

Keeping a close watch on your TPA

Employers' supervision, instructions key to TPA's performance

[ROBERTO CENICEROS](#)

The degree of direct supervision that employers exercise over their third-party administrators' handling of workers compensation claims varies substantially, say several risk managers who use differing strategies.



But not providing adequate claims-handling instructions and then failing to monitor a TPA's performance will result in poor claims outcomes no matter the TPA, said Charles F. Martin, a managing director and U.S. claims consulting practice leader for Marsh Risk Consulting, Marsh Inc.'s risk consulting practice in Norwalk, Conn.

"If you are not providing oversight or managing the TPA or have processes and protocols in place on communication with the TPA so that you know what is going on, then I guarantee performance is going to slip," Mr. Martin said.

The level of day-to-day employer involvement in a TPA's handling of workers comp claims varies depending on the employer's philosophy, past experiences with vendors and the client's in-house resources, said David A. North, president and CEO of Sedgwick Claims Management Services Inc. in Memphis, Tenn.

Increasingly, he said he is seeing more "results-oriented" employers that want to expend less effort directing specific processes their TPA applies to resolve claims, Mr. North said. Instead, their contracts set specific goals for the TPA, such as improving return-to-work outcomes or reducing the average cost per claim by a certain percentage, for example.

Improved sophistication in managed care practices and data analytics are making it easier for customers to set specific outcome goals and monitor the results, he said.

"There is a diminishing group of customers who do pure oversight...where their primary objective is to second-guess the TPA," Mr. North said. "Employers don't have extra resources to do that anymore. If they have to second-guess the TPA, they have the wrong TPA and (they) move on."

However, risk managers say they have practices in place to help assure their TPAs follow client instructions and deliver favorable claims outcomes.

For example, Santa Barbara, Calif.-based Select Staffing Inc. applies five layers of claims management oversight, including watching over the work of TPA adjusters, to resolve claims as quickly as possible, said Fred O. Pachón, Select Staffing's vp of risk management and insurance.

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The layers include review of claims by in-house analysts and claims supervisors and a quarterly review of open claims. Mr. Pachón's staff also includes three "claims quarterbacks" that work at the offices of Select Staffing's main TPA, ESIS Inc.

Because Select has acquired several former rivals and their insurance coverage, Mr. Pachón said he works with 10 TPAs including ESIS, which is based in Philadelphia.

By working in the same offices as ESIS' adjusters dedicated to Select's account, Mr. Pachón's "quarterbacks" can, among other duties, help the adjusters pay appropriate attention to challenging claims and help assure any system failures are addressed quickly, Mr. Pachón said.

While five layers of oversight may sound redundant, "in reality the work comp system is so complicated and full of challenges and intricacies that it simply requires that much oversight to make it work," Mr. Pachón said.

Too much employer oversight, however, also can hamper TPAs' work, said Tom Dolan, senior manager of workers compensation for the Houston Independent School District, which says it is the largest school district in Texas and seventh-largest nationwide.

Mr. Dolan is among veteran workers comp managers who said they believe that fostering a team relationship between their TPA and in-house staff is a form of oversight that produces the best outcomes, Mr. Dolan said.

To further that philosophy, seven claims adjusters from Dublin, Ohio-based Avizent work from his office—not Avizent's. That stimulates a dynamic process in which Avizent employees fuse their expertise with the district's culture to establish a workers comp "program culture," he said. "Together we are coming up with a direction and a common theme of how we handle things," Mr. Dolan said.

It also improves his ability to supervise the adjusters, but "it's not Big Brother" watching over them, Mr. Dolan said. "We are in this together."

Large employers systematically survey their business unit operations supervisors to monitor whether Broadspire Services Inc. is providing the level of service their corporate workers compensation managers expected, Ken Martino, president and CEO of the Atlanta-based TPA and unit of Crawford & Co.

Progressive employers typically look to form a partnership with their TPA, Mr. Martino said. After going through a rigorous TPA selection process and pouring energy into developing the claims handling system they want their TPA to implement for them, employer clients shouldn't have to expend resources looking to find fault with the vendor, he added.

"You went through all this process (and then) if the idea is to say, 'I am going to get the TPA,' well, then you shouldn't have started a partnership with somebody that you are worried about," Mr. Martino said. "It should be about: What are the things we need to do right and what are the things we need to do on a regular basis to improve?"

An employer's expectations, though, must be stated clearly early in the relationship, Mr. Martino said.

Still, individual adjusters and their claims assistants vary in their skills, work ethics and attention to detail, several sources said.

"There are some that are going to be very good, and...there are going to be some at the other end of the spectrum," Marsh's Mr. Martin said.

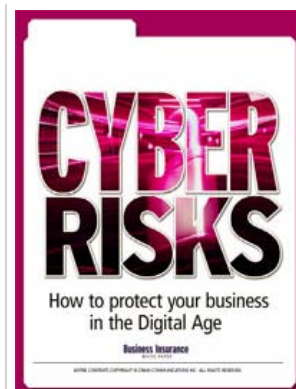
Judie Tsanopoulos, director of workers comp and loss control for Orange, Calif.-based St. Joseph Health Systems assures that TPA claims professionals dedicated to her account perform at their best by including in her contract with Sedgwick a pay-for-performance component that requires part of the TPA's bonus money go directly to individual adjusters when they meet certain goals, she said (see story, page 13).

Because of the pay-for-performance arrangement, Sedgwick audits the services it provides to St. Joseph, but Ms. Tsanopoulos also has an independent auditor evaluate Sedgwick.

Even with those layers of oversight, Ms. Tsanopoulos said she remains a "very involved employer" who visits her TPA's office "frequently and often."

Throughout the years, however, she has learned that some TPAs do not appreciate that level of employer scrutiny.

"There is a lot of resistance to that," Ms. Tsanopoulos said. "They don't like to let you in that close, peeking at



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Charles Ford

58 days ago

Not sure what partnership means. TPAs are hired guns. Evaluate the results of their effort and measure that against quantifiable expectations. Then work on the variability and mitigate or delete it. That will make for the best outcome. Also, review and bid the TPA against competitors once every three years or so to make sure the relationship does not give way to incest and capture.

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