

Testimony on
Raised **Bill 6307 AA** Regulating Third Party Administrators
to the Committee on Insurance and Real Estate

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Concerns with Raised Bill number 6037

Prudent persons agree that good regulation protects citizens and can also promote fair competition. With minor modification, RB 6307 can do that. However as the Act is written, it appears that the State is favoring large insurance companies over independent Third Party Administrators (TPA's).

Exemption for CBIA?

Section 1 (11)(Q) looks like it exempts CBIA from regulation, while their competitors would be subject to the act. If regulation is needed, I think it should apply equally to all.

Exemption for insurance carriers?

We appreciate that the DOI already licenses insurers. While 6307 defines the relationship between a TPA and insurer, it also defines the relationship between a TPA and the Plan Sponsor. When insurer acts as a TPA in an Administrative Services Only (ASO) capacity, we believe that the same rules should apply.

Some examples where the insurer exemption is unfair:

- Section 4 provides that the TPA make "shall maintain and make available... complete books and records of all transactions...." Good rule. Why should insurers be exempt?
- Section 6 (b) requires some clients to make an annual onsite visit of the TPA. No similar requirement exists in for an insurer. In an age of online transactions, this unfairly burdens TPA's.
- Section 8 (a) specifies compensation arrangements. Last year the word "solely" was inserted in the final version of the bill, reflecting the reality of compensation arrangements of many different plans. At a minimum, the word solely should be re-inserted. In ASO situations, some Insurers would violate the rules in this bill. This creates an unfair advantage for ASO plans.
- Section 9 clarifies the relationship between the parties to the plan. These are good, common sense provision. Why should insurers be exempted when they act as a TPA?

Scalability of the act

The act requires "audited" financial statements. TPA's do not pay claims from their own funds. Focusing on audited statements to somehow ensure that there are adequate funds to pay claims may be missing the point. I think the state wants to know if the policies and procedures of the TPA are sound. Giving weight to obtaining a SAS 70 audit may be a better benchmark for a well managed TPA. At a minimum, Officers should be able to personally certify the accuracy of financial statements so that the act is scalable.

I'm sure no one on this committee wants to vote for a bill that favors big insurance companies over legitimate Third Party Administrators. TPA products compete with ASO plans, lowering the cost of employer provided health plans. That's good from employers and helps create jobs.

I look forward to working with you find an appropriate balance for this bill.