



Self-Funded Market Industry Overview & *Research Consortium* Study Approach

An Overview of the TPA and Self-Funded Market,
Description of the *Research Consortium* Study Approach and
Insight into the Resources and Capabilities of TPA NETWORK



Self-Funded Market Segment Overview

- *Self-funding* was created as an alternative to BCBS organizations and traditional health insurers in the late 1950s by labor union *plan sponsors*.
- Formally authorized with the passing of the federal body of law known as *ERISA* (Employee Retirement Income Security Act) in 1974 which was created to secure pension plan assets from use by union bosses.
- ERISA was expanded to encompass self-funded health plans in 1976.
- ERISA largely preempts state regulation of self-funded health plans.
- ERISA is enforced at the federal level by the U.S. Department of Labor.



Self-Funded Market Segment Overview

- ERISA imposes burdensome obligations and requirements on self-funded plan sponsors that do not apply to health insurance or managed care plans.
- All actions taken by plan sponsors must be fully transparent, reasonable, prudent, equitable and fair and any use of *plan assets* must be for the exclusive best interest of *plan participants*.
- Penalties for non-compliance are onerous, ergo ERISA is strictly abided by.
- Despite this, self-funding provides plan sponsors with greater control over their plans and is a less-expensive and more stable way to fund them.



Self-Funded Market Segment Overview

- Self-funded plans are generally designed and managed by independent *third party administrators (TPAs)* that exist solely for this purpose.
- There are ~250 TPAs in the U.S. that administer health plans for ~20,000 plan sponsors on behalf of ~50 million plan participants, representing an estimated $\frac{1}{4}$ to $\frac{1}{3}$ of all working Americans.
- Most self-funded plans employ a *stop-loss/reinsurance arrangement* to help mitigate the risk of catastrophic claims whereby the plan sponsor's liability is capped at a pre-negotiated amount, e.g. \$100,000 per claimant.
- The ten largest stop-loss carriers reinsure most of the self-funded market.



Self-Funded Market Segment Overview

- TPAs range in size from managing as few as 20,000 plan participants to more than 2.5 million, most being in the 50,000 – 100,000 range.
- The market is segmented into TPAs that focus on plans sponsored by individual employers, multi-employer labor unions, trade associations and those that service or “backroom” insurance companies and MCOs.
- TPAs and their plan sponsor clients typically participate in one or more of several industry associations (e.g., SPBA, SIIA, HCAA, IFEBP).
- The majority of TPAs manage their plans on one of a half dozen proven (now) cloud-based plan administration platforms created in the 1980s.



Industry Challenges and Opportunities

- All payors face the common problem of identifying, evaluating, assessing and developing guidelines for the torrent of new medical technologies, emerging health innovations and novel ways of doing business that are presenting themselves at a rate too difficult for them to control.
- For forty years, large payors have relied upon well-funded Pharmaceutical, Therapeutic and Medical Technology Assessment Committees (staffed with MDs, PhDs and scientists) for guidance on if/when/how to cover things.
- Due to ERISA's requirements, TPAs can't always follow the path of the big payors and no one TPA is large enough to cost-justify such an entity.



Industry Challenges and Opportunities

- Presently, TPAs must individually research and develop their own means to handle new innovations, despite their inability to do so effectively.
- TPAs often approach plan and population health management differently, so there is no one “correct” way to look at things; indeed, there is often little commonality within a TPA’s own plan sponsor client base.
- Fortunately, self-funded plan sponsors act alike in exerting great control over their health plans and aggressively approaching cost management and most are early adopters of, and adapters to, change – which accounts for why TPAs have been at the forefront of plan innovation for decades.



Industry Challenges and Opportunities

- TPAs and their plan sponsor clients are nimble and able to move quickly, free of the bureaucracy and innovation-stifling mindset of the big payors.
- And, because self-funded plan sponsors remain with their TPAs for much longer than health insurers and MCOs there is more time to affect change.
- This is especially so re: the multi-employer market segment because unions stay with their TPAs for decades and union plan participants often remain in their union health plan for a lifetime, often into retirement.
- Why? Because a plumber is unlikely to become an electrician and all of the plumbers working in a particular city (regardless of what company they work for) are part of the Plumbers Local 100 Health & Welfare Plan.



Who is TPA NETWORK ?

- TPA NETWORK is a private, small, boutique consultancy that has been at the forefront of innovation in the self-funded community since 1985.
- Its principals *helped invent group health insurance* in the 1960s, pioneer the TPA industry in the 1970s, represent 200+ TPAs at hearings before the U.S. House of Representatives, Committee on Ways & Means and conduct research and authored publications that impacted the industry.
- We are highly experienced in operating successful TPAs, have developed and delivered products and services to TPAs for 34 years, and have facilitated more TPA mergers and acquisitions than any other entity.



Who is TPA NETWORK ?

- TPA NETWORK principals have a profound understanding of all aspects of self-funding and the TPA industry, having witnessed and played a role in their development over more than four decades, at the highest level.
- TPA NETWORK clients have included the nation's largest TPAs and health insurers, Fortune 500 companies, venture capital and private equity firms with names such as Prudential, Xerox, New York Life, BCS Financial, UNYSIS, the American Healthcare Association and CSC to name a few.
- We have established relationships with the principals of most of the leading TPAs, technology/platform vendors, reinsurers, etc. *Simply stated: if we don't know them, or they don't know us...they are not important.*



Who is the *Research Consortium* ?

- In early 2019, TPA NETWORK created the *Research Consortium* to become the pharmaceutical, therapeutic and medical technology assessment body for the self-funded industry, to meet its urgent and peculiar need for one.
- It will conduct its own translational research on new medical technologies, emerging health innovations and novel ways of doing business of interest and import to the self-funded community and make its research infrastructure and pool of potential study participants available to outside entities.
- It will do this by contracting subject-specific teams of academic researchers, professors, scientists and doctors from the nation's leading universities and research institutions and collaborating with external research organizations.



What is the *Research Consortium's Value*?

- The *Research Consortium* is creating a research infrastructure to access a pool of several million self-funded health plan participants who may be invited to participate in translational research studies and clinical trials.
- Using population health, care management and patient engagement tools to access up to a decade of plan participant medical claim, Rx and provider data it will also collect and aggregate patient medical record data, biometric and survey-obtained phenotypic data which it will couple with genomic data to create an *enriched data set* of great interest and value to many researchers.
- Researchers will be able to identify and target specific potential study participants (e.g., disease states, comorbidities, specific Rx users) and conduct longitudinal research that leverages these highly enriched data sets.



Where is Genetics/Genomics Involved ?

- The *Research Consortium's* first research study will be focused on what we have termed *genetic benefits risk management* and it will seek to define, and explain how to best, practice genetic benefits risk management.
- The study will be conducted by a contracted team of academic researchers, professors, scientists and doctors associated with Duke University, MIT, the Salk Institute; the Uniformed Services University of Health Sciences, and Drake University (overseen by the *Genetic Benefits Consulting Group*).
- The *GBCG* has hands-on experience successfully shepherding program participants and their physicians through the entire PGx testing process.
- It expects to test 100,000+ plan participants over a 30-month period.

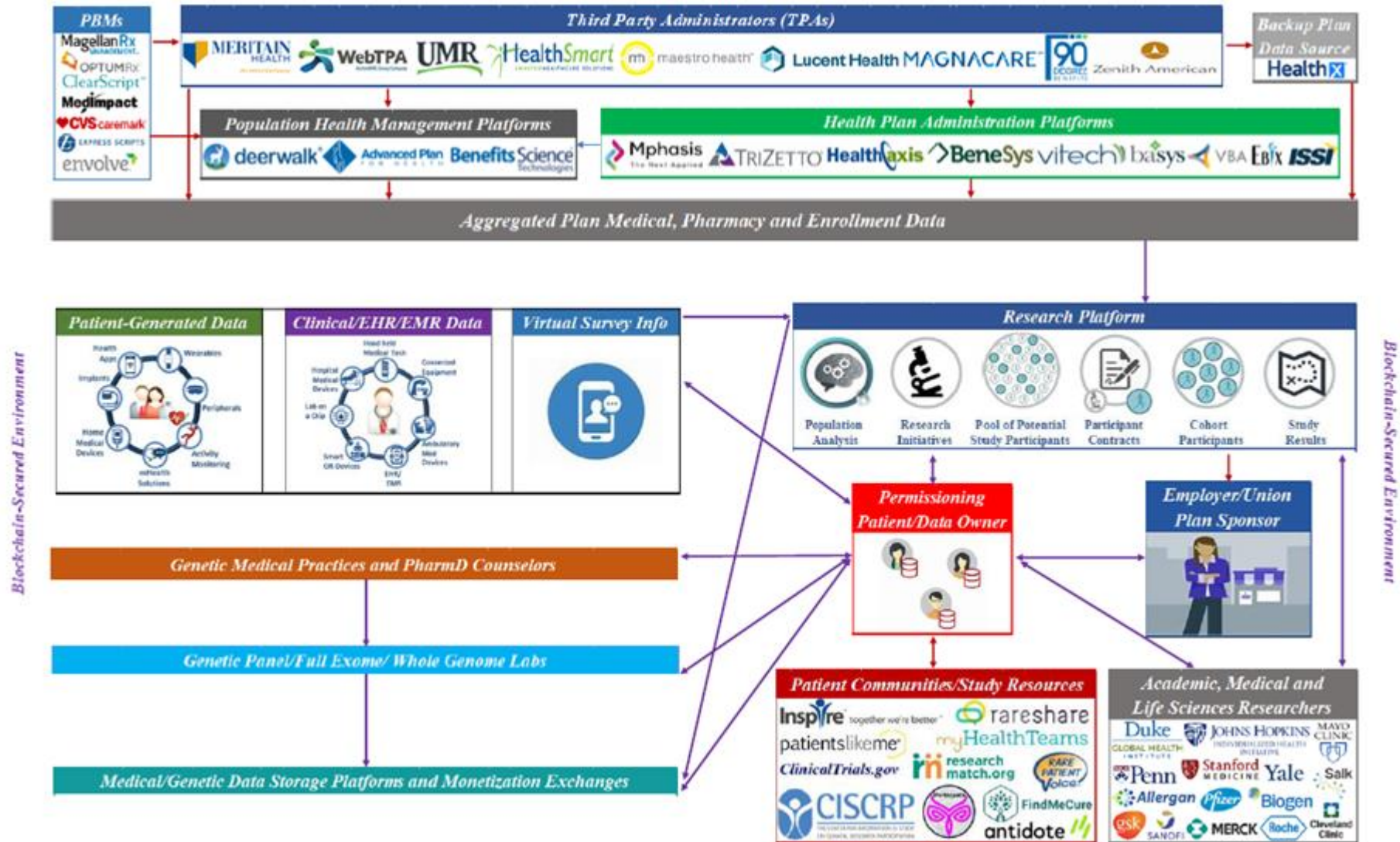


Where is Genetics/Genomics Involved ?

- For convenience/efficiency we intend for Phase 1 of the study to involve 20 TPAs that use a common population health management platform with an aggregate population of 2+ million potential study participants.
- We will address the specific pain points of each TPA (i.e., target a specific disease state, patients using specific drugs, high-risk/high-cost patients) with the goal being to test <1% of the population and show a strong ROI.
- Phase I may only result in the testing of 15,000 study participants however in Phase II we intend to expand the testing to include 100,000+ study participants from that same TPA group and in Phase III we will expand the TPA group to include dozens more TPAs using different platforms.



Genetics/Genomics Specific Ecosystem





Which TPAs will Participate ?

- While TPA NETWORK has decades-long relationships with a great many TPAs, we have not yet *formally* reached out to this community as, based on our limited outreach, they will “want to immediately implement a program for one of their largest clients that has an urgent need to satisfy”.
- We tepidly reached out to *two* TPAs and, as expected, were asked to do *two* pilots involving 10,000 (union) and 15,000 commercial plan participants.
- We are confident that most TPAs will participate in our studies and want our offering to be more firmly structured before we more broadly reach out.
- We are enlisting support from the TPA associations, other industry experts.



Which TPAs are Likely to Participate ?



- *The UMR Companies* comprise the nation's largest TPA serving 2.5+ million plan participants. TPA NETWORK has long-term relationships with its member TPA CEOs.



- *Meritain* is the nation's 2nd largest commercial TPA managing plans for 1+ million plan participants. TPA NETWORK has done many acquisitions for it over 20 years.



- *Zenith American* is the nation's largest TPA serving labor unions with 1+ million plan participants. TPA NETWORK has C-level relationships with it dating back 30+ years.



- *Maestro Health* has 1+ million plan participants under management. TPA NETWORK facilitated the platform acquisition that created the company several years back.



- *WebTPA*, an AmWINS unit, serves 1+ million plan participants. TPA NETWORK has C-suite relationships with it dating back 20 years, and AmWINS as well.



- *MagnaCare*, one of the nation's largest TPAs serving labor unions, serves 1+ million plan participants. TPA NETWORK's relationship with the CEO goes back 10+ years.



Which TPAs are Likely to Participate ?



- *CoreSource* is a group of TPAs that provide administrative services to 1+ million plan participants. TPA NETWORK has relationships with many of its TPAs' CEOs.



- *HealthSmart* serves 750,000+ plan participants. TPA NETWORK's relationship with the CEO goes back 20+ years to when he managed the Disney Corp.'s health plan.



- *BeneSys* is a union-oriented group of TPAs that serve 500,000+ plan participants. TPA NETWORK has relationships with its CEO and many of its TPAs' CEOs.



- *90 Degree Benefits* is newly formed group of established TPAs that serve 350,000+ plan participants. TPA NETWORK has long-term relationships each of its TPAs' CEOs.



- *HealthComp*, and sister company *BAS*, manage plans for 350,000+ plan participants. TPA NETWORK has relationships with its CEOs for 20 and 30 years, respectively.



- *Lucent Health* is a group of TPAs that manage plans for 250,000+ plan participants. TPA NETWORK has decades-long relationships with almost all of its TPAs' CEOs.



Which TPAs are Likely to Participate ?



- *Gilsbar* is a family-owned TPA that administers plans for 250,000+ plan participants. TPA NETWORK has a 30+ year relationship with the owner/CEO.



- *Allegiance* provides health plan administrative services to 250,000+ plan participants. TPA NETWORK has a relationship with its Founder/CEO that dates back 30+ years.



- *CieloStar* (formerly OutsourceOne) manages plans for 250,000+ plan participants. TPA NETWORK has a relationship with its Founder/CEO that dates back 30+ years.



- *Boon-Chapman Administrators* is a family-owned TPA that administers plans for 200,000+ plan participants. TPA NETWORK has a relationship with C-suite executives.



- Vermont-based *EBPA* is a commercial TPA that serves 200,000+ plan participants. TPA NETWORK has a relationship with its Founder/CEO that dates back 30+ years.



- *Kelly Services* is a family-owned TPA that administers plans for 200,000+ plan participants. TPA NETWORK has a relationship with its COO that dates back to 1983.

The TPAs listed, manage health plans for more than 12 million plan participants. In addition to these, TPA NETWORK has C-suite relationships with dozens more TPAs.