

Manager/Supervisor Risk Management  
#20– 1/17/12

TOPIC: WORKERS' COMPENSATION – WHAT IS A TPA?

An insurance company's claims department handles the losses suffered by their insured's. We have no insurance company to provide these services, so YCPARMIA staff generally handles our claims (liability and property) in-house. The exception to this is workers compensation where we contract with a third party administrator (TPA), York Insurance Services Group (formally Bragg), to adjust our WC claims.

California has set forth minimum standards of training, experience, skill, and certification for workers' compensation claims adjusters (examiners). The State defines an adjuster's duties as determining the validity of the claim, establishing case reserves, approving and processing all WC benefits, hiring investigators, attorneys, or other professionals, and negotiating settlement of claims. In addition to the examiners, a WC claims staff would include, among others, IT professionals, clerical support, a bill review unit (whose function is to lower medical bills to the State mandated amounts), and a very busy mail room. The relatively small annual number of YCPARMIA files would make staffing an in-house WC claims unit prohibitively expensive – this is the business niche that a TPA fills.

Our WC TPA contract is for a flat fee, and contains no incentives for service or cost control. We have three examiners assigned to our account. Two handle indemnity claims (injuries that trigger temporary and/or permanent disability benefits) with the alphabet divided between them based on the injured worker's last name. The third examiner handles files that are limited to medical benefits; these would include new "medical-only" injuries, and existing "future medical" files. Our assigned examiners are certified by the State, and make all decisions on statutory benefits required under the Labor Code. To overly simplify, the examiner takes the doctor's reports, applies them to the Labor Code, determines what benefits have been triggered, if any, and makes payments. While the examiners primary duty is to deliver benefits, it is equally important for them to be accessible and responsive to our injured workers; for YCPARMIA it is the service the examiners provide beyond delivering benefits that judges their worth.

As a practical matter York's claims staff is an extension of YCPARMIA; we recognize that our injured workers do not always distinguish between York and YCPARMIA. It is essential for us that our TPA performs to the highest and most responsive, professional standards that we would expect from our own staff. To that end, YCPARMIA formally monitors the performance of the TPA in a number of ways:

- Our staff WC nurse contacts every injured worker to discuss their continuing satisfaction with service by both the TPA and medical providers.
- All WC files are electronically reviewed by our staff every 60 days.
- A claims audit is conducted by an independent auditor every other year.
- Staff meets with York monthly to do a face-to-face file review on selected files.
- Any complaints received from our members or their injured workers result in an immediate review of that file, and a discussion with the TPA.

Next topic: Workers' Compensation – Investigations