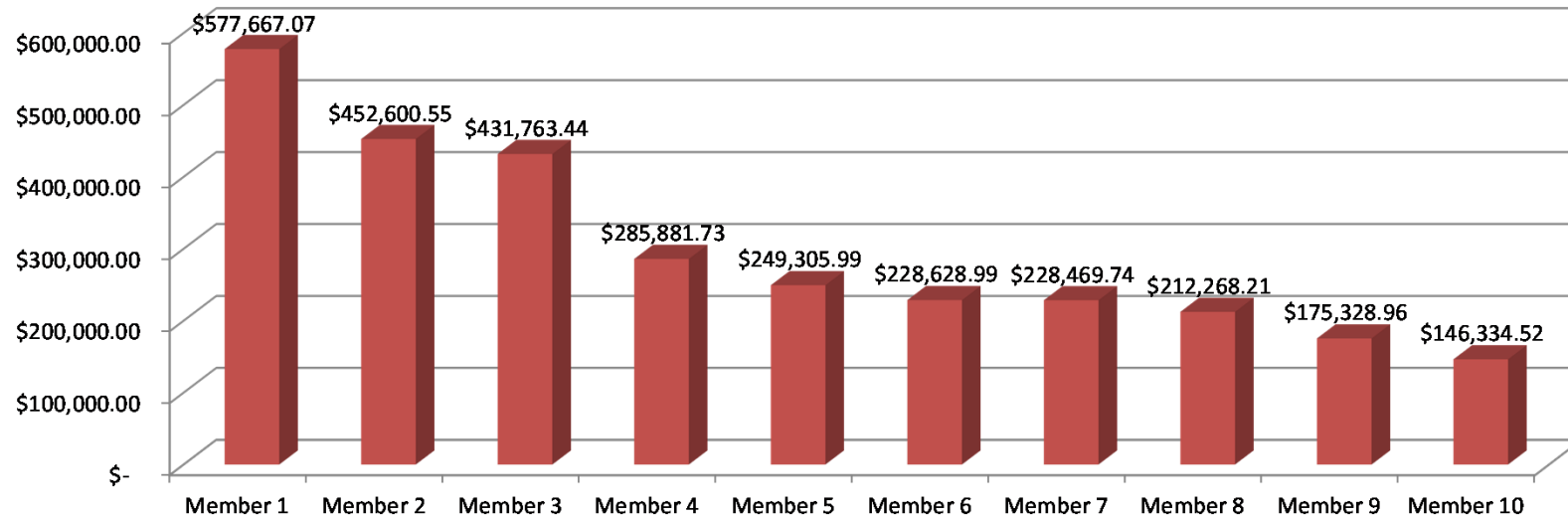
Access to Data

- Allows employers to:
 - Review data in greater detail
 - See where care dollars are going
 - Identify new or emerging health trends within their work population
 - Take action
- Include in contract – monthly meetings
 - Opportunity to monitor changes, discuss anomalies and review metrics of claims experiences

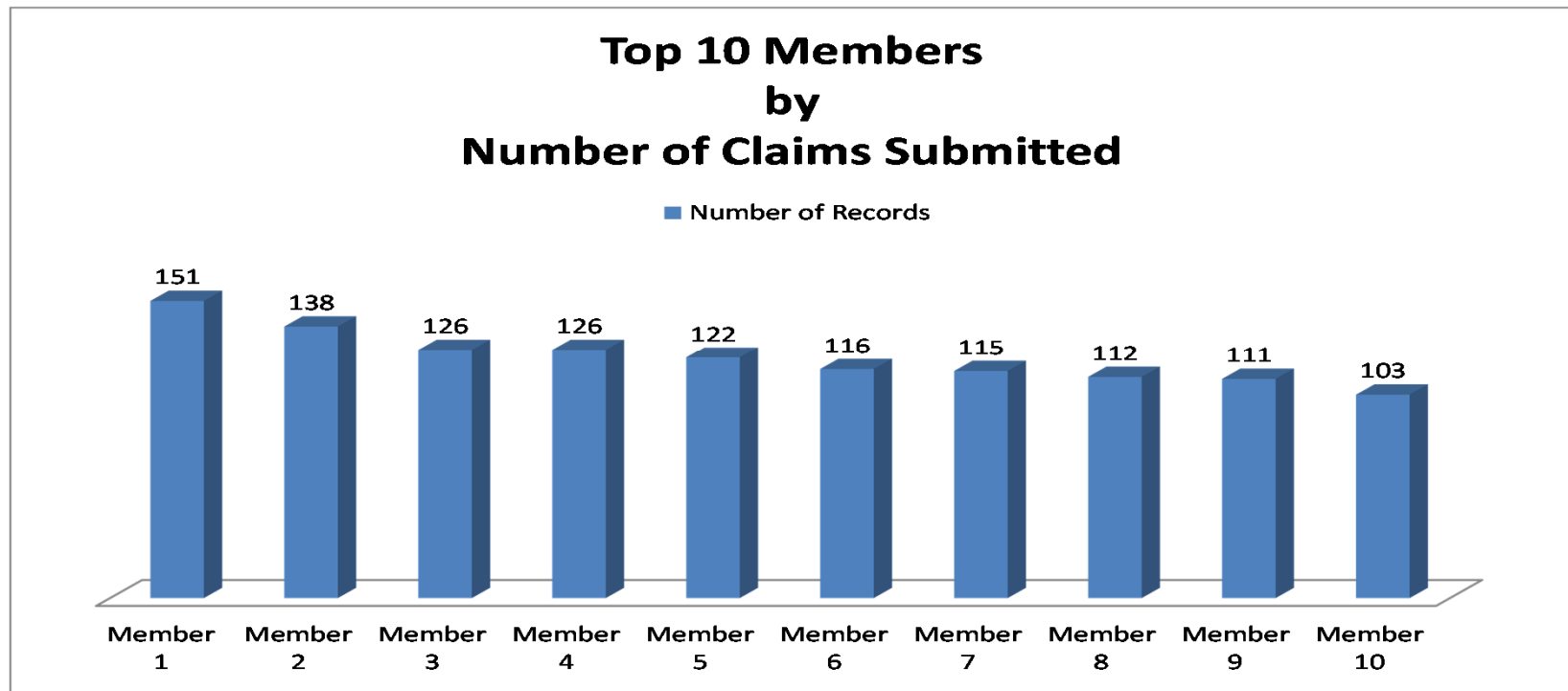


Member Metrics

Top 10 Members by Total Amount Paid

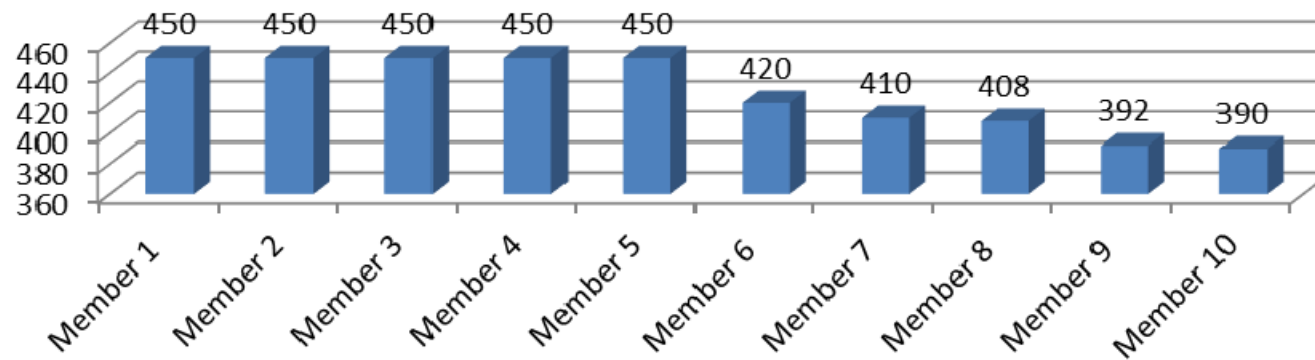


Member Metrics (cont.)

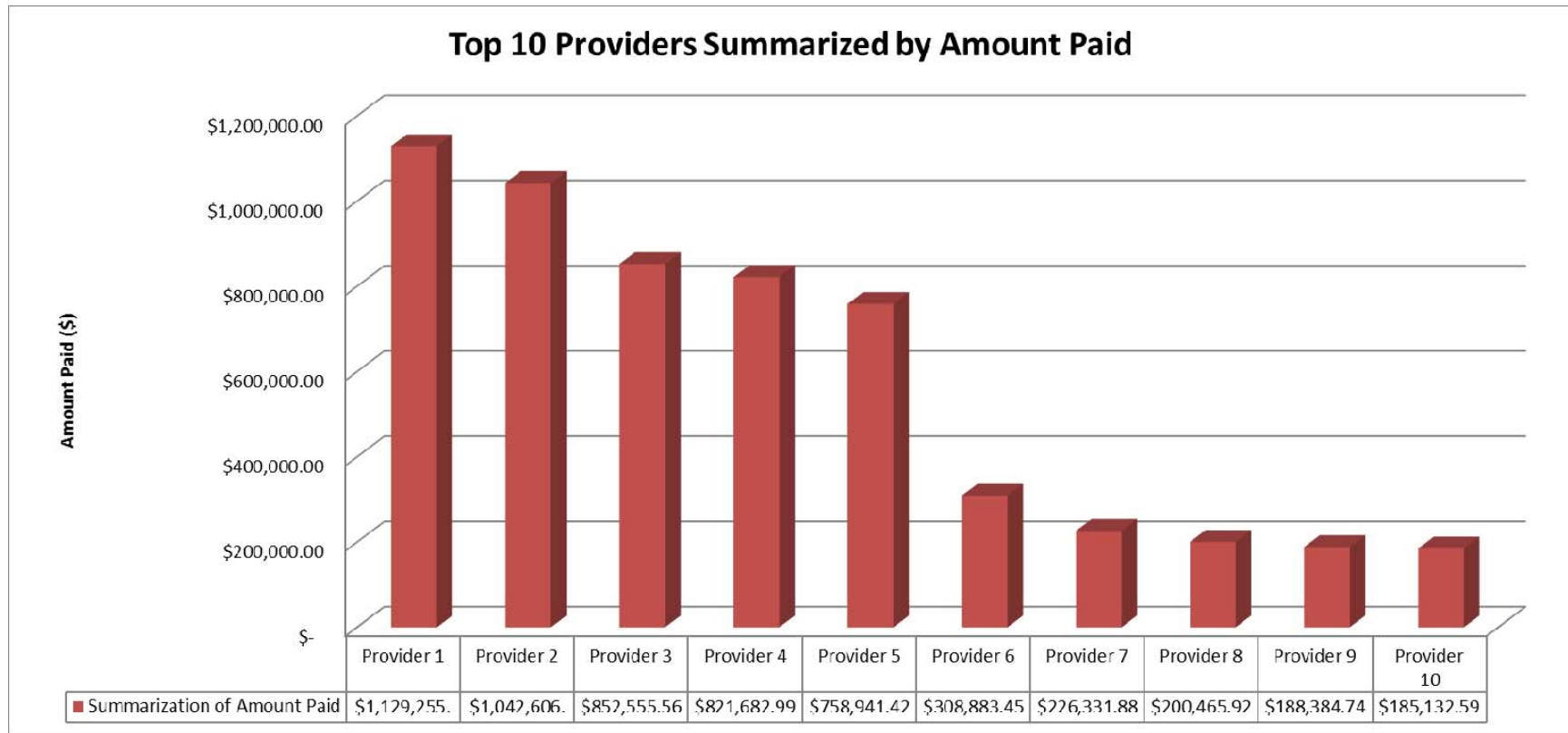


Member Metrics (cont.)

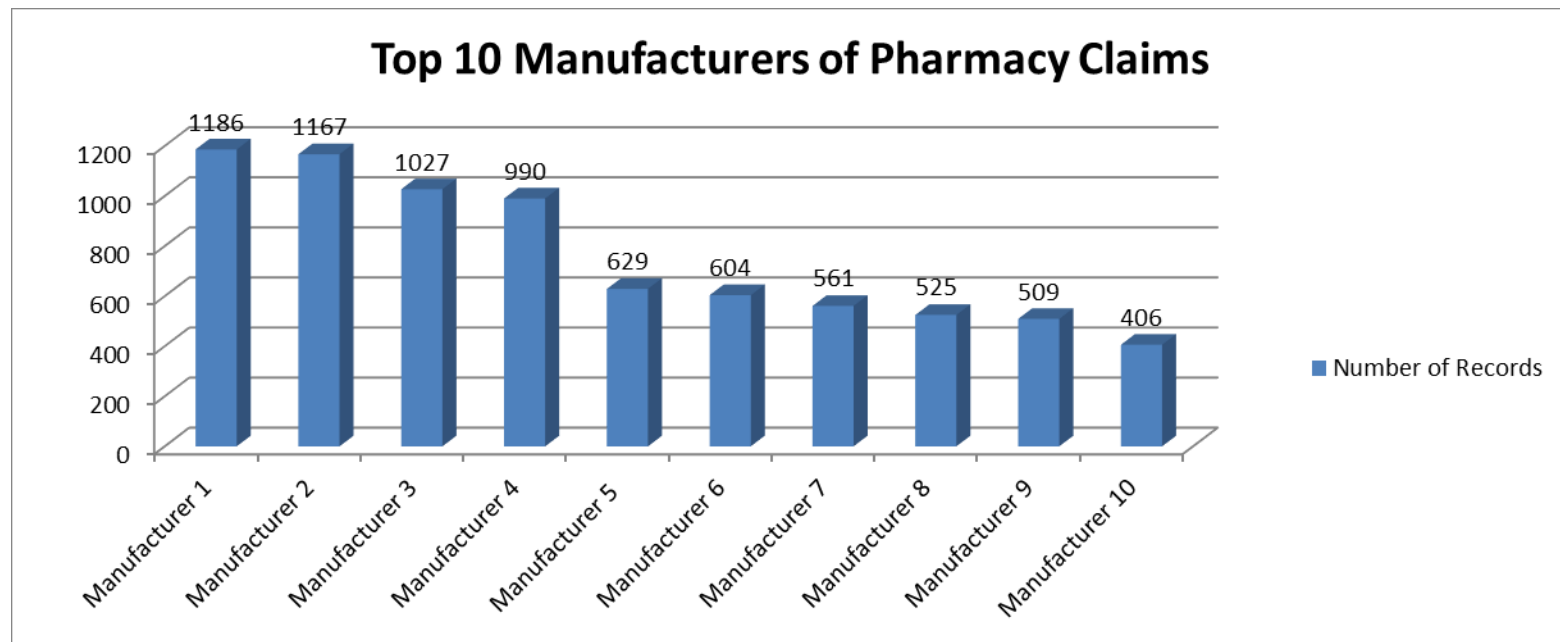
**Top 10 Members
by
Prescription Days Supplied**



Medical Provider Metrics

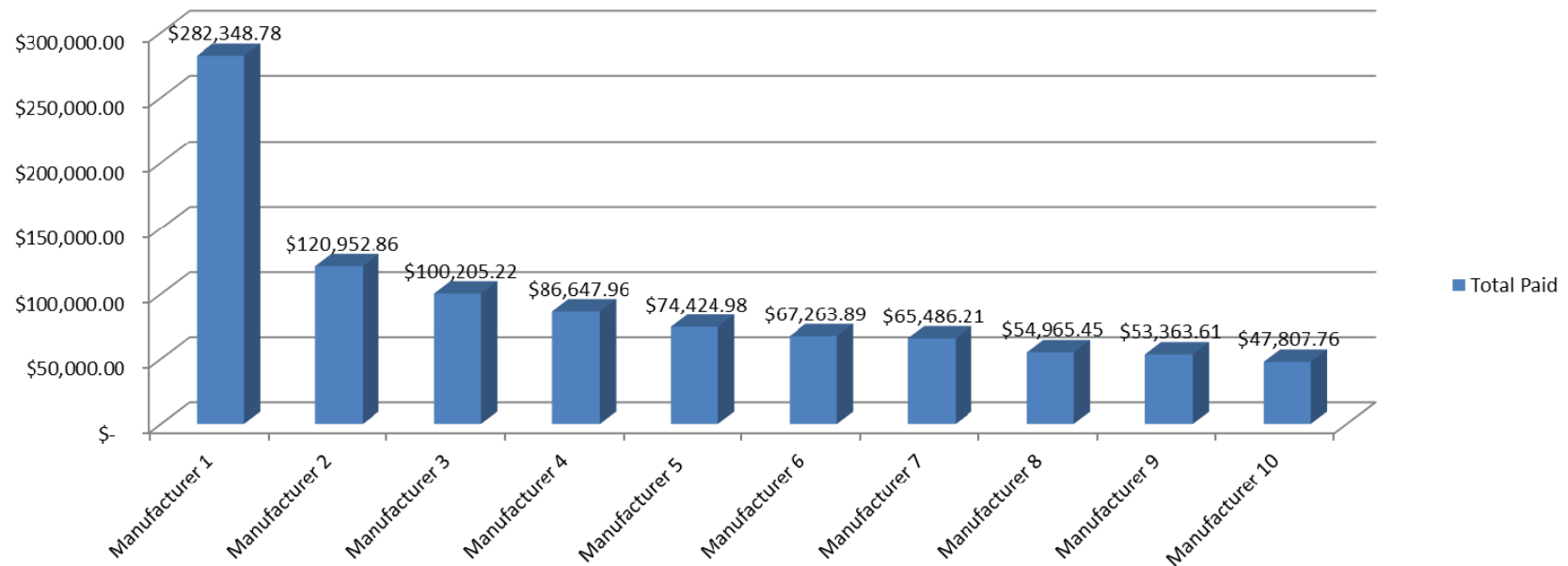


Pharmacy Claims Metrics



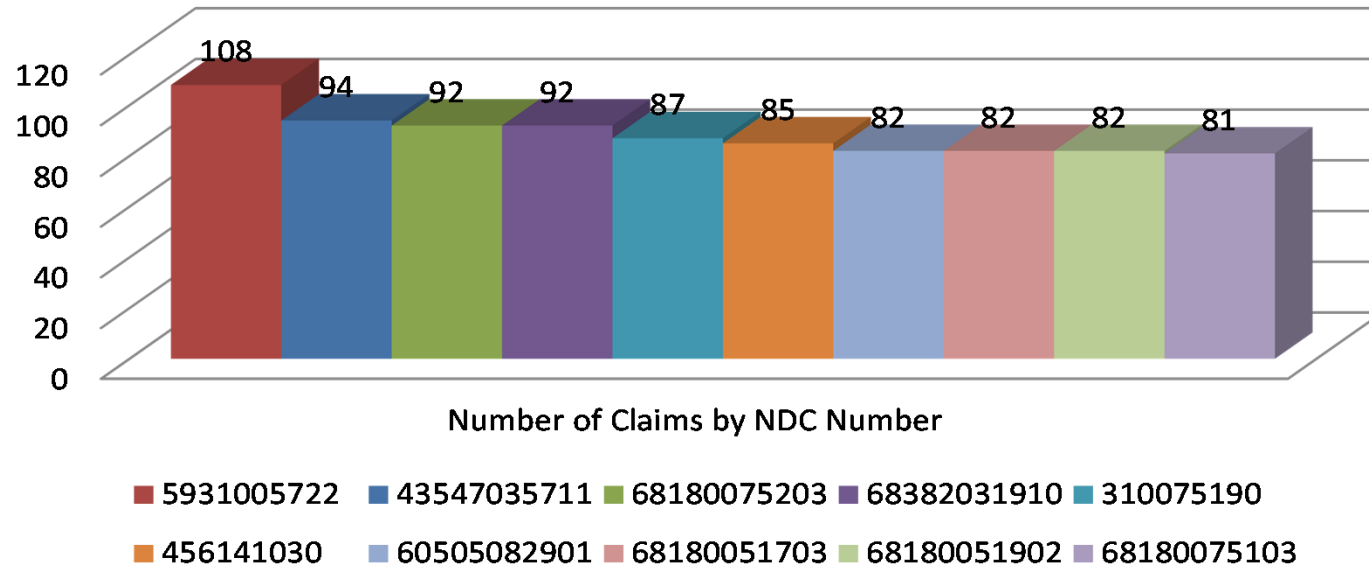
Pharmacy Claims Metrics (cont.)

Top 10 Manufacturers by Total Amount Paid

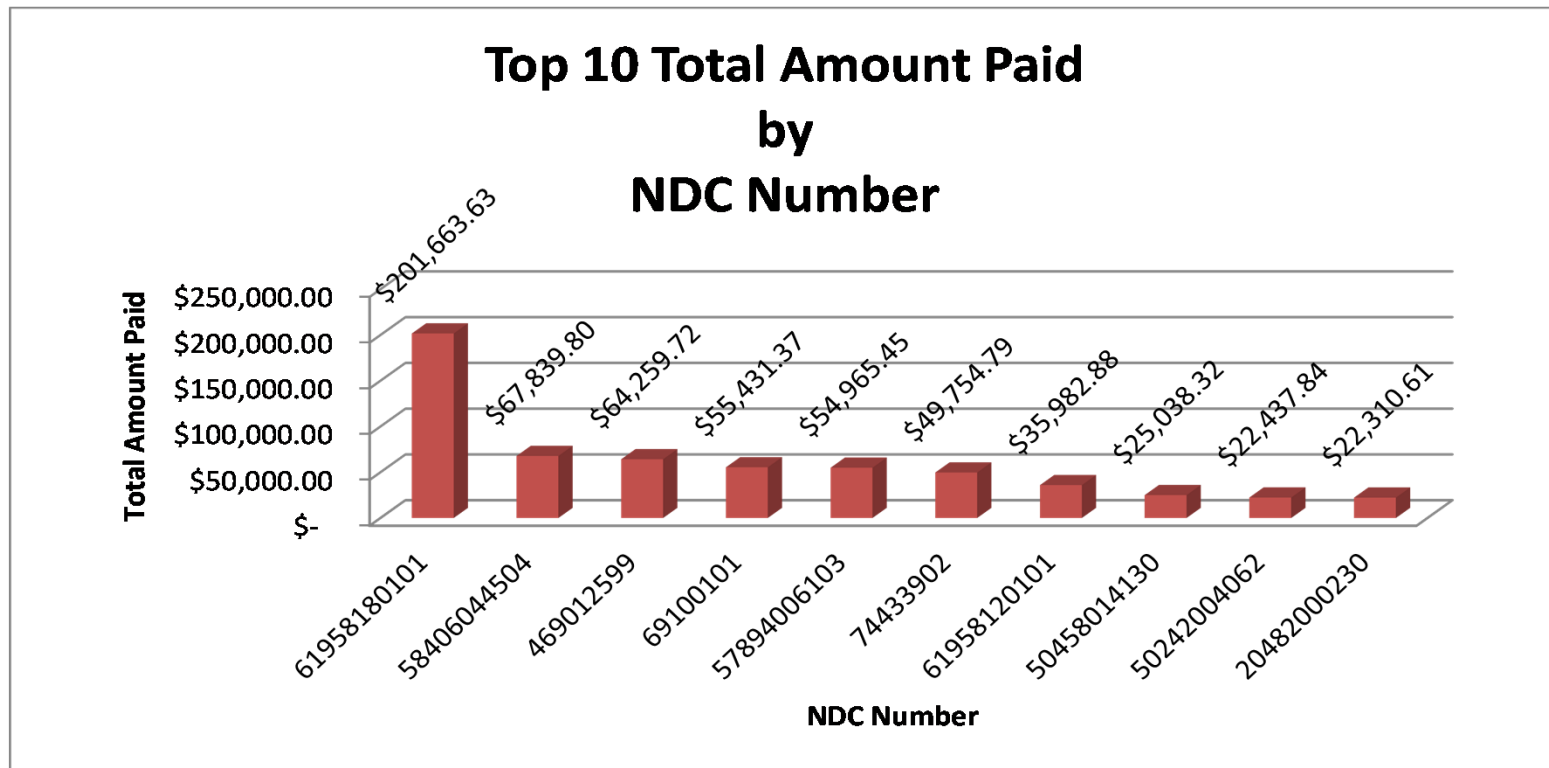


Pharmacy Claims Metrics (cont.)

Top 10 Number of Claims by NDC Number



Pharmacy Claims Metrics (cont.)





Leading Practices

Leading Practices

- Obtain and review SOC reports annually
 - Develop crosswalk of CUECs within SOC report to internal controls
- Implement monitoring procedures for performance guarantees within TPA contracts
- Periodically monitoring and reviewing eligibility



Leading Practices (cont.)

- Perform quarterly claims utilization and trend analysis (high dollar claims, etc.)
- Reconciliations of claims paid
- Periodic rebid to ensure competitive pricing
- Perform annual risk assessment for overall health population
 - Case management
 - Education on health benefits
 - Generic brands – cost effective





Open Discussion

QUESTIONS???

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