

Health Care Crisis

How will the
debate on
Capitol Hill
ultimately affect
independent
agents and
consumers?

Independent agents sell millions of individual and group health insurance policies in the United States and serve as advisors in what can often be a treacherous and confusing process. And in the current health care debate, that role—and the choice consumers have in their health insurance—is being threatened.

Bobby Bramlett of The Bramlett Agency, Inc. in Ardmore, Okla. works with small and large businesses to provide their employees with health insurance and says he is concerned that a government-run health care system would make consumers “the ‘big loser’ at the end of the day.”

Bramlett is strongly opposed to a public plan and says that “first, it would create an unlevel playing field for the private insurers.” He says that “potentially, within a few years, private insurers could be driven out of business” and that ultimately it would create a single-payer system.

“Our clients have come to trust us as their advisors in the placement, installation and ongoing service of health insurance,” says Bramlett. In the United States, there are 170 million people currently insured through private coverage and 47 million who are uninsured. Bramlett says “the focus on health care needs to be on the total cost of its delivery, including all the players.”

Reform on the Horizon

With the recent introduction of the Kennedy bill in the Senate and a proposal in the House, it is clear Congress is focused on passing significant health care reform this year. Since the large outcry following the attempt to pass “Hillary Care”—the name commonly used to reference the chair of the task force devising the plan in 1993—health care reform has consisted mostly of focused provisions dealing with health care coverage mandates, continuation of coverage and pre-existing condition limitations. The outcome of the current health care debate will significantly affect independent agents and possibly set a different direction regarding the role of the government and employers and the delivery of health care for generations to come.

How relevant is health insurance as a line of business for independent agents—and how would agent revenues be affected if they weren’t part of the delivery system? According to a recent poll by the Independent Insurance Agents & Brokers of America (the Big “I”), 62% of independent agencies sell health insurance and 14% of all agency revenues are derived from offering health insurance to customers. The composition of independent agents’ book

of health care business is: 15% large group (51+ employees), 25% individual and 60% of small group (2–50 employees). The 2008 Agency Universe Study indicated that employee benefits, which include health insurance sales, is the fastest growing line of business for independent agencies. It is not just health insurance revenues that are at stake—related services provided by independent agents compliment other lines of coverage, such as workers’ compensation, commercial lines and personal lines.

While most Americans anticipated that health care reform would be a top priority for President Barack Obama’s administration, the significant momentum for a complete overhaul of the health care insurance system has been a surprise given Obama campaign rhetoric advocating a measured approach to reform. With the political composition of the Senate after the 2008 election (59 Democrats, 40 Republicans and one vacancy), Democratic leadership could use a special procedure outlined in the Congressional Budget Act known as “budget reconciliation.” This shortcut would allow Congress to roll health care reform proposals into a bill that cannot be filibustered, enabling Democrats to push it through the Senate with 51 votes instead of the usual 60. Presidents Ronald Reagan and Bill Clinton both used the tactic to win deficit-reduction packages, while President George W. Bush used it to push through his signature tax cuts.

Senate and House Proposals Spark Health Care Debate

Last month, Sen. Edward M. Kennedy (D-Mass.), chairman of the Senate Committee on Health, Education, Labor & Pensions, introduced a bill titled “The Affordable Health Choices Act.” The Big “I” publicly opposed the bill and the debate continues in Washington about the merits of having a public plan that would compete with private plans in the health insurance marketplace.

Although Kennedy did not include specific language in the draft of his bill, he has expressed his support for including a public plan and a “pay or play” employer mandate in the final version. The Big “I” is opposed to efforts to implement a public plan and an employer mandate and believes it would be unfairly matched against private plans. “There is no doubt that our country must take drastic steps to reform the problems in the health care system and to lower costs,” says Robert Rusbuldt, Big “I” president & CEO. Rusbuldt says the association will continue to lobby Congress and the administration “to find ways to fix the problems permanently rather than create



Agents Take Case to the Hill

On July 14–15, the Big “I” will co-host a special health care reform Capitol Hill fly-in with the other major health insurance producer groups. Big “I” independent agents and brokers, along with members of the AHIA-NAIFA Health and Employee Benefits (AHIA), The Council of Insurance Agents & Brokers (CIAB), the National Association of Health Underwriters (NAHU) and the National Association of Insurance and Financial Advisors (NAIFA) will join together to oppose a public health insurance plan and efforts to eliminate the role of agents and brokers in the delivery of health care insurance. Collectively, these groups represent more than 500,000 professional health insurance advisors, agents, brokers, consultants and employee benefit specialists.

The fly-in will be the second time this year that Big “I” members have visited the Hill to educate Congress on health care reform. At the annual Big “I” Legislative Conference & Convention in late April, hundreds of agents lobbied their representatives in Congress and advocated on behalf of preserving the private delivery of health insurance and voiced opposition to creating a public plan that would unfairly compete against private insurance companies in the health insurance marketplace. As small business owners, agents also took the opportunity to express their opposition to paying for health care reform by levying a tax on employer-provided health care benefits. Such a tax increase will only further drive-up health care costs, undermine the successful employer-based system and deliver a big blow to the thousands of small businesses across the country that form the backbone of the economy.

For more information on how to educate members of Congress on this issue or to register for the fly-in, go to www.independentagent.com and click on “Government Affairs.”

—M.T.

more issues for future generations with temporary patches.”

The Senate Finance Committee, chaired by Sen. Max Baucus (D-Mont.), is also drafting a health care reform bill. The Baucus bill is expected to take a more moderate approach on controversial provisions such as the public plan and an employer mandate. Senate leadership plans to merge the Baucus bill with the Kennedy bill by mid-July, with full Senate consideration of a single reform bill planned for later in the month.

The House Democratic leadership released a bill last month that largely mirrors the Kennedy bill. Notably, the bill includes an employer mandate and a public plan that would provide the same reimbursement rates as Medicare. The House is expected to consider its version of reform in late July. This fall, the House and Senate hope to negotiate a compromise

between their two bills and have a final bill to the president by October.

Pitfalls of a Public Plan

The true “lightning rod” of the health care reform debate has been consideration of the public plan. Supporters of the public plan believe it will keep health carriers efficient and lower health care costs. Many, including the Big “I”, agree that significant steps are needed to reform the broken health care system but believe that goal can be accomplished without creating a government-run health insurance plan. Opponents of a public plan believe it would have a devastating effect on the private market, on health care consumers and on independent agents.

The association’s concerns regarding the threat of a government-operated health care plan are also echoed by consumers in a recent national survey on health insur-

ance. The survey, which was conducted last month for Trusted Choice® and the Big “I” by independent research company International Communications Research (ICR), found that more than 56.1% of the respondents who have health insurance are against or are not sure how they feel about a government-operated health care plan. It also found that even those who favor the proposal have concerns about choice in care. About 23% of those in favor of the government plan would no longer support it if it was their only option or provider.

According to a 2009 Lewin Group Study, if the public plan’s reimbursement rates are similar to Medicare, an estimated 119 million people could shift from private insurance to the public plan. The current federal program sets artificially low reimbursement rates for doctors and hospitals, which means they take a major hit when they treat Medicare and Medicaid patients. Those costs are ultimately shifted to private insurers and their consumers. If the proposed public plan is instituted, opponents believe the private market would likely collapse within years of implementation and eventually leave the United States with a single-payer system.

Since the government sets the reimbursement rates for Medicare and Medicaid, many physicians already opt not to treat these patients because the rates are set so low. A June 2008 report by the Medicare Payment Advisory Commission found that 29% of Medicare beneficiaries had problems finding a primary care physician and it was even more difficult to find specialists. For example, the New York Times reported this spring that of the 93 internists affiliated with New York Presbyterian Hospital, only 37 accept Medicare patients.

Kennedy Bill Curtails Agent Role

The Kennedy bill also includes a “Navigators” grant program that would award grants to public and private entities to conduct public education, distribute fair and impartial information, assist with health insurance enrollment and provide culturally and linguistically appropriate information. Furthermore, the legislation specifically states that health insur-

ance issuers, including agents, would be prohibited from participating in the grant program.

“A Navigators’ program would mistakenly entrust organizations with no prior health insurance background with the authority to advise individuals on their insurance decisions and would cut experienced and educated agents out of the process of boosting health insurance enrollment,” says Charles Symington, Big “I” senior vice president of government affairs. “Individuals seeking information on what health insurance plan best fits their need should be able to count on sound advice from a licensed health insurance agent, broker or consultant. It is simply reckless to hand this trusted role over to random community organizations with no relevant health care background.”

Group v. Individual Health Plan Nuance

The initial draft of the Kennedy bill does not reflect the nuances between the individual and group health insurance marketplace. For years, various states have implemented health insurance regulations for insured plans that dictate the maximum

price differential for underwritten plans, or “community rating,” and, of course, mandated benefits. The outcome has become a self-fulfilling prophecy: a lack of plan design choices for consumers and higher costs, with the ultimate outcome of more uninsured people. The initial draft of the Kennedy bill indicates this mindset will continue, lessening the motivation for carriers to offer options that best suit consumers such as consumer-driven health plans, which have higher deductibles but lower costs and the ability to fund health care expenses on a before-tax basis.

Aside from the insured plans, many independent agents provide services to “self-funded” health insurance plans which are typically not subject to state mandates (most follow federal laws that apply to health insurance). Self-funded plans provide flexibility to the employer to design a health insurance plan that best meets the needs of its employees in the context of the employer’s industry and budget. By using this approach coupled with innovative incentives, the Safeway Corporation, a grocery store chain, has kept its per capita health care costs flat over a four year period. The ability to provide incentives for employees to make healthy lifestyle choices is an important way to lower costs without cutting coverage.

Association Backs Market-Based Reform

While the Big “I” is opposed to creating a public health insurance plan, clearly the status quo approach cannot continue indefinitely. The Centers for Medicare and Medicaid Services (CMS) project that health care spending will total \$2.5 trillion this year and increase to \$4.4 trillion by 2018. The Big “I” is advocating the following points to Congress:

- Every American should have access to affordable health insurance.
- Every American should be able to purchase health insurance, regardless of their health status or pre-existing conditions.
- Every American should have the ability to choose from several private health insurance plans and find the coverage

Kennedy Bill Creates New Disability Program

In the health care reform debate, the agent role in disability insurance could also be in play. The Kennedy bill also introduces provisions that will create a new disability insurance program and automatically enroll all American workers. Premiums would be automatically charged, typically deducted from workers’ paychecks, unless they opt out of the disability program.

According to a Senate aide, premiums could not exceed \$320 billion in the first year under the proposed plan. The bill will also reportedly establish a large disability pool, which advocates say will help millions of workers who lack long-term care insurance (LTCi). In addition, advocates argue the provision would defray Medicaid costs related to nursing home care for low-income individuals. To pay for it, the bill introduces a new payroll tax on employees.

—D.E.

that best meets their needs.

- Every child, up to the age of 25 years old, should be eligible for their family health care plan.
- Reform efforts should build on the employer-based system, which is the foundation of the country’s health care delivery system.

Efforts should include the elimination of fraud (Medicare fraud alone accounts for \$60 billion per year), and the implementation of medical liability reform, evidence-based medicine, incentives for wellness programs, preventive care screenings and disease management programs as well as health IT (electronic medical records). Health care costs must be lowered across the board, and the Big “I” believes Congress should start by enacting common sense reforms which will lower costs and improve the quality of health care.

For more information on how to reach out to Congress on this important issue, go to www.independentagent.com and click on “Government Affairs.”

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