



An American Solution

Health Reform for Today's World

The National Association of Health Underwriters (NAHU) is the leading professional association for health insurance agents, brokers and consultants, representing more than 100,000 benefit specialists nationally. Our members help individuals and their families as well as employers of all sizes purchase health insurance coverage. They work on a daily basis to help them use that coverage in the best possible way. We are the consumers' advocate, and their well-being is our primary interest.

Americans desire a health care system that delivers world-class care and financial security. This system should be accessible and affordable, and it should have a positive impact on the nation's economy. Successful health care reform will maximize consumer choice, restrain skyrocketing medical care costs and increase access to health care for more Americans. We have consistently supported positive reform that achieves the objectives of affordability and accessibility. We have also consistently urged Congress to build upon our existing system's strengths to achieve workable health reform solutions in a bipartisan manner.

Addressing the Real Problem

For the majority of Americans under the age of 65, employer-sponsored health insurance is a reliable method for obtaining high-quality health insurance coverage, and it is the core of our national private-market health care delivery system. The rising cost of health care has made providing health insurance coverage more and more expensive for employers. The simple truth is that we can't lower insurance costs until we first bring down the cost of health care.

Unfortunately, the Patient Protection and Affordable Care Act (PPACA) failed to do the one thing that would have ensured that employers could continue to provide the coverage they do today – address the cost of health care itself. Instead, PPACA places substantial new compliance burdens on businesses and dictates to employers many components of their benefit structures, including coverage mandates and plan design restrictions. These forces have made it much more difficult for employers to bear the cost of offering health care coverage, much less expand their work forces – the least desirable outcome in a time when job growth is of paramount concern.

To rectify this situation, Congress must first address the issue of rising health care costs. Making coverage affordable for everyone doesn't just mean providing generous subsidies to help people pay for coverage. It also means looking at what is causing the cost of coverage to skyrocket, and that means taking a hard look at the cost of health care.



The first and most simple thing Congress can do is acknowledge that the reimbursement rules for Medicare do have a tremendous impact on the cost of care for people under the age of 65. With the large number of baby boomers now entering Medicare, the doctors and other medical providers who provide their care will use patterns of practice that will naturally transfer over to their other patients. Additionally, many reimbursement schedules in the under-65 health insurance market are based on the Medicare reimbursement rate. For these reasons, ensuring that Medicare runs efficiently and effectively is critically important for every person covered by health insurance in this country.

PPACA did include a number of small demonstration projects that would change the way providers are reimbursed under Medicare. These projects should be moved from demonstration status to actual and immediate use on the broader Medicare population. Doing so would provide timely savings both to our Medicare program and the private under-65 health insurance market by quickly changing provider practice patterns.

Additionally, Congress should provide incentives for the same types of projects, such as bundled payments and value-based purchasing, for employers and insurers who specialize in the under-65 market. This will begin to reduce the health care cost-shift we see from government to private payers today, and will reduce the cost of health plans for employers and their employees.

In the same vein, more emphasis and incentives should be created for employer-sponsored wellness programs. Americans need to examine and understand how personal choices are negatively impacting not only their own health, but also the physical and economic health of this country. Behavior is the most significant determinant of health status, and reducing overall health care costs through promoting and achieving a healthier lifestyle for all Americans should be a top priority.

These changes would provide new affordability for both employers and those covered by the plans they provide and would begin to address the real problem of affordability that is plaguing our health care system today. To truly bend the medical cost curve in a downward direction, all of the stakeholders in the health care industry will have to step up and propose cost-containment ideas that fall under their areas of expertise. As a nation, we must stand back and take a hard look at our public health care spending—how we are spending money, who is paying for what services and why. Simply stated, this is a time for reevaluation and likely difficult decisions.

Burden on Employers

In making these changes, Congress should look at the new burdens placed on employers by PPACA. For the most vulnerable small employers, many of PPACA's arbitrary provisions, such as narrow rating bands and new levels of minimum coverage, have resulted in higher rather than lower costs. Larger employers will now be subject to new fines, in some cases, even when they do provide coverage to employees. When this is combined with the myriad new notices and procedures that must be performed for and on behalf of their employees, it is no surprise that many are reevaluating their decision to provide health coverage to employees in the future. Many of these provisions which are



effectively discouraging employer-sponsored coverage can and should be addressed quickly to ensure that employers continue to invest in their employees' health care needs in the years ahead.

Affordability

Another issue facing states, employers, insurers and others is whether or not the new state-based exchanges will provide new opportunities for affordability and access to coverage or result in new costs and hinder what is currently available. These potential new markets will only provide new efficiencies and affordable coverage if they are set up in such a way that they complement rather than duplicate existing structures and provide excellent and innovative service at an affordable price.

Affordability is the key to the success of health reform. Regardless of the level of access ensured by PPACA, it will be a wasted effort if people are unable to pay for coverage. The new law creates several mechanisms for helping Americans better afford health insurance coverage. It expands the Medicaid program and offers premium tax credits to eligible individuals through the newly created state-based health insurance exchanges.

PPACA's attempt to help more Americans afford health insurance premiums through subsidies is laudable. However, by restricting recipients of this premium support to only individuals purchasing their coverage through health insurance exchanges, PPACA unfairly, unnecessarily and inappropriately limits the choices available to these consumers. Subsidies should be available to all Americans who qualify; it should be their choice if they want to buy their coverage through an exchange or the traditional private market, and they should be able to decide what type of policy best meets their needs. Americans are too diverse to limit consumer choice.

The issue of affordability is critical for every stakeholder, including state and federal governments. NAHU recognizes that the success of a national health reform effort depends on government providing some level of financial assistance to those who truly cannot afford to purchase private health insurance coverage. To protect our national economy, however, careful consideration should be given to the level of government intervention in our health insurance system required by PPACA and the costs required to support that level of involvement. Any health coverage program established must be adequately funded and have long-term financial viability. Creating unsustainable programs means that we will fail to deliver on promises made to America's neediest citizens and could very well bankrupt our states.

NAHU encourages Congress to first focus on enrolling currently eligible individuals who are not presently participating in assistance programs, and then on creating targeted efforts to bring additional truly needy individuals into the system in a financially responsible way. At the same time, Congress should make adjustments to our tax code, so that individuals buying their coverage independently enjoy the same advantages as their counterparts in employer-sponsored plans, but not at the expense of the existing employer-coverage income tax exclusion.



The Role of Agents and Brokers

In order to successfully navigate through our health care system, the vast majority of employers have voluntarily chosen to utilize an independent agent or broker. According to the nonpartisan Center for Studying Health System Changes, at least half of all small firms in the United States obtain their health benefits through a broker or agent. These companies appreciate the services brokers provide. A survey commissioned by IBM found that three-quarters of small-business owners were very satisfied with their agents' work. By empowering consumers with useful information, agents and brokers make the health care marketplace more, not less, efficient.

Although a number of provisions of PPACA refer to agents and brokers in an inclusive manner, others completely undermine their important role to the consumer. One such example is the medical loss ratio (MLR) provision, which prescribes the ratio of health care reimbursements to administrative cost that is permitted by various categories of health insurance policies. A great deal of research shows that administrative costs have nothing to do with rising health insurance premiums. A 2008 Rand Corporation study of California's medical loss ratios determined that administrative costs and profits are not driving premium growth nationwide. The same report found that states without loss ratios spend the exact same percentage of premium dollars on medical care as those with such controls agent and broker commissions as part of administrative expenses. In reality, health plans collect agent and broker fees as a consumer convenience and as a means of complying with state consumer protection laws, but not one penny of that money actually counts toward their bottom lines. Agents and brokers are hired by consumers, not insurers, and 100 percent of agent and broker compensation is passed through by the health plans to these independent third parties.

Although including agent and broker compensation in the MLR is an incorrect categorization of these funds, many carriers faced with complying with the regulation have felt they had no choice but to reduce the commissions paid to these individuals, some as much as 50%. This will ultimately result in fewer agents and brokers being able to stay in business. Of those that do, many will no longer be able to afford to provide the counseling and advocacy services to their clients that they have in the past. Congress could alleviate this entire problem by simply exempting fully disclosed and transparent independent agent and broker compensation from the MLR requirement. This would not only provide better consumer protection s but also preserve tens of thousands of meaningful, professional jobs at a time when our economy is in desperate need of such employment opportunities.

In addition, the MLR regulation in its current form is causing disruption in all health insurance markets. In addition to the impact on agents and brokers, it will also have a long-term adverse impact on competition in the market, resulting in insurance carriers exiting the health insurance marketplace. Consumers will be underserved, competition will be reduced and costs will continue to rise as a result.

These same requirements are also forcing insurers to eliminate or reduce key operational programs that lead to cost savings. Services such as wellness programs, claims management, fraud prevention and disease management will be



diminished. Many administrative functions, such as providing customer-service lines and processing claims, are largely fixed costs and a smaller percentage of the premiums of higher-cost policies. Additionally, the new MLR rules could reduce the ability of insurers to offer low-cost plan alternatives. Action needs to be taken to stabilize our insurance markets, to allow health plans to offer low-cost coverage options, and to preserve consumer access to licensed health insurance benefit specialists.

Individual Mandate

Finally, NAHU applauds Congress for seeking to provide Americans with uninterrupted access to medical care through the health insurance system and for promoting personal responsibility. PPACA chose to emphasize personal responsibility through an individual purchase mandate, which was deemed constitutional by the Supreme Court in June of 2012. However, the structure of the mandate is very loose and potentially ineffective. First, it is questionable whether relying on the tax system as the sole mechanism for achieving a goal of all American being covered by health insurance will ultimately prove to be successful. Many people in the United States do not file tax returns, and the penalties included in the legislation are not large enough to be very effective. NAHU suggests creating strong financial and insurance-related incentives for consumers to maintain continuous coverage – even when they are healthy. As experiences in some states have made clear, if you don't give consumers reasons to maintain coverage and you don't allow health plans to evaluate for risk, the cost of coverage ultimately increases. Access and affordability are closely intertwined. PPACA does too little to control health care costs, which are the key driver to achieving affordability and, as a result, will deny many Americans access to affordable insurance.

Conclusion

PPACA attempts to simplify health insurance, but the purchase of medical care coverage is one of the most important, and one of the most personal, financial decisions American families make. NAHU believes that, to be successful, health care reform must preserve the role of professional health insurance agents, brokers and consultants. Our members provide consumers with critical advocacy and consulting services not only at the time of purchase, but for years afterward. NAHU's members help ensure that consumers obtain the benefits they've paid for. With millions of additional Americans gaining access to health insurance, the need for independent, educated and licensed professionals to advise and assist them will be greater than ever. The nation's agents, brokers and consultants look forward to continuing in this role.

We all have a stake in getting health care reform right. We sincerely hope we can work in a bipartisan manner to build on what has worked and fix the parts that are broken. We should preserve Americans' choices in doctors, health plans and benefit specialists, and deliver health reform that guarantees access and choice, lowers costs, improves health care quality and puts the needs of the American people first.