

*Review Article*

## **An Exploration and Assessment on the Current Status and Trend of Third Party Administrators (TPA) In India**

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### **ABSTRACT**

A Third Party Administrator (TPA) is an intermediary organization between the insurance industry or the insurer, the policy holder or the insured and the health care provider. TPAs were introduced in 2001 by “Third Party Administrations-Health Services regulations” by Insurance Regulatory and Development Authority (IRDA) of India. TPAs are expected to play a pivotal role in providing quality services to the policy holders. In addition, their presence is expected to address the cost and quality issues of vast private sector health care providers in India. The important functions carried out by a TPA include cashless hospitalization, ID card, claims management and 24 hours customer support services. For the above mentioned services the TPAs get some commission that comes from the insurance premium of the policy holders. This rate has been standardized by the IRDA. As on March 2015, 30 TPAs are found to be registered under IRDA. In this context a review was carried out to understand the functioning of TPA and to unravel the current scenario of their functioning in India.

**Keywords:** Current Scenario, India, Third Party Administrator

### **INTRODUCTION**

The prevalent demographic and epidemiological transitions in India create a threefold disease burden that includes communicable diseases, non communicable diseases and emerging and reemerging infectious diseases. As a developing country India had prior problems of communicable diseases but the scenario is being changed day by day with high prevalence of chronic non communicable life style and metabolic disorders. The common diseases in this category include various forms of cancer, Diabetes Mellitus, different types of cardio vascular disease and metabolic disorders.

Most of these diseases require protracted hospitalization and expensive diagnostic and therapeutic procedures. On the other hand the health care spending in India is very less in comparison to other developed countries. The current health care spending in India is 6% of the GDP out of which 5% is out of pocket spending. Again 70% of the spending is out of pocket. <sup>(1)</sup> This shows an increased private sector health care reliance and spending in comparison to public sector spending. This situation definitely requires some form of standardization in terms of quality and cost of health care services rendered by these private players in health

care. Again penetration of health insurance is very poor in India in contrast to developed countries such as USA and UK where the penetration is 84.6% and 100% respectively. <sup>(2)</sup> Third Party Administrators came in to force in India to address the above said problem by TPAs-Health Services regulation of IRDA in 2001. Third Party Administrator (TPA) license can be granted to any company registered under the companies act, 1956. IRDA which regulates and issues licenses to these TPAs has specified stiff entry norms some of which include a minimum capital requirement of Rs. 1 crore. <sup>(3)</sup> TPAs are expected to play a

pivotal role in providing quality services to the policy holders. In addition their presence is expected to address the cost and quality issues of vast private sector health care providers in India. TPAs potentially have wider role to play in standardization of charges and managing cash-less services in health insurance. <sup>(4)</sup> TPAs will receive 5.5% of the premium from the insurance companies for all the services rendered. <sup>(5)</sup> As on May 2013, 31 TPAs (Table No.1) are found to be registered under IRDA. In this paper an attempt has been made to understand the functioning of TPA and to analyze the current scenario.

**Table No. 1, List of TPAs Currently Operational in India as on March 2015.**

Sl No	Name of the TPA	URL/Email ID
1	United Health Care Parekh TPA Pvt. Ltd.	<a href="mailto:shiva.belvadi@uchpindia.com">shiva.belvadi@uchpindia.com</a>
2	Medi Assist India TPA Pvt. Ltd	<a href="http://www.mediassistindia.com">www.mediassistindia.com</a>
3	MD India Health Care (TPA) Services Pvt. Ltd	<a href="http://www.mdindiaonline.com">www.mdindiaonline.com</a>
4	Paramount Health Services TPA Pvt. Ltd	<a href="http://www.phmhealth.com">www.phmhealth.com</a>
5	E Meditek (TPA) Services Ltd.	<a href="mailto:emslgurgoan@emeditek.com">emslgurgoan@emeditek.com</a>
6	Heritage Health TPA Pvt. Ltd.*	<a href="mailto:heritage_health@bajoria.in">heritage_health@bajoria.in</a>
7	Focus Health Services TPA Pvt. Ltd.	<a href="http://www.focustpa.com">www.focustpa.com</a>
8	Medicare TPA Services (I) Pvt. Ltd.	<a href="mailto:medicareho@medicaretpa.co.in">medicareho@medicaretpa.co.in</a>
9	Family Health Plan TPA Ltd.	<a href="mailto:info@fhpl.net">info@fhpl.net</a>
10	Raksha TPA Pvt. Ltd.	<a href="mailto:raksha@rakshatpa.com">raksha@rakshatpa.com</a>
11	Vidal Health TPA Pvt. Ltd.	<a href="mailto:care@ttkhealthcareservices.com">care@ttkhealthcareservices.com</a>
12	Anyuta Medinet Healthcare TPA Pvt. Ltd.*	<a href="http://www.anyuta.org">www.anyuta.org</a>
13	East West Assist TPA Pvt. Ltd.*	<a href="mailto:assistance@eastwestassist.com">assistance@eastwestassist.com</a>
14	Med Save Health Care TPA Ltd.*	<a href="http://www.medsave.in">www.medsave.in</a>
15	Genesis India TPA Ltd.*	<a href="mailto:gil@genesisingia.com">gil@genesisingia.com</a>
16	Alankit Health Care TPA Ltd.*	<a href="mailto:health@alankit.com">health@alankit.com</a>
17	Health India TPA Services Pvt. Ltd.*	<a href="mailto:contact@healthcare-india.com">contact@healthcare-india.com</a>
18	Good Health Plan Ltd.*	<a href="mailto:mail@ghpltpa.com">mail@ghpltpa.com</a>
19	Vipul Med Corp TPA Pvt. Ltd.	<a href="mailto:info@vipulmedcorp.com">info@vipulmedcorp.com</a>
20	Park Mediclaim TPA Pvt. Ltd.	<a href="http://www.parkmediclaim.com">www.parkmediclaim.com</a>
21	Safeway TPA Services Pvt. Ltd.	<a href="http://www.safewaymediclaim.com">www.safewaymediclaim.com</a>
22	Anmol Medicare TPA Ltd.*	<a href="mailto:inquiry@anmolmedicare.com">inquiry@anmolmedicare.com</a>
23	Dedicated Healthcare Services TPA ( India ) Pvt. Ltd.	<a href="http://www.dhs-india.com">www.dhs-india.com</a>
24	Grand Healthcare Services TPA Pvt. Ltd.	<a href="mailto:help@grandtpa.com">help@grandtpa.com</a>
25	Rothshield Healthcare TPA Services Ltd.	<a href="http://www.rothshield.co.in">www.rothshield.co.in</a>
26	Sri Gokulam Health Services TPA Pvt. Ltd.*	<a href="mailto:gokulam.tpa@gmail.com">gokulam.tpa@gmail.com</a>
27	Spurthi Meditek TPA Solutions Pvt. Ltd.*	<a href="mailto:help@spurthimeditek.com">help@spurthimeditek.com</a>
28	Happy Insurance TPA Pvt. Ltd.	<a href="mailto:insurance@happygroupindia.com">insurance@happygroupindia.com</a>
29	Ericson TPA Healthcare Pvt. Ltd.	<a href="mailto:care@ericsontpa.com">care@ericsontpa.com</a>
30	Health Insurance TPA of India Ltd.	<a href="http://www.healthinsurancetpa.co.in/">http://www.healthinsurancetpa.co.in/</a>

\* Application for renewal of TPA license received by the Authority. \*Source (www.irda.gov.in)

## DISCUSSION

This section is divided in to two parts, in the first part a basic understanding of the TPA including its role and responsibilities and working environment is

delineated. The second part makes a situational analysis of the TPAs operational in India. Details regarding the conditions defined by IRDA, roles and responsibilities, history of TPA has not been dealt with,

rather a brief description, looking at the length of the article has been narrated.

### Understanding TPA:

Figure No. 1, Working Environment of TPA

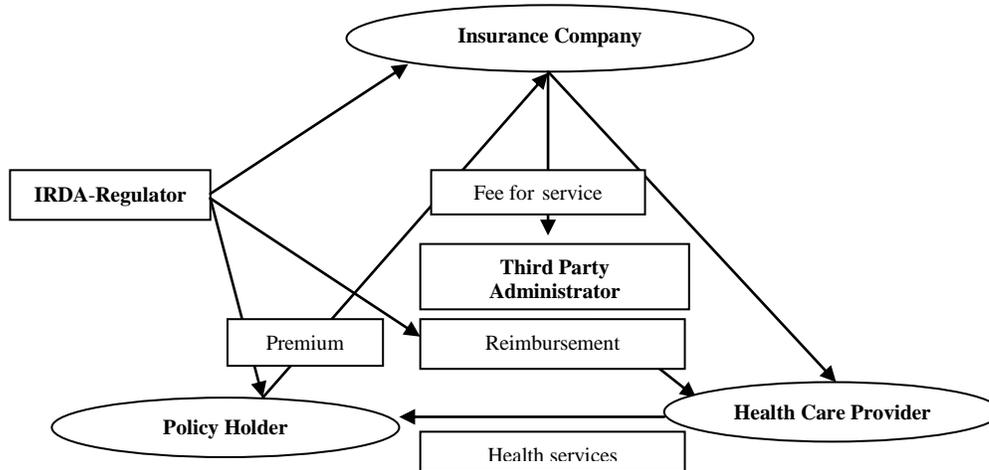


Figure No.1, Describes the working environment of a TPA. From the figure it is clearly evident that the TPA is an intermediary organization which acts in the center surrounding the policy holder, insurance company and the health care provider, where the IRDA regulates the activities of the policy holder, TPA and the insurance company. Precisely speaking a policy holder pays premium to insurance company and gets cashless hospitalization whether planned or emergency. The rest of the activities are taken care of by the TPA through a network of activities in coordination with all the stake holders.

#### Current Scenario:

As per the information obtained from IRDA web portal 30 TPAs are currently in operation in India. Since their inception till date several studies have been carried out regarding their functioning which shows striking features influenced by some of the factors like high out-of-pocket expenditure, use of health services by only a small proportion of the population (as in India this is limited to the affluent communities),

uncontrolled expansion of private health sector, allowance of FDIs in insurance sector, falling standards of public health care institutions in terms of accessibility, acceptability and availability. Another important aspect is the gap between the role defined and the role played by IRDA such as lack of knowledge about the coverage and exclusion in policies, failure to meet the expectation of the parties involved, delay in settlement of the claims, failure to meet the service responsibility, indirect cost to the consumers, increased cost of health care and management. <sup>(5)</sup> Training and skill development is another aspect of TPA which is very much lacking in the system. Training of the leaders is not going to solve the problem and IRDA should come up with some innovative training packages for these professional which can help the community at large. <sup>(6)</sup> In spite of several barriers TPAs are providing cashless services to the policy holders. Hence the IRDA and Health Ministry should come together to ensure the TPAs. This in turn will ensure their active role in the community and health insurance

schemes. <sup>(7)</sup> TPAs face immense challenges in the health sector because of demand and supply side complexities of private health insurance and health care market. IRDA has defined the role of TPAs as insurance intermediary in the management of claims and reimbursement, but at the same time their role is not well defined in controlling the cost of health care and ensuring appropriate quality of care. <sup>(8)</sup> Currently the problems of standardization between the TPAs and the providers is left to the vagaries of market forces, the respective parties flexing their muscles to push one another, forcing the TPAs to negotiate local agreement. <sup>(9)</sup> Introduction of TPA is indeed an innovative idea and customer friendly approach but the practice of claim processing by physical cheques is quite outdated and inefficient so newer ways such as electronic fund transfer would be a good idea. Again the Indian medical industry is hugely unregulated and there is no standard treatment guideline or protocol that can be adopted throughout the country in all the hospitals which is a limiting factor of TPA functioning. <sup>(10)</sup> TPAs are expected to provide valuable services and assistance at the time of admission and also during admission of patients to the hospitals. But TPAs have failed to provide these services appropriately. <sup>(4)</sup> Again various studies reveal that TPAs are dissatisfied with the 5.5 per cent commission. <sup>(5)</sup>

## CONCLUSION

TPAs mainly act as an intermediary organization between insurer and the insured for providing cashless health care services to the policy holder. They are also helpful in bringing standards in health care services. The current study gave an idea about the functioning of a TPA and also discussed some of the current challenges prevail in their operation. The review unraveled a mixed picture, sometimes the TPAs are able

to provide the needed services as envisaged by IRDA and sometimes fail to do so as evidenced from various studies conducted from time to time. Some of the services that helped the community include provision services as and when needed, streamlining and simplification of claim processing, automation and development of information system and ensuring services from registered medical practitioners. Similarly there are some areas where the TPAs failed to deliver services include delay in claim processing, failure to meet the services responsibly, and indirect cost to the consumers.

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