



HB 2277 – Third-party administrators

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Third-party administrators

What is a third-party administrator (TPA)?

- *ORS 744.702 – “A person transacts or purports or offers to transact business as a third-party administrator when the person directly or indirectly solicits or affects coverage of, underwrites, collects charges or premiums from, or adjusts or settles claims on, residents of this state or residents of another state from offices in this state, in connection with life insurance or health insurance coverage.”*
- A TPA is a company that handles the daily operations of an insurance plan without bearing the risk of loss under the plan (not an insurer).

Third-party administrators

Fully insured v. self-funded plans

- *Fully insured plans* – Offered by licensed insurer and subject to state regulation under the Insurance Code.
 - TPAs for fully insured plans must be licensed under ORS 744.702 unless exempted under ORS 744.704.
- *Self-funded plans* – Offered by an employer that chooses to finance the cost of employee benefits without purchasing insurance.
 - Exempt from state regulation under the Employee Retirement Security Act (ERISA).
 - TPAs that only work with self-funded plans are not required to be licensed, but must register annually with division.
 - Most common with health benefits.

Third-party administrators

Insurers as third-party administrators

- Some insurers act as TPAs, either for other insurers or for self-funded employer plans.
- Insurers are currently exempt from TPA licensure under ORS 744.704.
- Self-funded health plans administered by an insurer
 - Employee often do not realize the plan is self funded and assume the benefits are being provided by the insurer.
 - DFR currently has little insight into this aspect of insurer's business.
 - Creates challenges in assisting consumers enrolled in these plans.

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Changes under -1 Amendment

1. Requires health insurers that act as TPAs for self-funded employer plans to register with DFR and provide a list of plans they administer.
2. Clarifies the responsibility of an insurer that uses a third-party administrator, consistent with NAIC guidelines.
3. Clarifies that the issuance of a TPA license does not excuse a pharmacy benefit manager from the registration requirement under ORS Chapter 735.
4. Establishes the annual fee for a TPA license at \$200 per year, allows DFR to increase the fee if necessary by rule.

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Questions?