



**York Programs**

## **What does a “high quality” TPA look like?**

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All TPAs are quick to say that they provide “high quality” service. Not all, however, are quick to spell out just what “quality” looks like and to put in place measures that can prove the service they offer deserves to be labeled “high quality.”

### **Customization of quality**

Let me start by pointing out the obvious: quality means different things to different clients. For some clients, high-volume/low-cost commoditized claims handling leads to the best overall outcome. For other clients, intensive service and high degrees of expertise and experience are necessary. For most, some combination of those two approaches is best.

For programs, quality will mean something different to each individual program, so your first criteria for judging a TPA’s quality is its willingness to tailor its quality metrics to your specific program. This is intuitive. Look at two hypothetical programs, one for four- and five-star restaurants in New York City and one for a franchise chain of sandwich shops. For the first, you’d want the TPA to offer adjusters who have lower file counts, more individual attention to each claim, and a greater willingness to take the time necessary to make sure each claim is resolved properly. For this program, preserving each restaurant’s clientele and reputation is key. For the second program, you’d look for quickness, higher volume file counts per adjuster, possibly centralized handling of the claims, and the lowest overall cost of loss. For this program, quality and value mean a more commoditized approach.

### **Measurable results**

Next, make sure your TPA is committed to measuring its quality with objective metrics. A willingness to develop and implement specific financial incentives for each program is also a good sign. Again, the actual metric will vary with each program, but some typical measurements and results you should look for include:

- **Initial contact/three-point contact:** For workers' compensation claims, initial contact with the employer, claimant and physician should be made by the end of the next business day after the claim is reported. Repeated efforts should be made and if still unsuccessful, contact letters must be sent. For liability claims, the claimant and policyholder should both be contacted by the end of the next business day, and for property claims, the insured should be contacted within that same time period.
- **Turnover/closing ratios:** Look for a one-to-one ratio. That is, for each file an adjuster closes, another should be opened.
- **Case load:** varies greatly with the complexity of the claim and the line of business, but should not exceed 150 liability cases per adjuster.
- **Penalties:** Ask for a report on penalties assessed against the TPA and for what. Repeated penalties for the same issue mean the TPA is not correcting mistakes.
- **Reserving:** This is less exact, but a good rule of thumb is that initial reserves should be set within five days of receipt of the claim and that reserve changes should happen within two weeks of receiving information that changes the reserve. For reserve accuracy, you need to look for patterns. Reserves that fluctuate wildly – either up or down – over the course of the claim should be looked at closely. This might mean that you'd be dealing with frequent claims "surprises" ... just what you don't want.

### **A commitment to quality**

Finally, when evaluating TPAs for quality, investigate whether or not they have the infrastructure in place to take quality seriously. Is there an ongoing "Quality" initiative? Do they have a management operating system that continuously measures performance? Do they make operating decisions based on objective data and measurable criteria? Do they tie employee performance to quality measures? Are incentives tied closely to performance on quality measures? Are there strict supervision and frequent audit of individual files? Is there a continuous improvement feedback loop in place, and does the company take that feedback seriously? Does the company's marketing material talk about quality?

These are just some of the questions that you can use to evaluate a TPA's commitment to quality. The companies that do place great importance on quality will be eager to answer these and other questions. They'll want to have a dialogue on quality; they'll quickly agree to customized performance measurements; and most of all, they'll show you that they get better and better and better. After all, quality is not a destination; it's a process.