Why use a TPA?
How using a TPA can help you control claims costs  Interviewed by Matt McClellan

Many employers wonder if using a third-party administrator (TPA) to process their workers’ compensation claims is the right choice. TPAs represent private and public state-funded employers and self-insured. They work with trade associations and chambers of commerce to administer alternative rating programs.

“To sum it up, I’d say the most meaningful thing a TPA does is promote safer working environments, and assist employers in managing and helping to reduce their overall workers’ compensation costs,” says Randy Jones, senior vice president, TPA Operations for CompManagement, Inc.

“There are programs and processes we use that have the ultimate goal of reducing or controlling the cost of that program, for example claims management, safety and risk management services, and risk analysis. Most TPAs offer alternative rating program administration and actuarial services as well.”

Smart Business spoke with Jones about how to determine if a TPA would be able to help your business.

Why would an employer consider using a TPA?

It allows the employer the option of having an experienced partner to help manage their claims and control the costs of their program. It is particularly helpful for a small-to-medium size employer that may not necessarily have a full-time risk manager, but has someone wearing multiple hats. He or she may have responsibility for all employee benefits, and workers’ compensation is just one piece of that. TPAs provide an experienced partner that can work on behalf of the employer by providing another set of eyes in terms of managing their program.

TPAs in Ohio are a very affordable option for employers, as well. A lot of employers say ‘I pay my premiums to the Ohio Bureau of Workers’ Compensation (BWC), aren’t they providing these services for me?’ While that is true, the BWC has to be an objective party. They aren’t just representing the interests of employers in Ohio; they also have to represent the interest of injured workers, medical providers, and any other stakeholder that may be part of the process. A TPA can advocate more appropriately for the employer.

What are some of the benefits of partnering with a TPA?

One of the key benefits is that TPAs provide an ability to quickly analyze and make recommendations when the BWC’s board of directors and staff approve new regulations and requirements. Another important benefit is that a full-service TPA has the ability to assess what programs might be of the greatest benefit to an employer. The goal of the analysis would be to create a safer work environment, reduce premiums and manage the outcome of claims.

If a TPA has a rating department, they also provide a great tool to an employer: the ability to run feasibility studies. These studies provide concrete, black-and-white examples of what alternative rating programs best fit an employer’s particular needs.

What types of businesses can benefit from being represented by a TPA?

It’s an obvious opportunity for larger employers, both private and public. It’s probably also obvious for employers with a propensity for a higher volume of claims, or that may be in an industry with a higher risk in day-to-day operations. That’s conventional thinking. We like to take it a step further, as many businesses, although not necessarily large, can take advantage of a pretty significant number of alternative rating programs the BWC offers. It’s all about what the best option is for the employer.

TPAs assist in evaluating if some kind of a significant discount on premium is available, help to manage their risk management program, and provide assistance to the employer with their unique challenges in their line of business.

How can an employer determine if hiring a TPA would be a good decision?

Employers should review their program costs over the past several years. If they determine that the overall cost of the program or their premiums have continued to rise and they can’t determine the reason why, there is a very good argument for having a trained set of eyes analyze their program.

Another reason it’s a good decision: if the employer is in a business that is prone to common types of injuries, such as slips and falls, repetitive motion, or soft tissue injuries. TPAs can assist with the implementation of several safety programs. TPAs can also review an employee’s job duties that may lead to common injuries that can be avoided and/or prevented.

When a workers’ compensation injury occurs, you want to make sure you have an organization that is ready to help in a proactive fashion instead of reactive.

What should an employer look for in a TPA?

They need to consider an organization that is full-service. There are a fair number of organizations that refer to themselves as full-service that are not. A true full-service TPA firm provides claims management, cost control, safety consulting services, rating and actuarial services, as well as hearing representation for the employer before the Ohio Industrial Commission and/or BWC.

You should consider a TPA that is well represented in your industry. If you are a public employer, you should consider a TPA with experience with public employers. Likewise, on the private side, if you’re in the construction industry, it’s fair to ask a TPA what kind of experience they have in your field. Another thing that should be considered is if the TPA is SAS 70 compliant, which ensures tight controls and oversight of the program.

The final thing to look at is a TPA’s reputation in the industry. You can learn a lot about a TPA from the references that they provide and their business partners.

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