**ACA Creates “Golden Ticket” for TPAs**

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In the novel and film adaptations of *Charlie and the Chocolate Factory*, the highly sought-after Golden Tickets gave the lucky few entry into the previously-closed-to-the-world wonders of Willy Wonka’s facility. Now a new golden ticket has appeared. Only this time it’s benefiting third-party administrators (TPAs) instead of chocoholic children.

The ticket is the Affordable Care Act (ACA). While its full economic ramifications probably won’t be determined for a few years, or maybe even a generation, it has become abundantly clear that the ACA has completely re-energized an industry that was feared to be fading quickly into the sunset just a few years ago.

Why the dramatic turnaround? Much of it results from the complexity of the ACA. Small and mid-size employers who wanted to continue providing employees with health insurance were uncertain of what the changes would mean or how to document compliance. Others realized they needed to offer a plan for the first time to avoid fines. TPAs have been able to step into that void.

Other newly-formed groups, such as accountable care organizations (ACOs), found they needed help managing the huge amount of new administrative tasks that accompany moving to a pay-for-performance model. The ACA also created greater incentive for hospitals, municipal groups and other niche players to continue offering self-funded health insurance. With their deep expertise in insurance administration, their understanding of how to drive member participation, and their flexibility to tailor programs to suit the specific needs of groups of 25 covered lives and up, the changes brought about by the ACA are directly in the TPAs’ wheelhouses. In fact, they are proving better-suited to the ACA than the large, full-insurance carriers for the self-funded employer market.

Let’s take a look at a few of the many market opportunities that have opened up to TPAs thanks to the ACA.

**Thinking smaller yields big results**

While self-funded employers have always been the bread-and-butter of TPAs, many have recently been able to expand that market downward as a result of two primary forces. One is changes brought about by Reinsurance carriers that make it more attractive to self-fund, such as creation of coverages that have smaller specific and aggregate stop-loss limits. Reinsurance carriers have also begun offering coverages where claims reimbursement takes place immediately and claims auditing takes place afterwards, helping employers manage risk more effectively.

The other is the aforementioned requirement for employers to offer some form of health insurance to employees or face significant government fines. The result is more small employers are now looking into what types of affordable health plans they can offer. This is where TPAs shine.

Unlike large carriers who only offer a handful of off-the-shelf options, TPAs have the flexibility to tailor their self-funded plans to the specific needs of each employer. They also have the administrative capacity to manage the entire program for employers – including complex, ACA-specific requirements such as calculating and reporting on the number of covered employees based on hours worked.

Once programs are set up, TPAs are also in a better position than large carriers to drive employee engagement with it. For example, they can build portals that match the design and branding of the employer’s website. This is important because employees – especially those with less insurance literacy – are far more likely to feel good about and trust a portal that looks like it’s from their employer rather than an insurance company.

With the employer’s approval, TPAs can set requirements in place to drive usage of the portal, such as making the portal the only option for enrollment or incenting an employee to complete an online HRA while enrolling on line for company health benefits. Engaging employees through the portal, rather than sending information such as explanations of benefits (EOBs) through regular mail, can help TPAs bring their administrative costs down further, making it more affordable for employers to offer health insurance.

By incorporating additional outside services such as health risk assessments and wellness programs into the portal with one-click access, employers make it easier for employees to become and remain healthier. In addition, reports generated through those services can help brokers and TPAs develop new programs, such as rewards for smoking cessation and exercise, which address specific health concerns of that group. These programs not only help employers lower claims; they also contribute to reducing time lost due to avoidable illnesses, improving productivity.

TPAs across the country are seeing results. One that already had a small business program in place has doubled its revenue in the last two years by adding new, smaller self-funded employers. Others that have added this capability have created new markets for themselves and established a position as the dominant player in their area. And the surface has only been scratched.

**Finding their niche**

TPAs are solidifying and growing revenue streams through a renewed focus on niche markets such as hospitals, municipal workers and Native American tribes (including their non-tribal employees in casinos, fish canneries, ranches, etc.) These are relatively large groups that have historically valued the services of TPAs, as well as their flexibility and personalized service. They view TPAs as being better able than the large carriers to advise them on managing the complexities of the ACA, and more capable of delivering customized programs that recognize the unique needs of their members.

For example, hospital and municipal workers tend to incur an above-average number of back injuries. TPAs can design health plans that cover programs to teach them how to strengthen their back and core muscles, encourage them to stretch, and educate them on lifting and other techniques to help them avoid these injuries.

More progressive TPAs throughout the country have experienced success in these niche markets for years, but there is still plenty of opportunity that remains. While the Native American market may be more concentrated, every area has hospitals, municipalities and other groups which value the flexibility and personalized service offered by TPAs.

**Healing what ails ACOs, new Marketplace Offerings and co-op plans**

With the advent of ACOs and other opportunities as a result of the ACA, more hospitals are setting up their own health plans and offering them to their employees as well as other employers in the community. It makes sense. The more they can tie the community to their providers (and cut-out the insurance company middle man), the more revenue they can capture – which is of paramount concern as the industry shifts away from the fee-for-service model.

Yet while they possess deep knowledge of healthcare that can be used in designing plans, they lack experience in analyzing and interpreting claims data which is essential in operating a profitable health plan offering. This is where TPAs can use their existing relationships and knowledge of the community to capture business outside their norms. In the process, the TPAs gain partners that will take care of marketing services and getting members on board; TPAs simply take the role of advisor and consultant.

The same applies to the government-funded, non-profit co-ops that were established prior to the ACA to create independent group purchasing plans. One forward-thinking TPA that pursued this type of business gained 160,000 members.

Finally, the advent of the healthcare marketplace has brought with it a number of new insurance company players that are now offering coverage in various states. Just like the hospitals and ACOs, these groups possess great knowledge on how to design and market health insurance coverage, but lack the administrative mechanisms that TPAs readily possess. Any of these co-ops, ACOs, and insurance plans are targets for new business.

**Great value from minimum-value plans**

As a result of the ACA, some employers who have never offered healthcare benefits are being forced into it to avoid penalties. This requirement creates a new business opportunity for TPAs to offer minimum essential coverage plans – either plans they market from carriers or self-funded plans they create themselves. This pre-packaged approach is different than the standard customized plans TPAs create.

To market them, TPAs can compare the cost of the plan with the cost of non-compliance, creating a case as to why the employers should offer this coverage versus paying the penalty. In addition to avoiding penalties, TPAs can explain the benefit employers will receive as a result of offering the plan, including generating goodwill among current employees who didn’t have coverage, having another tool to use in attracting new talent and an ability to influence employee health to reduce man-hours lost to injury or illness.

**Offering consulting services**

The knowledge TPAs possess, especially in terms of ACA compliance, is invaluable to employers, associations and other organizations. Rather than giving it away, TPAs may want to consider selling it in the form of consulting services to organizations trying to determine which way to go, but not yet ready to make a commitment.

TPA consultants can lay out the options for these organizations, advise them on what it will take to create a successful program and how to sustain that success over the long term while minimizing their costs and risks. It can also provide a good introduction to future business.

**Becoming trusted advisors**

That extensive knowledge can also be applied to consumers. Taking what they are already doing for self-funded employers with multiple plans, some TPAs are looking into establishing separate divisions that can function as what the ACA calls “trusted advisors,” answering consumer questions, comparing plan options and helping them make decisions. The ACA, and especially the marketplaces, have created a great deal of confusion. TPAs can use resources they already have, including call centers and self-help portals, to capitalize on consumer uncertainty and create a revenue stream.

**Golden ticket**

These are just a few of the many ways the ACA has become a virtual “golden ticket” for TPAs, creating new opportunities and helping them gain access to business that was never available to them before. More are certain to be uncovered as the healthcare industry evolves over the next few years.

Taking advantage of them requires some creativity and thinking outside the proverbial box. But as many are already finding, it’s well worth the effort.

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