What to Look for in an FSA Administrator

A Go Further White Paper

Presented by
Flexible Benefit Service Corporation
What do employers look for when outsourcing Flexible Spending Account (FSA) administration to a Third Party Administrator (TPA)? According to the employers that we surveyed, customer service is the number one deciding factor. Total cost was a very close second, with paperless claims processing and flexible reporting options not far behind.

Flex surveyed nearly 2,000 mid- and large-sized employers with up to 45,000 FSA eligible employees to find out which factors are most important to consider when outsourcing FSA administration. We found that 66% of respondents had a dedicated TPA, and that only 8% administer their FSA in-house. Overall, 77% of respondents were satisfied with their current administrator.

Why use a TPA?

Before we examine the leading factors that employers are using when selecting a TPA, let’s take a closer look at why an employer would choose to outsource FSA administration in the first place.

First and foremost, FSAs come with some complex and often confusing regulatory considerations. In this age of health care reform and ever-changing legislation, ensuring compliance is one of the primary reasons that more and more employers are looking for an outside vendor to help give them a little piece of mind. A good TPA can be invaluable when it comes to subject matter knowledge and expertise. Look for one that provides guidance on complex compliance issues and keeps up to date on health care reform. It’s also a good idea to make sure that your TPA is HIPAA certified and that protected health information is handled appropriately.

Additionally, FSA administration can be a time-consuming task that represents a substantial drain on manpower. Employers who outsource understand that time is a resource that needs to be spent appropriately. Using a TPA can free up benefits staff to concentrate on other key issues and make their jobs a whole lot easier. Still, almost a quarter of our survey respondents were unsatisfied with their administrator. A sub-par TPA can lead to unhappy FSA participants, which can in turn lead to many angry phone calls, emails and employee visits for the benefits staff. That means that these employers still bear a lot of the stress that they had hoped to alleviate when outsourcing the FSA in the first place. Make sure to choose the correct benefits administrator from the get-go so that you don’t unwittingly end up making your job more difficult than it has to be.

What to look for

Superior Customer Service

Our survey found that customer service is king, with 100% of respondents ranking superior customer service as either Important or Very Important. This might not come as any big surprise, as a responsive customer service team can mean the world to swamped benefits professionals. One survey respondent praised her current administrator for having Account Representatives that are “knowledgeable and prompt with responses,” and another cited “accuracy of information given” as the most important factor. A survey respondent who was unsatisfied with his FSA administrator cited the main reason as, “they can’t answer questions.” Remember, the TPA that you choose is a reflection of your company, and if your employees have a negative impression of the TPA, they
will most likely have a negative impression of their employer as well.

So, how best to evaluate the customer service level of your TPA? Make sure you’re asking the right questions. Many administrators like to tout their “customer service metrics” and bandy about terms like AHT (average handling time), FCR (first call resolution) and CSAT (customer satisfaction). While they can often seem quite impressive, these statistics might not exactly translate to superior customer service. Something to consider: is a TPA’s average handling time so low because the Customer Service Representatives answer questions quickly and efficiently, or is it because the reps are dumping calls prematurely in order to meet required turn around times?

That’s not to say that a high first call resolution rate is not an important attribute to look for, as this is a sign of a customer service team with a strong knowledge base. Don’t forget our respondent who complained that the reps couldn’t answer questions—your participants are going to be just as unhappy if they feel that they can’t call your TPA to get answers when they need them. The important thing is not to get too caught up in the metrics. Make sure that you are evaluating the customer service level from all angles.

You can learn a lot about a TPA by talking to their current clients, so ask prospective administrators for references and call to check them. Take a tour of the facility and talk to as many of the customer service staff as you can and observe phone calls if possible. Do the reps seem happy? Are they courteous and polite to callers? Do they take the extra step to help solve problems or ensure that the participant hangs up the phone a happy customer? Or, are you met with a bunch of surly reps who get rid of calls as soon as possible and never respond to voicemails? It’s also a good idea to ask about employee turnover. If you find a vendor with a great customer service staff, you want to make sure that those people stick around as long as possible.

Ask for samples of participant communications so that you can determine if they will meet the needs of your employees. Inquire about enrollment materials, and find out if the vendor you’re considering has staff dedicated to benefits education. 88% of our survey respondents ranked custom enrollment and education services as either Important or Very Important, which indicates a high employer demand for these types of services.

Some other considerations: What are the customer service hours? Can participants email inquiries directly to the customer service department or submit help tickets online? Any features that will make it easier for participants to get questions answered or problems solved will make your life easier as well.

Remember, when outsourcing your FSA administration, you do not have as much control over your brand as you normally would, so make sure that every aspect of the administrator you’re considering meets your company’s standards.

**Total Costs**

Total costs ranked number two in our survey, with 99% of respondents ranking cost as Important or Very Important when choosing a TPA for FSAs. Cost is definitely something that cannot be ignored, as it will affect your company’s bottom line. Oftentimes, the time and stress savings of outsourcing FSA administration to a TPA can outweigh the extra costs associated. Also, take into account that, by outsourcing the FSA to a good administrator, you will be able to focus your attention on other areas of the business that may have been neglected because you were spending so much time dealing with FSA issues.

Every company has its own budgetary considerations, and we can’t tell you exactly how much you should be spending on an FSA vendor. Still, there are many things to factor in when evaluating costs. Make sure that there are no hidden fees or surprises lurking around the corner. Most TPAs have a fairly standard pricing structure with fees due at start up and renewal and a
monthly charge per participant. Do your homework and find out exactly what is covered under these fees. Is plan document preparation included in the start up fee, or is there a separate charge? Are there additional fees for debit cards? Find out if there are charges for enrollment meetings or materials, translation services or plan amendments. A TPA whose fees initially look reasonable may end up being out of your price range once you add up all of the extra fees.

**Paperless Claims for Participants**

Ninety-three percent of survey respondents ranked paperless claims for participants as either Important or Very Important, making it the third most important factor overall. One survey respondent said:

“Paperless processing was our number one priority when shopping around for a new TPA a few years back. We found a TPA with a lot of online functionality and debit card options. We’re an IT company—employees are very tech savvy.”

This way of thinking is very common amongst employers who outsource their FSA administration. It shows not only a trend toward technology, but also a desire to make the FSA as simple as possible for participants. Many employers want to see their participants go through their benefits process from end-to-end without having to complete any paperwork. In fact, one respondent said, “Employees should not be overwhelmed with paperwork,” and another indicated that “ease of use of services for employees is very important.”

For most employers, the term “paperless claims” is synonymous with debit cards. 59% of survey respondents offer debit cards with their Health Care FSA. It’s no wonder that debit cards are a favorite among participants as well, as these cards are a convenient and easy way for participants to pay for eligible health care expenses directly from their FSA. However, it is important to recognize that, even with debit cards, FSAs are never truly paperless.

IRS regulations require that FSA participants be able to substantiate all debit card charges. That means that there will be times when participants need to send in documentation after the fact. Yet, there are TPAs out there that don’t require claims documentation for any debit card charges. This may seem like a good thing—less paperwork for participants—but don’t be fooled. The IRS takes FSA substantiation seriously, and you should make sure that your TPA shares that sentiment. Partnering with an FSA administrator that has lax documentation standards could lead to an audit. Your TPA may tell you that the participant is responsible for claim, not the employer, but that is simply not true. As the plan sponsor, you are ultimately responsible for making sure that your plan is operating within the letter of the law. The last thing you want is to be audited by the IRS because of your FSA administrator’s lenient debit card practices.

As great as debit cards can be, they are not the only answer for paperless claim submission. Many FSA vendors receive electronic claims feeds directly from insurance carriers. When claims come in from the carrier, they are processed automatically for reimbursement with absolutely no effort required from the participant. These types of claims feeds can be extremely convenient for participants, but there are some limitations. Most of the time, when employers elect to have a carrier claims feed they are no longer able to offer debit cards. You’ll probably have to decide which option is more important. The claims feed is truly paperless, unlike the debit cards, but it only applies to expenses that are incurred under that particular insurance plan. For instance, if you set up a claims feed with your health insurance carrier, participants will still need to manually file claims for dental, vision and over-the-counter expenses.
Speaking of manual claims, there are many things to look out for in this area as well. How often are claims reimbursed? Many TPAs reimburse claims weekly, or even daily, but you might run across one that only reimburses on a monthly or semi-monthly basis. The more options available the better, so that you can decide the reimbursement frequency that works best for your company. There are also many options for how manual claims are submitted. Look for an administrator that offers as many as possible. Online claims submission is extremely popular with participants and benefits professionals alike, with many ranking this option as a must-have.

**Flexible Reporting Capabilities**

Tied for third place, with 93% of survey respondents ranking it as either Important or Very Important, was flexible reporting capabilities. Employers who outsource FSA administration want to keep tabs on every aspect of the plan, and having access to reports that keep them up to date is crucial. Many TPAs offer online reporting options for plan administrators. With just a few clicks, you can have access to detailed reports on participant account balances, debit card transactions and payment details.

Check with prospective vendors to find out what type of reporting options are available. Would you be able to run reports on your own, or must you request them from the TPA? How often is the report data updated? Look for a vendor that provides daily updates. Are the reports customizable, and can you separate the information by division or business unit? Find out if there are any additional fees for access to online reporting systems. It is also helpful to have the option to run reports in a CSV or other Excel compatible format, so that you can sort the data or further customize the report to suit your needs.

**HOW AND WHEN TO LOOK**

Now that we have given you some insight on what to look for when outsourcing FSA administration, let’s discuss the best way to go about the search.

Sixty-five percent of our survey respondents report that they assess their FSA solution annually. This is a strong indicator of the importance of keeping up to date with the marketplace. There are many administrators out there, and it would be in your best interest to stay apprised of all of your options. Your current FSA solution may be okay for now, but it’s always a good idea to keep a look out for other administrators that might be a better fit for your organization. Make sure that you check in with your participants on a regular basis to find out what it working for them and what they think could be better. You may be surprised to find out that a feature you thought participants would love is actually being underutilized. Since participants usually deal with the TPA more frequently than the plan administrator does, they are often the first to bring attention to problems with customer service or claims payment.

No matter how often you review potential FSA vendors, we suggest that you start your search early. Eighty-seven percent of our survey respondents offer a calendar year FSA. That means that most administrators
are going to be especially busy in the couple of months leading up to January first, as a large proportion of their clients are all renewing at the same time. Don’t forget that there are also several holidays this time of year, which can further delay implementation. Make sure that you build in extra time to allow for the transition to the new administrator.

The majority of our respondents, 26%, start looking for a new FSA administrator between two and four months prior to their renewal, with another 23% beginning their search five to six months prior to renewal. Allow yourself enough time to properly consider all of your options and determine that you are making the best choice for your organization. Once you’ve picked the TPA that will work best for you, you’ll need time to conduct open enrollment meetings and employee education. Don’t forget that once you have gotten all of the participant elections and taken care of everything on your end, the administrator will still need at least a couple of weeks to get everything implemented into their systems.

We have also found that collaborating with a broker or consultant can help tremendously in your search for an FSA administrator. Fifty-four of our survey respondents do use a broker or consultant to facilitate their search. Bringing in an expert can make a world of difference and sometimes even cut your search time in half. Professional benefits consultants are already familiar with many of the FSA vendors in the marketplace, and they can help to steer you in the right direction. These people can do a lot of the preliminary legwork for you and bring you a handful of finalists to consider.

CONCLUSION

Outsourcing FSA administration to a TPA can be a lifesaver for busy benefits professionals. A top-notch TPA will make sure that your plan is in compliance and that your participants are happy. When selecting a vendor to handle your FSA, it is important to remember that not just any TPA will do. If your TPA is not up to par, there could be disastrous consequences.

With so much at stake, choosing a great TPA can seem like a daunting prospect, but following the guidelines that we have detailed here can help make your task a little easier. The majority of the employers that we surveyed look for an FSA administrator that offers superior customer service combined with paperless claims for participants and flexible reporting capabilities. Of course, it is also extremely important that all of these features come at a price that fits their budget. Look for these qualities, and you will be well on the road to finding a TPA that best fits the needs of your organization.

About Flexible Benefit Service Corporation

Flexible Benefit Service Corporation (Flex), headquartered in Rosemont, Ill., is a leader in the health insurance and benefits administration markets. Since 1988, we have offered cost-effective health care solutions that are integrated with unparalleled expertise, service and technology for health insurance producers, as well as employers and employees. The two divisions at Flex are the General Agency and Flex Plans. The General Agency offers health insurance producers free access to leading health, Medicare, ancillary and voluntary insurance carriers, products, resources and more. The Flex Plans division serves employers and employees through its tax-advantaged, consumer-driven portfolio of benefits administration and reimbursement products that are designed to add cost-effective value to any benefits package.

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