

**Retirement plans: Risks and challenges for today's employers**

# **The Illinois Manufacturer**

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Fall 2006



**Wellness programs: Holding the  
line on the rising cost of healthcare**

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# Health plan fiscal fitness: Is your

**I**t's nagging you in the back of your mind. You still haven't gotten around to making an appointment for that healthcare benefit plan performance "check-up." Yet, the language of wellness preaches that we should be proactive and ride that glory train of preventative measures. "Yeah, I will get around to it," you say. "Our bottom-line is healthy right now. We like our claims administrator and don't get many complaints about them from our employees. We will be just fine." Then, without warning, it hits — the bottom-line flu! Your healthcare claims experience spikes a fever and is off the charts. As the old saying goes, an ounce of prevention leads to a pound of cure. What preventative measures can an employer take that will ensure a healthier claims experience? Certainly, plan design plays a significant role, yet a well crafted benefit program is only as effective as the administrator that supports it. The efficiency of your claims administrator can have a dramatic impact on your bottom-line savings; for better or for worse.

## Cost effective service

When asked what the most important factor in selecting a Third-Party Administrator (TPA) partnership is, predictably, many employers focus on service excellence and high cost savings. To be able to evaluate an organization's service and fees, an employer must consider the functions, processes and relationships that are necessary to support the task of claims administration: technology, comprehensive service options, benefit program integration, service philosophy and practices, and solid vendor partnerships.

## Service philosophy and practices

Mission statements express it in a myriad of creative ways. Yet, the core of excellent service is simple: An earnest desire to serve, effective assessment of needs and the means and flexibility to meet those needs. A claims administrator that can deliver on all three levels will appeal to an employer's service sensibilities and most likely excel beyond that "customer satisfaction" mark.

Service excellence will kick off with a strong needs assessment process; one that is collaborative between the employer and the administrator resulting in customized service. The employer should feel satisfied that the administrator has listened well and that an understanding has been established between the two. The administrator should be thorough and provide clarity in how they will work with and for their client, representing the benefit plan according to the employer's vision. Is your administrator representing your benefit plan to your employees in a manner that reflects your vision? Do you feel that you are getting the personalized service that you need? Customized service sets the stage for more potential cost savings. How does your TPA rate on listening and flexibility?

A good service philosophy put into practice will include

solid strategies for hiring and training competent staff. This is often overlooked or minimized when considering a TPA. Ask the administrator what they do to ensure that they obtain and maintain top-shelf staff. What are their hiring requirements? What is their turn-over? What type of internal training do they support? What are their auditing practices? How do they invest in cultivating dedication from their staff? Most TPAs should provide some form of this detail in their sales presentation. If they don't, that might be cause to raise an eyebrow.

## Supportive cost saving technology

It is not enough for a TPA to perform good needs assessment. They must have the means and flexibility to service those needs. Leading the list of "must haves" is strong technology. Does your TPA utilize a system that supports claim processing efficiency and the recent, rapid layering of government compliance?

Long gone are the days when a claims processor manually screened a claim. Current claims processing technology offers fast automated claim adjudication, featuring watchdog edits that catch the dollars before there is a serious fall out to your bottom-line. These edits vary from identifying non-covered services, to billing errors. Some claims adjudication software is more advanced than others.

Another key factor to consider when reviewing your TPA's technology is what controls and/or flexibility they have to obtain necessary system enhancements and upgrades. The best circumstance is that the TPA uses "home grown" or proprietary software. In this case, a system upgrade and/or enhancement can be more easily obtained, which means more efficiency for the claims administration and cost savings. This has become especially evident over the past few years with all the new, weighty government compliance for HIPAA Privacy and HIPAA Security regulations.

How much paper does your administrator handle? The trend for claims submission through electronic data interchange (EDI) has developed at a rapid rate over the last two decades. EDI claims processing supports lower processing errors and higher productivity. A TPA in step with the pace of today's EDI claims submission volume will have an advantage in providing a desirable turn-around time.

## Comprehensive service options and system integration

Although outsourcing has been a trend for the past several years, a one-stop shopping TPA (or as close to one as you can get) will have the greater advantage in providing consistent service as well as the controls to more effectively manage plan cost savings. How much of your total plan is supported by your TPA in-house?

A large number of TPAs will provide services for, at the least, medical, dental, vision, flex and short term disability claims. What other benefit services does your TPA provide



# TPA supporting yours?

By Denise Ehlen

in-house? Does your TPA support health savings (HSA) and health reimbursement account plans (HRA)? Claims subrogation? COBRA and HIPAA services? How about a debit card?

Case management has become a staple for health plan cost savings strategy with new and improved disease management tools being its latest feature. There are plenty of vendors that provide this service and partner with TPAs. An administrator that can provide this service in-house will stand out in its capacity to manage your claims to your specifications and exercise appropriate claims experience controls. In this case, data is shared with co-workers rather than through delivery back and forth with a middle-man. The less time spent on a file, the less cost to you. Also, a TPA who provides case management in-house will not have to “police” another vendor to support the customized service they established with you.

While comprehensive service options are desirable for cost control and seamless service, a TPA that marries these with system integration, is the *crème de la crème*. In one way or another, the administration of most benefit plan options will require access to the same data, e.g., medical claims adjudication and case management. Working with an integrated software system supports real-time on-line data exchange between the claims processor and case manager resulting in no-wait data analysis. This tightens up the gaps through which dollars may fall.

## **Solid vendor partnerships**

### **Stoploss carrier, PBM, and PPO interfacing**

TPAs will collaborate, on their client's behalf, with a pharmaceutical benefit manager (PBM) and a preferred provider organization (PPO) rather than provide this service in-house. Who your TPA partners with will be key to service and cost savings. Also key is how well your TPA understands your needs and works with these vendors to meet those needs. Are your PPOs and PBMs supporting your benefit plan needs? If not, is your TPA flexible enough to work with other PPOs and PBMs that you prefer to work with?

A TPA that is on the mark in protecting your dollars will demonstrate stop loss carrier savvy. They will partner with an A+ carrier who has a proven record for delivery on their promises, whose service philosophies reflect their own, and will negotiate competitive premiums. The TPA will ensure that synergistic processes and procedures are in place that result in optimal coverage for your plan. For example, the administrator will understand and respond to what the stop loss carrier requires to cover the claims in a timely and complete manner.

## **Government compliance**

Government compliance has always been a factor for self-funded plans, and as HIPAA regulations continue to spin out, the need for sharp attention to compliance has intensified. To avoid high cost penalty fees and liability risks, a TPA should be functioning under state-of-the-art compliance guidance; either working with an in-house compliance specialist or obtaining their information from a

reliable source. An “affordable” TPA service that achieves a competitive fee through cutting corners, either intentionally or unintentionally (e.g., they are not up on the regulations and therefore do not incur necessary costs to operate in compliance) in the long run, is not affordable! Whatever you may save in administrative fees will pale in comparison to the cost of penalties and legal fees spent to rectify administration that is out of compliance.

## **Plan management tools**

They've got your data.  
How efficiently do  
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your data to your  
liking, the better.

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## FISCAL FITNESS

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Website services are essential. Access to information on-line, anytime, provides for fast and direct service. Does your TPA provide access to management reports on-line? Does your TPA provide access to account detail for your plan participants? Are on-line enrollments available?

### Keeping up with trends and compliance

Nothing is certain but death and change! To ensure that your healthcare plan continues to experience optimal savings, you should partner with an administrator that is focused on keeping pace with industry changes, both in technology and

regulations. Just as a virus becomes resistant to an antibiotic, high claims experience will become resistant to stale practices and technology. A TPA that is routinely audited by an outside firm will most likely be on top of necessary change.

### Service and savings: It doesn't have to be one or the other

Will the demand to receive supportive, no-hassle service ever go away? No. Will the need to find new and innovative ways to produce cost savings disappear? No. You're in it for the long haul. Become knowledgeable on what practices, procedures, and philosophies result in service excellence and desirable cost savings. Periodically exercising a healthcare plan administration performance check-up on service options, service quality, technology,

and vendor collaboration could make all the difference in your cost savings. If they are not forthright with keeping you updated on their practices and procedures, ask your TPA the right questions from time to time to determine if you are receiving the best service and optimal savings. Taking preventative measures is the trend. Partnering with an administrator that is dedicated to keeping your healthcare plan fiscally fit will guard against catching the "bottom-line flu." ■

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## HEALTH INSURANCE

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Carriers should offer members a number of interactive online services, such as the ability to review membership information for members and families, check claim status, receive temporary ID cards or order replacement ID cards and download claims forms.

Additionally, health plans should provide members with access to health and wellness content and decision-making tools, including information about specific diseases and treatments, interactive tools to help them design personalized diet and exercise programs, access to information about smoking cessation programs and general information about brand name and generic prescription drugs.

They should also provide infor-

mation and transparency around the cost of care, through a variety of comparison tools, such as programs that compare individual hospitals based on outcome and cost data for specific procedures.

### Reporting

With many companies carving out different components of their healthcare offerings — ranging from disease management to pharmacy benefits — health plans should be able to manage and compile information from all vendors and sources and provide comprehensive reporting data for its clients.

### Presence and brand recognition key

Finally, look for "brand" names that employees recognize and trust, and you yourself would want to choose as your health carrier. Blue Cross and Blue Shield of Illinois, which has 6.9 million members, has

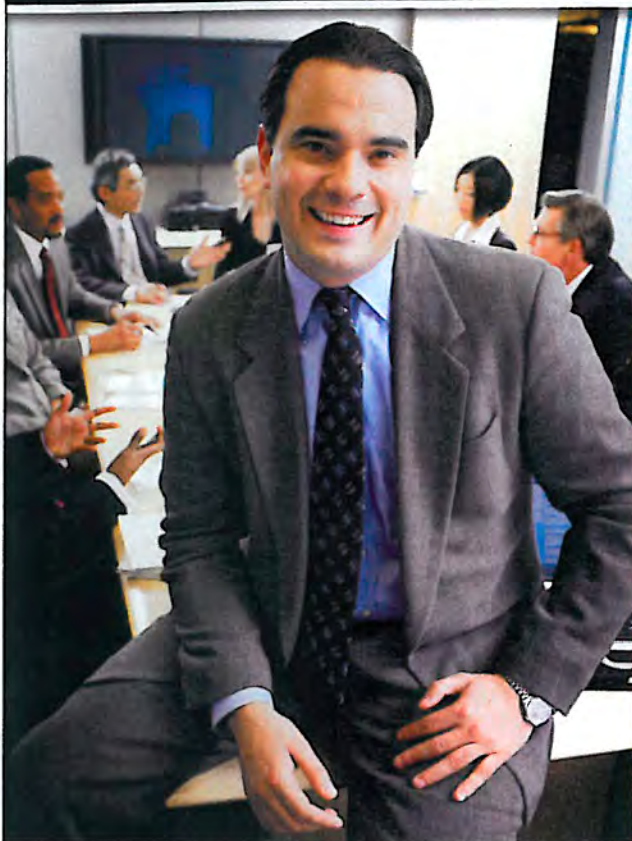
been a trusted carrier in the state since 1936. For 70 years, Blue Cross and Blue Shield of Illinois has focused on customers and members by offering reliable, affordable healthcare benefit plans. ■

*Karen Atwood is Senior Vice President, National Accounts, for Blue Cross and Blue Shield of Illinois. For more information, please contact Ms. Atwood by email at [atwoodk@bcbsil.com](mailto:atwoodk@bcbsil.com) or by telephone at 312-653-6000.*

*Blue Cross and Blue Shield of Illinois is a division of Health Care Service Corporation (HCSC), a non-investor-owned mutual insurance company that operates the Blue Cross and Blue Shield Plans in Illinois, New Mexico, Oklahoma and Texas with approximately 11 million members. HCSC is an independent licensee of the Blue Cross and Blue Shield Association.*



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