

## CHAPTER 24

# HIGH-VALUE, TRANSPARENT TPA



*“A lack of transparency results in distrust and a deep sense of insecurity.” – Dalai Lama*

### What is a High-Value, Transparent TPA?

Third-party administrators (TPAs) charge a monthly fee for paying claims and performing other administrative functions for self-insured employers' health plans. Administrative services organizations (ASOs) associated with large carriers perform similar functions.\* However, a high-value, transparent TPA does more. It can transform health care benefits from a black-box line item that increases by double digits each year to a cost center that you can actively manage and control. The value is evident in dramatic cost reductions that can be as high as 40-50 percent.

As a result, more and more employers are looking beyond large, well-known insurance carriers and have, instead, embraced local, regional, or national TPAs to help them translate health care costs into known, actionable components.

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\* ASOs often refer to themselves as TPAs. For clarity, when I refer to TPAs, I'm referring to TPAs independent of large insurance companies. See Chapter 13 for a more complete explanation of the distinction between ASO and independent TPA.

## How Does It Work?

Employers can choose whether to bundle specific services they want in their monthly fee, depending on how engaged they want to be. Most high-value TPAs offer employers a range of provider networks (or no network at all, if you prefer) and integrate other innovative, third-party solutions to tackle costs and/or improve member experience.

A high-value TPA researches the cost of health care services and recommends actions that employers can take to save money. The following chart, adapted from the Colorado Business Group on Health, illustrates how astute employers and their high-value TPA partners measure and act on their employee's health care data.

Care Type	Measure	Action
Chronic care	Incidence / rate of chronic illness, gaps in care, and variation in physician practice patterns	Increase access to and payment for high-value primary care; educate about, remind, and encourage patient adherence
Episodic / outpatient services	Unwarranted variation in pricing for generally undifferentiated services; over-utilization of procedures driven by specialists and inappropriate demand	Increase employee education and decision support; pay for and encourage second opinions
Tertiary care	Variation in cost / outcomes by hospital service line	Designate centers of excellence; expose quality data by hospital and service line

## Why Should You Support It?

Employers using high-value, transparent TPAs can actively reduce unnecessary health care costs while boosting the quality

of health care services, thus improving the health and experience of employees and their families. If you are self-insured and purchasing care using, in part, your employees' money, this should be the minimum fulfillment of your fiduciary responsibilities.

Good health not only improves morale and productivity, it enables you to spend less on health care and more on growing your business. And employers have a unique ability to lead the change in health care that is so critical for the economy.

Sticking with a big-name insurance carrier through an ASO may feel like an easy, safe way to provide health benefits to your employees, which it certainly can be. However, employers who choose to partner with a high-value, transparent TPA typically do so because they are sick of convoluted rules, data that isn't actionable or accessible, opaque provider contracts, constant administrative runaround, and paying unknown and irrational amounts in exchange for services that don't add value.

A high-value TPA enables high-value primary care, concierge customer service, transparent open networks, centers of excellence, and more. In sum, it enables control over health care costs. It's a critical step toward fixing health care in America.

## **What Are the Key Elements to Look for?**

### ***1. Health Care Cost Transparency***

Cost transparency means that the TPA helps you see how much you should be paying (the fair market price) for distinct services and the price variance between providers. Cost transparency can be achieved by standardizing prices according to regional benchmarks or Medicare pricing.

### ***2. Quality Data***

Having access to reliable data on hospital and/or physician performance is a necessary starting point for developing centers of excellence and other approaches to managing high-cost procedures. While quality data are still imperfect in health care, they are

a necessary and valuable starting point for directing care. A high-value TPA will be adept at navigating the various sources of data.

### ***3. Utilization Data***

Health care utilization numbers without relevant benchmarks are useless. A high-value TPA will focus on appropriate use of services at the right time, right price, and right location or care setting. It does this by tackling underuse of primary and secondary preventive services for people with chronic conditions and use of low-value episodic treatments that are often not medically necessary.

For example, the following list of low-value services was developed by the Oregon Health Council. A high-value TPA can help reduce use of these wasteful services.

- Outpatient upper endoscopy
- Outpatient MRI, CT, and PET screening
- Spine surgery for pain
- Orthopedic joint procedures
- PTCA
- Stents
- CABG surgery
- Nuclear cardiology diagnostics
- Electron beam computerized tomography (EBCT/SPECT)
- Hysterectomy

### ***4. Continuous Progress***

Each region or employer has similar but different challenges. Progress requires continued diligence and improvement over time. High-value TPAs recommend and implement solutions to further this goal—the work is never done.

### ***5. Positive Financial Outcomes***

Depending on the size and location of the employer, employee demographics, strategies implemented, and regional health care

dynamics, financial outcomes may be immediate or unfold over time. For example, an employer investing in direct primary care may see increased costs in the first year as employees begin to work through delayed health issues and adopt healthier behaviors. Often, these costs are recouped several times over in years two and three. It is also important to understand which costs can be influenced and which cannot. A high-value, transparent TPA may deliver tangible savings in utilization or unit costs even if you have an overall increase in health care expenditures due to a greater than expected number of high-cost events.

## ***6. Engaged, Satisfied Employees***

Saving money in health care requires employees to be educated, engaged participants in their health. Not all employees welcome this responsibility. However, the best TPAs build trust and empower individuals through education and reinforcement of good choices. Overall, they help save money and please employees at the same time.

## **How Can You Ensure Quality?**

It may feel like you're venturing into foreign territory. You're not the first to act to get your employees and you a better deal, so reach out to those who have already benefited from using a high-value TPA, starting with other employers in your area. Here are two resources to help you navigate the path.

**Business Groups on Health** are nonprofit organizations that support employers in purchasing and managing health care benefits.

**Catalyst for Payment Reform** is an independent, national non-profit organization for employers committed to a high-value health care system that can help navigate complex changes in value-based payment models.

## What Challenges Can You Expect?

### *Administrative Challenges*

Your broker, consultant, or benefits manager may be unable or unwilling to facilitate a true evaluation of TPA attributes (retention bonuses from ASOs being the primary reason).

### *Employee Education*

A high-value, transparent TPA can sometimes feel like more of a change than employees are willing to undertake. Education about why you are tackling health care costs directly is critical to fostering more engaged employees.

### *Fear of Change*

There is extraordinary inertia in health care. Most company benefits departments prefer not to rock the boat and stay with known vendors, even when those vendors don't perform.

### *Conflicts of Interest*

Many brokers have undisclosed financial arrangements that favor the status quo and/or incentivize higher health care costs.

## What Action Steps Can You Take?

*Ask* your broker, consultant, or local business group on health if they are currently working with or have experience with a high-value, transparent TPA.

*Encourage* your broker, consultant, or benefits manager to arrange presentations from TPAs operating in your market.

*Revamp* your RFPs and annual service provider evaluations to incorporate attributes of high-value, transparent TPAs. Ask your high-value, primary care provider which TPAs they like to work with.

*Review* all responses to your RFP, not just the ones with the lowest quotes. Sometimes value is not apparent from just looking at the bottom line numbers.

## **Additional Resources**

Please go to [healthrosetta.org/health-rosetta](http://healthrosetta.org/health-rosetta) for ongoing updates, including lists of high-value, transparent TPA organizations, case studies, best practices, toolkits, and more.