



When **managing a business's health benefits plan, selecting the right third-party administrator (TPA) is essential to ensure smooth and cost-effective operations.** A TPA provides administrative and operational services such as claims processing, management, reporting, and more. Choosing the wrong TPA can lead to poor claim outcomes, legal exposures, and higher costs, but understanding the importance of finding the right TPA and exercising due diligence can pay dividends. In this article, we'll discuss why organizations use TPAs, the benefits of selecting the right one, and strategies for making an effective selection.



BENEFITS OF SELECTING THE RIGHT TPA

Organizations use TPAs for a variety of reasons. Choosing the right TPA can provide an organization with responsive, flexible and personalized service as well as considerable knowledge of administering health plans. By outsourcing their benefit administrative and operational services to TPAs, organizations can focus their efforts and attention elsewhere, thereby conserving time, resources, and efforts.

TPAs are also beneficial for organizations because they help them **meet regulatory standards** more efficiently than they could on their own. A TPA can also identify potential trouble spots and reduce an organization's legal risks due to the various regulatory requirements applicable to group health and welfare plans.

SIX STRATEGIES FOR SELECTING THE RIGHT TPA

Choosing the right TPA is essential for an organization to ensure smooth and cost-effective plan operation while minimizing legal risks. An organization's goals should match the TPA's offerings; otherwise, it may pay for services it does not need.

Thus, there are certain strategies for selecting the right TPA.

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First, organizations should **understand your needs and priorities** when looking for a TPA. Plans have different needs depending on type, design, asset size and number of participants. Knowing what your organization needs and setting priorities to meet those needs can go a long way toward finding a TPA.

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Second, organizations should determine whether a TPA can meet your needs. **TPAs offer various services** and should be reviewed individually to ensure they can meet your organization's requirements.

- 3 Third, **ensuring legal compliance** is of the utmost importance when selecting a TPA since the regulatory landscape is constantly changing. Organizations should consider how a TPA remains current on legal developments and how it can help with compliance.
- 4 Fourth, **comparing candidates is key**. When applicable, organizations should review metrics of a TPA's actual claim outcomes and know how fast it pays claims as well as its error rates. By comparing these metrics to other TPAs, organizations can select the right one for them.
- 5 Fifth, **checking references** is also important when selecting a TPA. Organizations can ask potential TPAs about other clients of similar size and needs, then contact those clients to discuss their experience working with the TPA.
- 6 Finally, **knowing the costs of services offered by a TPA** is essential when choosing one. Understanding the terms of any agreement with a TPA, especially fees and expenses, can help an organization make the right selection.

By considering all relevant factors—quality, cost of services, legal compliance and more—organizations can select the best TPA for their needs. After selecting, it's important to regularly review the TPA's performance to ensure it is meeting the organization's needs.

Third-party administrators can provide an invaluable resource to organizations managing health benefits plans. **Selecting the right TPA is essential** for employers to ensure smooth, cost-effective plan operation while minimizing legal risks. By understanding why organizations use TPAs, the benefits of selecting the right one, and strategies for making an effective selection, employers can maximize their chances of finding the best TPA for them.

HOW KAPNICK CAN HELP

For more information on Kapnick's third-party administration services, reach out at info@kapnick.com or 888.263.4656! We'd be happy to discuss how we could help you optimize your benefit plan program and save your organization time.

