No Need to Feel Alone in the Desert
How to better manage your TPA
Business Insurance – by Matt Dunning – September 25, 2011

Mid-market executives and managers must walk a fine line when interacting with their workers compensation claims adjusters or third-party administrators, experts say.

Without clear and consistent communication with the adjusting agent and oversight of their performance, employers could face greater costs as a result of low prioritization or mismanagement of their workers comp claims, as well as an increased risk of litigation brought by an injured worker. However, mid-market companies also must refrain from excessive scrutinizing of their adjuster's services, as it could negatively affect the speed and quality of that service.

Thin personnel resources or a lack of expertise when it comes to workers comp issues cannot be an excuse for adopting a laissez-faire attitude toward the responsibilities assigned to a claims adjuster or TPA, according to Charles F. Martin, the Norwalk, Conn.-based national claims consulting practice leader at Marsh Risk Consulting, a unit of Marsh Inc.

Too often, executives and managers—particularly at the smaller end of the middle market, where more companies are fully insured—grant an unhealthy autonomy to their claims adjuster, whose services usually are bundled together with the company's workers comp insurance coverage, Mr. Martin said.

By doing so, companies usually fail to monitor the adjuster's performance over the lifespan of the claim, missing the chance to provide instructions on important decisions
like selection of medical care providers and legal counsel or correct potentially costly statutory filing and reporting mistakes, he said.

“In that kind of guaranteed-cost program, the client's probably not monitoring it,” Mr. Martin said. “To some extent, a lot of them decide that the claims aren't their issue, but the claims are always your issue, because you always wind up paying for them in the end.”

Larger mid-market companies might be more likely to self-insure their workers compensation program, in which case their claims adjustment services typically would be handled by a third-party administrator. Despite enjoying the freedom of selecting their own TPA, self-insured firms risk litigation, prolonged open claims and ultimately higher losses by not establishing clearly defined service parameters and monitoring the performance of that service.

“There seems to be less of an inclination to get involved when we talk about mid-market companies,” Mr. Martin said, noting that workers comp, benefits management and property and liability risk often are managed by the same small work group, if not by a single employee, at midsize employers.

“You get into situations where you've got a lot duties bundled together, and that's problematic because there aren't a lot of people that are going to be experts in all those fields,” Mr. Martin said.

While overreliance on the services of an adjuster or TPA is the more common mistake among mid-market companies, executives and managers also must be careful not to
strain the relationship by micromanaging adjuster and TPA decisions, forcefully imposing their own conclusions regarding a claim, or taking on too much responsibility to compensate for lagging service, experts said.

“You don't want a situation where the adjuster is afraid to make a decision without contacting the client first, which is going to cause delays,” said Paul Brandel, risk manager for the Rockford Mass Transit District in Rockford, Ill.

If mid-market managers are overly forceful with their adjuster or TPA, it usually is when they suspect a claim is fraudulent, according to Zachary Sacks, managing partner at the Culver City, Calif.-based Sacks & Zolonz L.L.P. Mid-market companies often are unclear on exactly how much evidence is necessary to deny a claim or to prove fraud, he said.

“If there is a big area of abrasion between smaller employers and their carrier or TPA, that's it,” Mr. Sacks said. “When an employer thinks it's a fraud, they are loud, vocal and outraged. But the carrier adjuster or the TPA knows what it takes to successfully bring forward a fraud defense, and the employer very often does not. They just have a general sense that the guy is faking it.”

Wendy Ademy, risk manager for the city of Roswell, Ga., said her department recently replaced its TPA in July after seven years of steadily declining service. Ms. Ademy said the department had assumed too many of its former TPA's tasks—like scheduling treatment, coordinating with counsel and fielding questions from employees—when service began to lag. That ultimately pulled valuable resources away from the department's other responsibilities.
“We found with our last TPA that the assigned adjuster got very busy with other claims and additional states. We took on more and more of what they were responsible for until we did everything but cut the checks to pay the medical bills,” Ms. Ademy said. “That took a chunk out of our schedule that could have been used for a more proactive approach in employee safety.”

A successful relationship with an adjuster or TPA should consist of a degree of trust that the adjuster possesses the expertise to act in the best interests of the client, balanced with performance oversight and clear communication of the employer's goals and expectations, experts said.

“Being self-insured and having a little more say in the claims handling, we found our (former) TPA asking us what we wanted to do with a claim when we were looking to their expertise for direction,” Ms. Ademy said. “With our new TPA, we relayed our needs to them and have held them to their service agreement.”

Mr. Sacks said mid-market managers must make an effort to develop a rapport with their adjuster or risk being lost in a crowd of other clients.

“An employer remains somewhat of an unidentified client that will be serviced as such until a personality and a relationship develop,” Mr. Sacks said. “The more active an employer can be in establishing a relationship with the adjuster, the better the result is going to be.”

“It's so simplistic,” he added. “You just have to pick up the telephone.”