



The Broker and TPA Relationship— It's Complicated

Written By Joanne Wojcik

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lthough retail brokers and third-party administrators must work together to ensure the success of self-insured group benefit plans, the relationship is not always sympatico.

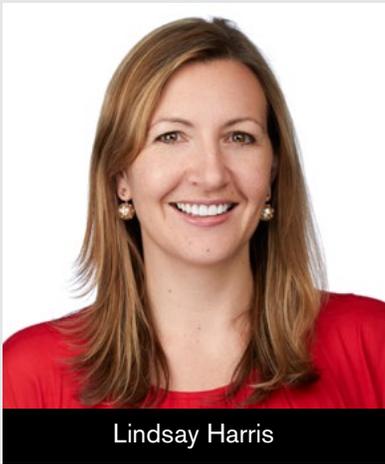
The role of the broker is to advocate for their clients, making sure they are getting the most efficient and cost-effective services to support their self-insured health plans. And while the principal function of the TPA is to administer claims, most also provide health management services, access to provider networks and stop-loss coverage and other ancillary services, often on a as part of a package designed to optimize plan outcomes.

But conflicts can arise if a broker seeks to unbundle some of the products and services included in a TPA contract, especially if such requests duplicate or replace existing services, or in some cases, violate the terms of agreements the TPA has with other service providers.

Other clashes might stem from a retail broker's lack of understanding of how TPAs operate, which differs based on whether it's an independent TPA or an administrative-services only (ASO) provider that is part of a large, national health insurance company. Lack of transparency regarding compensation and revenue-generating arrangements also can breed discord, while industry consolidation can sometimes put pressure on the TPA-broker relationship.

Regardless of these challenges, industry experts feel that most conflicts can be resolved amicably through open communication and better education.

"Whether we're always friends or not, we need each other to be successful. We need brokers to play the important



Lindsay Harris

role that they play in helping buyers navigate complicated waters that are getting more complicated.

And they need us to administer a health plan that will give them flexibility. So there's a reality that

we need to work together to help our mutual clients achieve their objectives," observed Lindsay Harris, President & CEO of Healthcare Management Administrators Inc., a Bellevue, Wash.-based TPA serving self-insured employers throughout the Pacific Northwest.

It all boils down to communication, she said. If the broker openly shares their clients' goals and objectives, "we can be partners and collaborators that make each other better." However, "if we're not given all the information we need to be a good partner, it can be much more challenging," she said.

"I'd rather have someone say, 'here's what we're trying to solve for. Can we do it?' rather than say 'give me this piece of information' without the opportunity to understand the big picture and what they're trying to achieve," Harris said. Such requests "eliminate our ability to be a partner. Instead, it relegates us to a service provider, which is not what we want to operate as," she said.

The TPA-broker relationship is enhanced when the two parties meet each other in partnership, rather than as adversaries, suggests Paul Scaglione, Chief Growth Officer



Paul Scaglione

at Trustmark Health Benefits Inc., a TPA based in Lake Forest, Ill.

"There are obviously going to be times when we'll be a little bit in conflict with each other, particularly as it relates to in-force business where we want to get in front of the client, and we want to show our value, but we get stopped by the broker wanting to control the messaging, and that creates some rub," he said.

"I think the only reason there is any consternation or issue of combativeness between the two is really just structural because we face the fire of the retail side, which is small scale, 20-50 clients, and an administrator's facing very scalable issues. They're looking at wholesale distribution, we're looking at retail, and I think the way those lenses change causes some miscommunication," observed Christian Moreno, SVP at Lockton Companies Inc., an insurance brokerage headquartered in Kansas City, Mo.

"You would be in denial if sometimes the relationship isn't going to be a little adversarial or sometimes it can feel completely transactional. I also think there's the flip side, when you have a true partnership where you understand

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the limitations and some restrictions that come with the TPAs,” said Morgan Matz, Account Executive at Seattle-based broker Parker, Smith & Feek Insurance LLC. “It can really be a successful and collaborative approach.”



Morgan-Matz

“I’ve had success over the course of my career identifying several tried-and-true TPAs where I trust they’re going to get the job done, am confident they will pay claims accordingly and timely, and that have strong in-house care management and customer services teams. They really become an extension of our team, with the shared goal of managing claims costs and ensuring employees and their families are supported during any and all healthcare needs,” she said.

BROKER KNOWLEDGE EASES CONFLICT

One of the major causes of friction is when the broker doesn’t discern the difference between an independent TPA and an ASO administrator that is part of a large, national insurance company. “Ninety percent of brokers’ challenges with TPAs are due to a lack of understanding how TPAs operate,” said Brian Olsen, Employee Benefits Advisor

at Sterling Seacrest Pritchard Inc, a broker based in Atlanta. “Disagreements often occur as a result of brokers overpromising to their clients and then challenging the TPAs’ established relationships, processes and procedures.”

They need to “know when they can push the envelope with a TPA in a tactful way, understanding their landscape and the relationships they have with provider networks, PBMs, and so forth,” he said.

“It’s definitely the case that knowledge varies dramatically” among brokers, agreed Harris. “From our perspective, one of the first things we have to do is to really try to assess the broker’s level of knowledge about self-funding. We spend a good amount of time on education to build our partners’ knowledge about how self-funding works and the benefits of working with a TPA to deliver an exceptional result for customers,” she explained.

In addition, Harris has found that many of the prospective clients are very sophisticated and increasingly are initiating the conversation about exploring self-funding options.

“Our buyers are diving in deep to understand everything we are doing on their behalf. They ask great questions of us and their broker on how we’re achieving results today and what we can do to move the needle for the future,” she said.

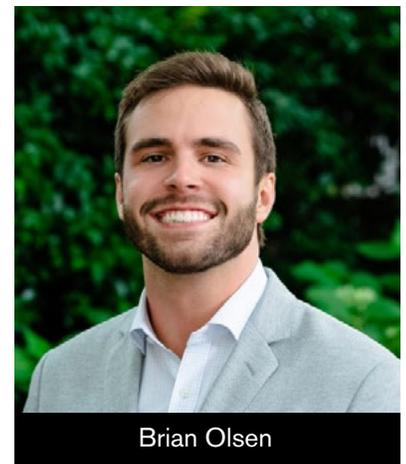
Indeed, “It’s the clients who ask questions like ‘What is a check register? What is on my monthly admin invoice? How does this cost containment vendor integrate during the pre-cert process? Etc.’”, Olsen agreed.

He said his relationships with TPAs have improved as his knowledge of the self-insurance industry has increased, which he attributed to his participation in educational programming provided by the Self-Insurance Institute of America, Inc.

“I think some of our best relationships with TPAs were after they somewhat interviewed us on ‘What do you know? Are you part of SIIA? Are you active on Canoe? (SIIA’s online learning platform.) Are you going to our webinars/ seminars?’” he said.

TPA VS. ASO

All too often, retail brokers erroneously think TPAs are all the same, but nothing could be further from the truth, especially when comparing independent TPAs to ASO contractors that are part of the large, national insurance carriers.



Brian Olsen

"It's more a question of whether they are familiar with independent administrators. About half are, but the others haven't really explored what a TPA can do vs. ASO (insurers). Bigger firms are asking us to educate their teams about the value of the independent TPA," said Tom Martel, Chief Growth Officer at Health Comp Administrators Inc. in Fresno, Calif.

It's also less work for retail brokers to place self-insured business with carriers under ASO contracts that bundle claims administration, network, health management, and stop-loss coverage into a single package, both brokers and TPAs point out. But brokers that only work with ASO providers are missing out on the opportunity to design more creative solutions for their clients, according to Moreno of Lockton.

COLLABORATION FUELS CREATIVITY

"There are some brokers that have embraced the independent administrators. There are others who are more aligned with the ASO platforms," Martel said. "We're in the midst of a change. The use of independent administrators by brokers has increased from the low 20% to 30%."

Retail brokers that have a better understanding of how independent TPAs operate are better positioned to identify more creative solutions for their self-insured clients, many industry experts say.



"From my perspective, the TPAs solve an enormous flexibility problem that is systemic throughout the healthcare system in the United States. They are one of the reasons we can execute on creativity," Moreno said.

"The only reason consultants can articulate how to get creative, carve in or carve out, actually break apart the transaction, is because TPAs allow that innovation to occur and build systems that are flexible enough to do so for the vast majority of the employers that sit between 500 and 5,000 lives where otherwise creativity and the flexibility wouldn't occur," he added. "When we want to do something real and creative, it's more than not solved through the TPA relationship."

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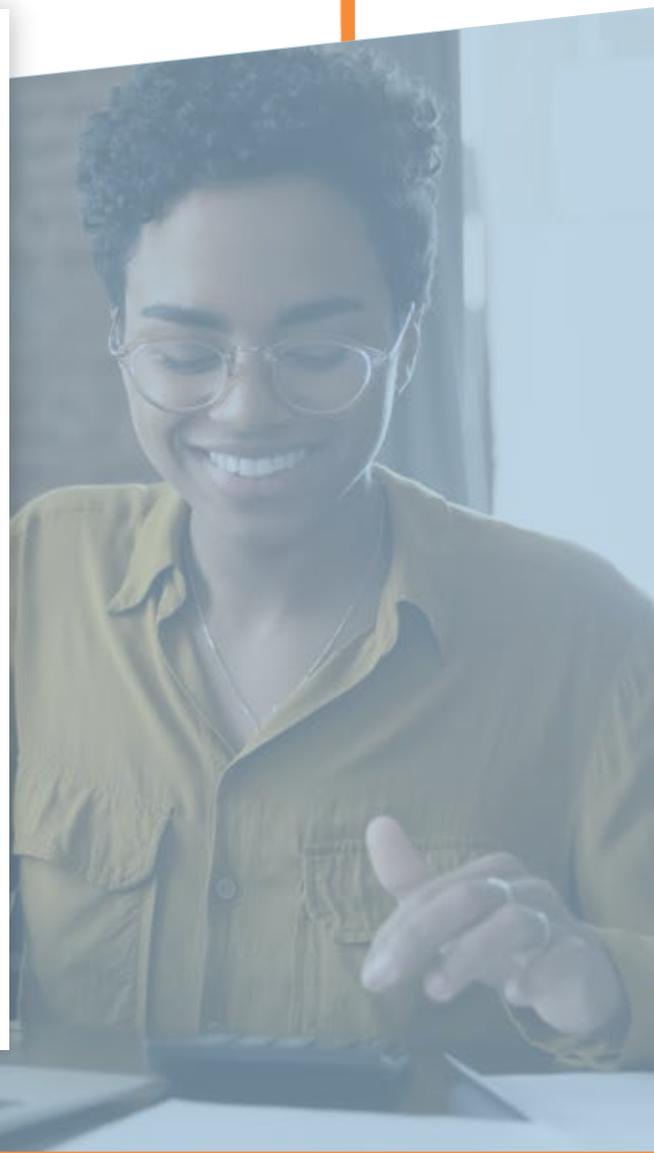
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The Broker and TPA Relationship

to customize its services to the self-insured employer's needs, Martel said.

"We'll plug into the employer vs. vice-versa," he said. "We have a conversation with the broker and client to find out their needs. One of the last decisions is the network. They like the benefits, platform, services. We have contracts with the Big 4, but also with two dozen regional networks. That's where the broker plays a really important role in helping the client make the right decisions."



Tom Martel

But unbundling sometimes creates issues for the TPA, according to Harris, such as when it results in the TPA violating network contracts or the duplication of certain core services that the TPA provides.

For instance, HMA has its own care management team, who "are very highly skilled in being able to support people with a variety of care conditions and work within the constraints of the network contracts that we access. If someone comes to us and says they want to pull that away, and in a way that violates the rules of the network we're accessing, that's a problem for us, both in terms of violating a contract but also because it duplicates a service that we are already providing to the customer," she explained.

"There are certain things that are easy to plug in: wellness solutions, analytical partners, even third-party advocacy solutions. It's much more challenging if we're asked to connect with solutions that meaningfully change core administration processes." Harris said.

"This is where collaboration and conversation come in. In the best-case scenario, we can have a healthy dialogue with the broker about what we offer directly and the value we deliver and how that compares to the option they may be considering. When we believe that we can do something better because it's fully integrated into our platform, we want to have that conversation," she said.

And even though some TPAs, like Trustmark, do access multiple provider networks, it still must work within the constraints of their network partners, and some are more flexible than others.

"We have certain rules we have to follow," said Scaglione. "The more we can express the value of the TPA, how the TPA works, what we can and can't do, the level of flexibility we can bring, the more we can partner together, the less that friction,

disruption happens."

Harris likened the difference between a TPA and ASO platform to that of an iPhone vs. an Android.

"With the ASO platform, you buy it off the shelf just like you would an iPhone. It's the carrier's product, just like an iPhone is Apple's product. You can't choose anything or customize it, and you often overpay. But it's shiny and it looks nice," she said.

"When you come to a TPA, it's like buying an Android. It's a platform that allows you to plug in whatever apps you want, use a variety of third-party hardware, and to customize to meet the needs of your people and your budget," she added.

But such flexibility might not be the best solution for every self-insured client.

"Not everyone is ready to be an Android buyer," Harris acknowledged. That's where the broker plays a key role: Helping the self-insured client determine if they are better suited to an ASO (iPhone) or to an independent TPA (Android).

"We essentially wear two hats: Broker and Consultant," Matz explained. "Our job is to really get to know the client, and many times, even though they want to save money, going completely unbundled and carving out each component of the health plan might not be the right fit for that client. Perhaps the HR team is too lean to take on the additional administrative tasks.

Maybe the stakeholders' understanding of self-insurance is not sophisticated, nor do they want to get exposure into the granular details that come with utilizing



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completely independent TPAs. They don't have the risk appetite."

"It's essentially the consultant's job to be able to assess whether a client is ready to completely self-insure and go unbundled. Do they want the complete transparency, the flexibility, do they want to be able to carve out certain elements, do they want to use a new-to-market population health management program?" she continued.

"You want the buyer that seeks to get nitty-gritty details. Many clients don't," Matz said. "So I think it's our job to be that safeguard and really measure if it's going to be the right fit"

"What the employer ultimately expects of us is to distill into a go-minute meeting the litany of issues involved in a health

and welfare programs—and do so in a way that allows business leaders to make informed decisions. Ultimately, this is what we are paid to do: provide crisp and informed insights to inform the decisions," said Moreno of Lockton.

OTHER CAUSES OF CONFLICTS

Another issue that can cause friction in the TPA-broker relationship involves compensation. Brokers typically are paid commissions for placing fully insured business, but when they consult self-insured clients, they charge fees. TPAs generally charge a per-employee-per-month (PEPM) fee, but they also may charge fees for providing additional services.

But as brokers assume responsibility for obtaining these other services, such as placement of stop-loss coverage, it is eroding TPA revenue generating opportunities.

"The issue is more about where the revenue is going," said Scaglione.

"Years ago, TPAs would receive revenue from their admin PEPM fees, plus they'd get stop-loss revenue, plus we place the PBM, now that is being moved from the TPA to the broker. I think that's where we see some monetary challenges between the TPA and the broker. It's the revenue impact on us as a TPA," he explained.



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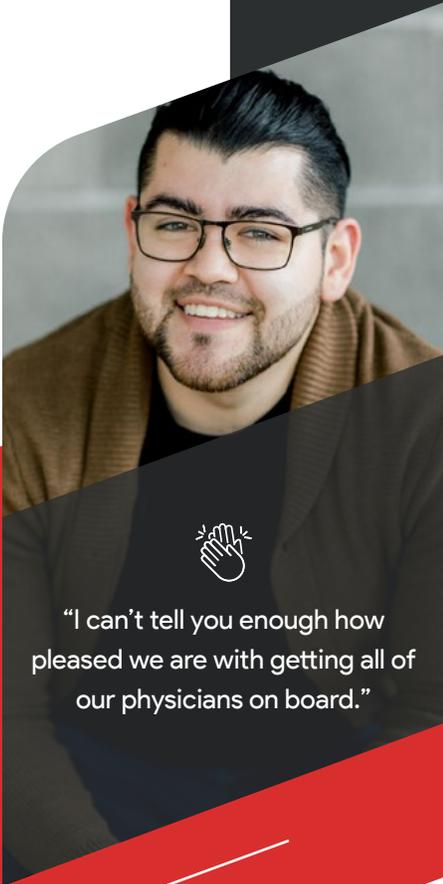
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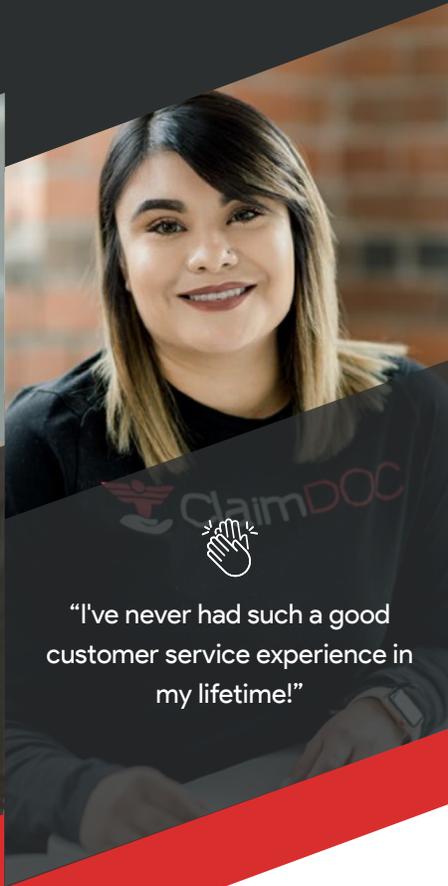
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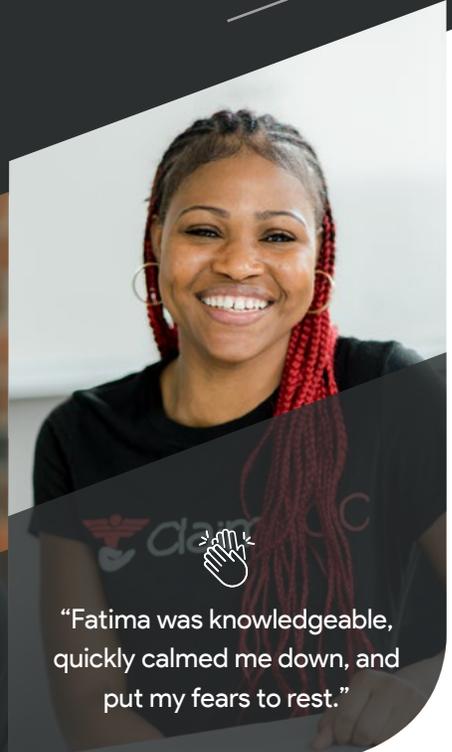
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Industry consolidation, especially in the retail brokerage sector, is causing some challenges for the TPA-broker relationship, according to Harris.

"As we've seen more consolidation of brokerage firms, there's been more moves towards using specified partners, and in some cases, offsetting E&O risk by picking up a partner, for example, using intermediaries for stop-loss. We don't necessarily have an issue with that, but sometimes there are unintended consequences with it that I think are more of a challenge for us to work through," she said.

"Stop-loss is the area of risk for all of us and most of all for the customer. It's imperative that we make sure everything goes smoothly. It makes us nervous if we're asked to work with solutions that disintermediate us from working directly with the stop-loss carrier to get reimbursement to the customer. Adding additional steps can create additional risk. It's important to partner to mitigate that concern," Harris added.

Matz acknowledged that there is "a preferred reinsurance panel" that consultants at her firm will likely go to for stop-loss placement.

"That means they've integrated with the TPAs that we work with to process and accurately adjudicate claims. There are usually good outcomes when we have some synergies and reliable partnerships," she said.

Even so, she said the directive she has from her firm's leadership is to "always do right by the client first and foremost"

THE BENEFITS OF GETTING ALONG

Though TPAs and brokers may not always get along, it is in their best interests to do so. This is especially true for brokers, for whom the investment in acquiring new business can be substantial.

"The market is such that we often chase customers for years before an RFP/chance to engage comes along. This lengthy cycle comes with a large expense borne by the firm," explained Moreno.

"The broker has invested a lot of time in winning the business in the first place. If we're good partners, we can be helpful to them, delivering results and helping them show value," said Harris. "Especially in a world where there's such a talent war going on, it's easier to change your broker than it is to change your TPA. TPA means the disruption of every member vs. broker change may only cause disruption for HR, or for CFOs. We want to help our partners be successful in keeping their customers."

Regardless of the conflicts that sometimes occur in the TPA-broker relationship, both parties will try their best to get along, recognizing that it's in the best interests of their clients and the self-insurance industry as a whole.

"It's really interesting that as we get to know each other at meetings like SIIA, this industry really clicks," observed Martel. "It's a group of individuals all trying to work together from different angles trying to do a good thing for self-insured employer." ■

The relationship of brokers and third-party administrators serving the self-insurance industry will be a topic of discussion during a breakout session at the Self-Insurance Institute of America's annual conference in Phoenix.

The session, "TPAs & Brokers—It's Complicated," will feature all of the TPA and broker representatives interviewed for this story. Scheduled for 10:15 AM on Tuesday, Oct. 11, the discussion will address the myriad issues that brokers and TPAs face when dealing with each other, and how they can be resolved amicably--in the best interests of their self-insured employer clients.

For more information about this and other sessions slated for this year's annual conference program, visit SIIA's conference website at https://www.siiaconferences.org/2022/conference_program_sessions.cfm.