

Third Party Administrator: An Introduction

As per [Wiki](#), A **Third Party Administrator** (TPA) is an organization that processes insurance claims for a separate entity. This can be viewed as "outsourcing" the administration of the claims processing, since the TPA is performing a task traditionally handled by the company providing the insurance. Often, a TPA handles the claims processing for an employer that self-insures its employees. Thus, the employer is acting as an insurance company and underwrites the risk. The risk of loss remains with the employer, and not with the TPA. The employer may also contract with a reinsurer to pay amounts in excess of a certain threshold, in order to share the risk for potential catastrophic claims.

An insurance company may also use a TPA to manage its claims processing, provider networks, utilization review, or membership functions. While some third-party administrators may operate as units of insurance companies, they are often independent.

Third party administrators are prominent players in the managed care industry and have the expertise and capability to administer all or a portion of the claims process. They are normally contracted by a health insurer or self-insuring companies to administer services, including claims administration, premium collection, enrollment and other administrative activities. A hospital or provider organization desiring to set up its own health plan will often outsource certain responsibilities to a TPA.

For example, an employer may choose to help finance the health care costs of its employees by contracting with a TPA to administer many aspects of a self-funded health care plan.

Third Party Administrators (TPA) is an important link between Insurance companies policy holders & healthcare providers (Hospitals and nursing homes). TPA's role is to provide administrative support to the insurance companies for servicing their insurance policies.