How TPA's can move to cloud to mitigate rising costs, adapt to regulations and meet customer needs

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For third-party administrators (TPAs), self-funded health plans are the way healthcare should be doing business.

Self-funded or self-insured health plans are customized to an employer's workforce, unlike the one-size-fits-all approach large payers take. These plans also give employers more control over their healthcare dollars, eliminating the need to pre-pay for coverage and services and giving more control to spend money where employees need it the most.

The plans align with the healthcare industry's push to provide personalized care for individuals and populations at the lowest possible cost. For this reason, among others, the number of employees in self-funded plans has increased to 67 percent in 2020 – up from 59 percent of covered workers in 2010, according to the *2020 Employer Health Benefits Survey* from Kaiser Family Foundation.[1]

The self-funded plan market is growing and, alongside that, the opportunities for TPAs.

TPAs are central to the success of self-funded plans currently and are quickly becoming integral to quality, affordable healthcare. The organizations take on the operational work associated with running a health plan, including claims adjudication, customer service, utilization review of claims, and contracting of provider services. Leveraging a TPA provides employers with the cost-savings associated with self-funding while leaving them to focus on growing and optimizing their business.

However, in order to seize new opportunities and ensure the success of clients, TPAs must be nimble and agile—two characteristics difficult to embody in the bureaucratic, manual world of healthcare administration.

Spending on healthcare administration reached a whopping $812 billion in 2017, according to the *Annals of Internal Medicine's* most recent study.[2] The study illustrates that healthcare administration costs represented over one-third of total national healthcare spending – nearly doubling neighboring Canada's spend.

The study's findings point to inefficiencies in the healthcare system that complicate the operations of TPAs. But these are also challenges TPAs are poised to solve with the right tools.

TPAs face a set of unique challenges when it comes to successfully running a self-funded health plan for employers. Rising healthcare costs, rapidly changing rules and regulations, ever-evolving employer and employee health needs, staff retention and recruitment, growing security concerns, and technology limitations are all top challenges TPAs currently face in the aftermath of the COVID-19 pandemic.

TPAs can overcome these challenges with automation and technology implementations that streamline core business administration while supporting each TPAs mission: providing personalized benefits and service at the lowest cost possible.

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[1] Kaiser Family Foundation. (2020, October). 2020 *Employer Health Benefits Survey*. https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/

[2] Himmelstein, D. U., Campbell, T., & Woolhandler, S. (2020). Health Care Administrative Costs in the United States and Canada, 2017. *Annals of Internal Medicine, 172*(2), 134. https://doi.org/10.7326/m19-2818

Challenge #1: Rising Healthcare Costs

Total healthcare expenditures increased substantially over the last several decades, reaching a new height at $3.8 trillion before the COVID-19 pandemic in early 2020.[3] Rising costs have put more pressure on payers, with private insurance spending accounting for $1,195.1 billion, or 31 percent of total national healthcare expenditures that year. In comparison, Medicare spending represented 21 percent, or $799.4 billion, and Medicaid spending 16 percent, or $613.5 billion.

Out-of-pocket spending also increased significantly at the time, rising to $406.5 billion, or 11 percent of national healthcare expenditures in 2019.

COVID-19 is unlikely to have a significant impact on national healthcare spending growth despite community-wide shutdowns in the first half of 2020, according to industry experts.[4] However, price growth for medical goods and services is still expected to accelerate as it has over the last couple of years, creating more challenges for TPAs.[5]

TPAs are focused on delivering cost savings to their clients but rising costs have made it difficult to rein in spending for employers and the business itself. In this climate, cost control is a top priority for TPAs. Increasing efficiency through automation and tightening spend management will be key to controlling rising costs when negotiating lower prices with providers.

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[1] *NHE Fact Sheet | CMS*. (2020, December 6). Centers for Medicare & Medicaid Services. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet

[2] Blumenthal, D., & Jacobson, G. A. (2021). Putting Medicare Spending for COVID-19 Into Perspective. *Annals of Internal Medicine*. Published. https://doi.org/10.7326/m21-2187

[3] *NHE Fact Sheet* | CMS

[4] *Text - H.R.133 - 116th Congress (2019–2020): Consolidated Appropriations Act, 2021*. (2020). Congress.Gov | Library of Congress. https://www.congress.gov/bill/116th-congress/house-bill/133/text

Challenge #2: Changing rules and regulations

Healthcare is a highly regulated industry. The Department of Health & Human Services (HHS) alone releases hundreds of rules and regulations each year to address care delivery and payment on the federal level. States and local governments also craft their own policies dictating how healthcare should be covered and delivered within their respective communities. Similarly, private payers and providers develop their own policies around coverage, benefits, and reimbursement, which are updated often to reflect evolving circumstances.

The past year showed TPAs just how fast rules and regulations change. The COVID-19 pandemic disrupted the entire healthcare supply chain, prompting federal, state, and payer-specific policies to change at breakneck speed.

New regulations, such as the No Surprises Act, are also on the horizon for TPAs.[6] The surprise billing law has TPAs awaiting new medical billing rules that will change the way they do business.

Since self-insured health plans are regulated under the Employee Retirement Income Security Act of 1974 (ERISA), the self-funding option can take away the headache of comprehending oftentimes conflicting rules and regulations. This puts the onus on TPAs to sift through and understand rapidly changing policies. The organizations must then incorporate new rules into standard business practice immediately to ensure compliance, efficiency, and most importantly, avoidance of heavy federal and state penalties.

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[8] Wicklund, E. (2021, May 4). How COVID-19 Affects the Telehealth, Remote Patient Monitoring Landscape. *MHealthIntelligence*. https://mhealthintelligence.com/features/how-covid-19-affects-the-telehealth-remote-patient-monitoring-landscape[3] *NHE Fact Sheet* | CMS

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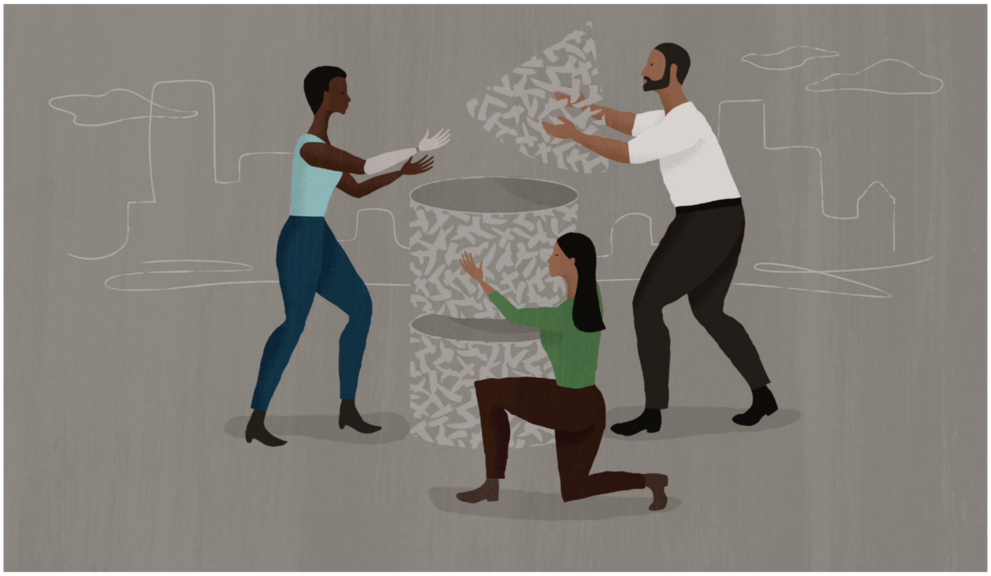

High rates of employee turnover create a serious challenge for consumer-centric TPAs. TPAs will need to be deft enough to respond quickly to shifts in workforce while catering to the needs of employers with evolving requirements.

Challenge #3: Evolving employer and employee needs

TPAs take a consumer-centric approach to healthcare to meet the needs of employers. However, those needs are always progressing, especially in the aftermath of a global pandemic.

Telehealth utilization, for example, increased rapidly during the pandemic when patients sought a new way to access care without risking exposure to COVID-19.[7] Industry experts expect this trend to last as consumers continue to enjoy the convenience and benefits of remote, digital care.[8]

Additionally, many employers had to downsize their workforce during the pandemic. For some employers, this was temporary as communities shut down to stymy the spread of the virus during outbreaks. But for others, downsizing is now permanent and new research shows that more than one in four employees plan to leave their employer post-pandemic as burnout levels remain high.[9]

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Turnover also spells trouble for TPAs themselves. TPAs have not been immune to the highly volatile economic climate over the past year and turnover is likely to hit TPAs just as gravely as their employer-clients. Recruitment and retention will be challenges for TPAs, along with training new employees.

Both employer and TPA turnover, however, present an opportunity for automation and technology to assume highly repetitive, manual tasks, leaving value-adding work to perhaps a smaller team.

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Dean Bradley,
Principal Solutions Consultant
Oracle

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Overcoming top challenges with the Cloud

Core business administration technology holds the key to overcoming the top challenges TPAs face – if TPAs invest in the right tools.

Many TPAs have already implemented a core business administration platform to automate key functions across the organization, including eligibility verification, explanation of benefit creation, and claims management. However, while these platforms were innovative years ago, many cannot keep up with the fast-paced healthcare business and are now considered legacy systems.

“Being able to quickly adapt to change whether it’s market demand, government regulation, or whatever the case may be, is key,” says Dean Bradley, Principal Solutions Consultant at Oracle. “TPAs need to be able to quickly adapt by rapidly implementing products and services to meet those demands and/or are able to facilitate business rules that they sometimes may be forced to implement because of regulatory requirements.”

“The only way that they can do that is to have a system that enables that rapid deployment of new products, new business rules, things of that sort,” Bradley states.

Core business administration technology must be scalable and agile in order to facilitate success in the face of evolving challenges. Unfortunately, “one-stop shop” legacy systems have many features and functions but are not capable of leveraging new technologies or automating necessary processes.

Cloud solutions provide the dexterity TPAs need to overcome the challenges they face.

Unlike traditional health IT infrastructure, cloud solutions do not rely on physical servers or limited automation capabilities. Cloud solutions provide more flexibility for users to store data off-premise, while also delivering cost-savings, remote file sharing, custom applications, and increased storage in a HIPAA-compliant manner.

"The model itself lends much better to being agile and capable while also having all the support and security that a TPA could conceive at this point in an affordable way," explains Emily Bean Green, Oracle's Head of Self-Funded Healthcare Sales. "Often TPAs aren't going to have a large staff that they can dedicate to security or to maintenance and support. This model makes it possible for them to have that type and that level of service without ridiculous cost."

Cloud is expected to become the health IT infrastructure standard in the future, with events like COVID-19 underpinning the reasons why healthcare organizations benefit from cloud solutions. The solutions have enabled smoother transitions to remote work, virtual care, and other innovations.

Research shows that healthcare companies are seeking to decommission their legacy systems in favor of hybrid cloud—solutions that leverage both public and private cloud. But implementing technology may not be easy for TPAs that have invested heavily in legacy systems and are currently watching their budgets. In other words, a "rip and replace" may not be an option for TPAs in the current economic climate, according to Bean Green.

"A full migration is not ideal for a lot of these companies, so to be able to do it in baby steps so that they can not only afford it but make themselves available and open to the evolutionary process of moving into new technology and utilizing new information and data sources," Bean Green points out.

Software-as-a-service (SaaS) is the best option for cost-conscious TPAs hesitant to replace legacy systems. The solutions embody what TPAs need to be in the face of rising costs, changing regulations, and high turnover rates. These solutions support core business administration while boosting the TPA's consumer-centric model.

Componentized solutions can identify top pain points, whether it is eligibility enrollment or claims adjudication, and implement a module that works with the legacy system to address that specific challenge. Oracle's Health Insurance solution is componentized in this way in order to allow TPAs to address or "laser in" the solution that is most needed in the immediacy; thus removing the need to rip-and-replace an entire system. In this manner, TPAs are given the power to create a controlled pathway for migration away from legacy systems – one budgetarily-minded step at a time.

Cloud-based solutions also provide the option to scale SaaS options when TPAs are ready to address other pain points or even replace their legacy platforms.

SaaS Benefits beyond automation

TPAs will benefit from more than automation and technology implementation. The right solutions can streamline and modernize workflows while keeping spending at bay. But the right solutions will also support the very concept TPAs are built on: self-funding is the best way to deliver care to individuals.

According to Julie Bertolino, Master Principal Solutions Consultant for Oracle Health Insurance, "TPAs need to be competitive. They need to be cost effective. They need to be cheaper than their competition. And they need to have service excellence in order to deliver their products and/or services to their clients. The differentiator is being able to quickly adapt to those market demands that the TPAs have."

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SaaS solutions can be that differentiator especially when it comes to customer service. Employers want their TPA to respond quickly to market changes to give them the most value for their dollar. Solutions that streamline processes deliver that value quicker and allow the TPA to focus on customer service rather than administrative tasks.

Cloud-based SaaS infrastructure drives innovation and digital transformation, giving TPAs faster access to data with a high-level of security. At the same time, cost of maintenance are lower even though TPAs will have more ability to leverage data via automation.

In turn, TPAs also remain competitive in the highly competitive healthcare industry. TPAs that can demonstrate nimbleness and agility will be able to deliver value to employers when others are burdened by clunky legacy systems and workflows.

With the help of SaaS solutions, TPAs can overcome the top challenges while positioning themselves to tackle whatever obstacle is next.

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