Modernizing self-funded plan administration with AI-driven automation

Healthcare payers and TPAs adapt to a shifting market

As employers increasingly turn to self-funded plans for cost control and customization, TPAs must modernize with AI-driven automation and cloud-native platforms to deliver scalable, compliant and member-centric solutions. In today's healthcare landscape, transformation is not a choice—it's a necessity. The third-party administrator (TPA) market is undergoing a seismic shift, marked by consolidation, mergers and the rise of larger, more sophisticated players. Simultaneously, the self-funded employer segment is expanding rapidly, driven by the relentless rise in healthcare costs and the demand for more customizable coverage options.

This dual evolution presents both a challenge and an opportunity for traditional TPAs and healthcare payers offering self-funded coverage. To remain competitive, they must embrace flexibility—not just in coverage design, but in operational agility, technology modernization and product innovation.

In order to remain relevant in today's market, TPAs must modernize with AI-driven automation and cloud-native platforms to deliver scalable, compliant and member-centric solutions.

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State of the segment

According to a 2024 report by the Kaiser Family Foundation (KFF), self-funded health plans are used by 63% of all firm types. Among large employers, those with 5,000 or more workers, this figure rises to an estimated 84% of covered employees. From 1999 to 2024, the share of firms offering self-funded plans increased from 44% to 63%, reflecting an upward trend despite periodic fluctuations. This growth underscores a consistent demand among employers for cost-effective, customizable health coverage that meets the evolving needs of their workforce.

Health insurers are increasingly investing in self-funded health plans due to their flexibility, potential for cost savings and improved cash flow management. These plans come with significant challenges, including administrative complexity, financial risk and stringent regulatory requirements. Employers offering self-funded plans must comply with federal regulations under the Employee Retirement Income Security Act (ERISA) and the Affordable Care Act (ACA) as well as applicable state laws, making regulatory compliance one of the most critical and demanding aspects of plan administration.

The most common approach for managing self-funded health plans is through TPAs, which provide the operational support employers need to navigate complex benefit structures. At one point, there were approximately 4,300 TPAs in the market, but the sector has experienced significant consolidation driven by external pressures such as rising healthcare costs, competitive market dynamics and shrinking profit margins. Larger, well-capitalized players are actively pursuing mergers and acquisitions to expand their member bases and strengthen market share. At the same time, the self-funded employer segment continues to grow, fueled by escalating healthcare costs and a growing demand for personalized, member-centric health plan experiences.

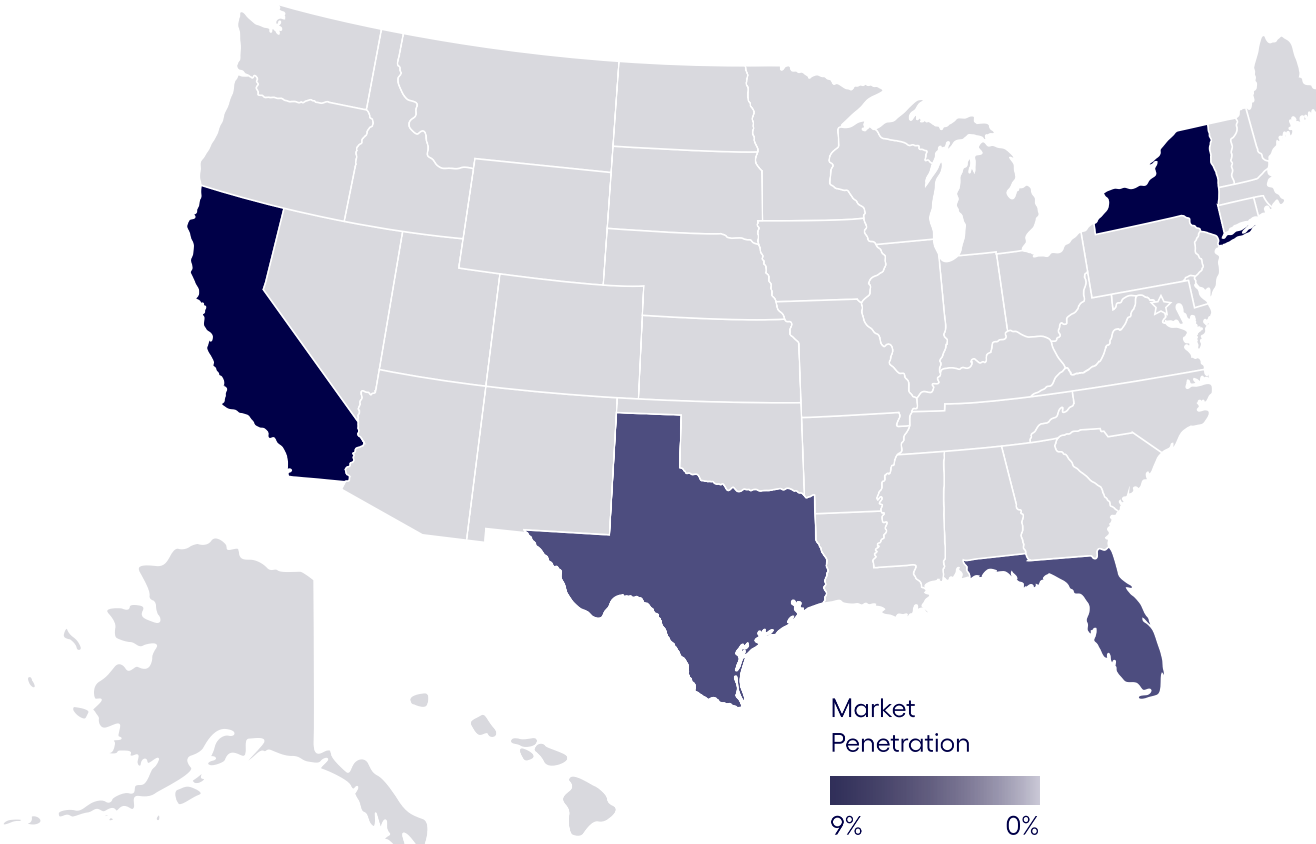
Understanding the scale and influence of self-funded market leaders in a rapidly evolving landscape

As the health insurance landscape continues to evolve, understanding the scale and influence of key players in the self-funded or administrative services only (ASO) market is essential. According to AIS Health Data, approximately 100 health plans currently operate in the segment, collectively serving over 120 million members. This market is dominated by industry giants such as UnitedHealthcare, Elevance Health and Aetna—each playing a pivotal role in shaping the future of employer-sponsored coverage.

Distribution by state also offers valuable insight. States with higher economic output tend to have a greater concentration of employer-sponsored member lives. For example, California, Texas and New York—three of the largest state economies—show market penetration rates of 9%, 7% and 8%, respectively.

State	GDP	Market penetration for self-funded plans
California	$4.13 trillion	9%
Texas	$2.73 trillion	7%
New York	$2.31 trillion	8%

United States self-funded market penetration



This duality of market concentration among dominant players and geographic expansion across high-output states presents both a challenge and an opportunity for TPAs and healthcare payers. To remain competitive, organizations must embrace flexibility not only in benefit design, but also in how they operate, modernize technology and innovate their product offerings.

The imperative for flexibility

As employers increasingly demand benefit structures tailored to their workforce needs and financial realities, TPAs must respond with modular, scalable solutions that support rapid product deployment, seamless integration and real-time data synchronization. The ability to launch new products quickly and efficiently is no longer a luxury—it's a market expectation. Success now hinges on the capacity to adapt quickly, integrate seamlessly and deliver personalized, data-driven experiences at scale. To meet these demands, payers must embrace cloud-native technologies that offer cost efficiency, scalability, flexibility, enhanced security and access to advanced technologies such as AI and machine learning.

AI-powered automation and seamless integration for modern TPA operations

Cognizant is redefining the way that TPAs and payers manage self-funded plans with a future-ready, purpose-built, modular solution for TriZetto® Facets® and QNXT™ users. The TriZetto Third Party Administration Solution, which leverages our nearly 30 years of experience in serving the TPA market, is more than a system upgrade—it's a strategic enabler designed to meet the demands of a volatile and rapidly evolving healthcare market. Key features include:

- **Flexible stop-loss and reinsurance options:** Supports laser-specific deductibles, aggregate accommodations and real-time reinsurance tracking for enhanced financial protection and operational transparency
- **Near real-time integration:** Connects seamlessly with third-party data sources (e.g., PBMs) and core systems to ensure precise accumulator synchronization and benefit configuration
- **Rules-based configuration:** Enables rapid product launches without heavy IT involvement, using intuitive, rules-driven setup tools
- **AI-infused efficiency:** Embeds AI and machine learning to automate claims processing, billing and member services—reducing operational costs and improving speed to market
- **Unified platform experience:** Allows TPAs to manage all lines of business—including self-funded plans—within a single, integrated environment, eliminating the need for multiple platforms and reducing total cost of ownership

A call to action

As the healthcare market continues to evolve, TPAs and payers must prioritize flexibility, efficiency and modernization to stay competitive. Cognizant's advanced TPA module offers more than just a technology upgrade; it provides a strategic framework aligned with today's market and is built to anticipate tomorrow's demands.

For organizations navigating the complexities of self-funded plan administration, this isn't simply a product launch—it's a strategic inflection point to reimagine operations, accelerate innovation and lead with confidence in a shifting landscape.

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