

IIA of IL

Independent Insurance
Agents of Illinois

NAIFA IL

National Association of Ins.
and Financial Advisors – IL

ISAHU

Illinois State Assn. of
Health Underwriters

Illinois Health Benefit Exchange The Role of Agents & Brokers and Policy Recommendations

Who We Are

The Illinois State Association of Health Underwriters (ISAHU), Independent Insurance Agents of Illinois (IIA of IL), and National Association of Insurance and Financial Advisors - Illinois (NAIFA IL) collectively represent over 20,000 health plan specialists in Illinois. Our members are licensed as insurance producers by the state of Illinois and the vast majority obtain additional professional designations through national certification programs. We procure and service the health insurance policies and self-insured benefit plans for millions of Illinoisans and work on a daily basis to help individuals and employers purchase, administer and utilize health insurance coverage. Consequently, we have a profound interest in the development and operation of a Health Benefit Exchange in Illinois.

Our coalition supports the creation and operation of an Illinois Health Benefit Exchange as we believe the State of Illinois, versus the federal government, is best suited to address the variations of Illinois' diverse population and the innovations our residents expect.

The PPACA specifically establishes agent/broker participation in Health Benefit Exchanges and we believe our role will be the key component to the success of a Health Benefit Exchange in Illinois.

Our Role

Health insurance agents and brokers work on a daily basis to help individuals and employers of all sizes acquire health insurance and utilize their benefits in a prudent and cost effective manner while making sure they get the most out of the benefits they have purchased. They design benefit plans, explain coordination issues of public and private benefits to individuals/employees, explain how the interplay of existing federal and state laws work, and solve problems that may occur once coverage is in place. They help employers of all sizes ensure compliance with the state and federal laws including COBRA, ARRA, CHIP, ongoing CMS reporting, HIPAA, Mental Health Parity requirements, and tax credits. They also serve vital human resource functions for millions of American small businesses by educating employees on the use of FSA, HRA, HSA plans to help mitigate rising costs. They assist with claims and billing issues, which may include interacting with providers to correct coding issues. Insurance professionals also help design and implement cutting-edge health promotion and wellness programs for employers – a focus that everyone agrees is key to combating increasing health care costs. Finally, our members spend a great deal of time working with employers during the annual renewal process to quote bids from other carriers or negotiate different options with their existing plan. One large

health insurer in Illinois offers over 200 plan design options for small employers! Our members' active assistance means that consumers' needs are addressed quickly, usually without the need to use the formal appeals process. Consumers' need for help in all of these areas will only increase as the PPACA is implemented at the state level.

Since it is the professional role of our members to provide consumers with accurate information about their health coverage options, exchange participation is a natural fit. In fact, all successful state-level private purchasing pools and exchanges have elected to utilize the services of agents and brokers for this reason. Those that did not do so initially, like the Health Insurance Plan of California (HIPIC), which was the longest-running state public purchasing pool to date (operational from 1993-2006), quickly found that the active participation of licensed agents and brokers was the key to the pool's enrollment success. The private market has years of experience in setting up exchange models, and with agents, broker and carrier knowledge, exchanges will be able to minimize start-up costs. Agents and brokers can help an exchange anticipate consumer questions in advance and accelerate the program's start-up success. In addition, they will serve as a valuable resource to employers that operate in multiple states and may be navigating overlapping and varying exchange rules. Employers with multiple state exposures have issues arranging coverage currently. Their need for professional assistance will only increase with the addition of exchange based coverage options.

However, to ensure that the advisors participating in the exchange are well-qualified and accountable to state-level consumer protection standards, it should be specified that all individuals and entities - regardless of their title, position or status - selling coverage or providing coverage option advice to consumers through any exchange must be subject to existing state insurance licensure and continuing education requirements, as well as all other applicable state-based regulations. Agents and brokers who would like to participate in selling and servicing products through an exchange could be further required to complete an annual exam-based certification process that addresses both private coverage options and public assistance and subsidy-eligible options to ensure that they are familiar with all coverage choices available to consumers. Trained advisors will help increase access and overall coverage rates by helping individuals determine what options are available and best-suited to their individual needs, and following existing state-based licensure and education requirements will ensure continued accountability and consumer protection.

Our coalition strongly concurs with the sentiments expressed by the National Associations of Insurance Commissioners resolution that agents and brokers play an "indispensable role" in the health insurance arena and that they be "adequately compensated for the services they provide."

A recent poll of employers conducted by MetLife revealed that 57% of employers with fewer than 500 employees say they will be relying on their agents and brokers more than ever with their health plans in light of PPACA implementation.

As Illinois creates an HBE, it is critical that measures are included to ensure that producers are appropriately and fairly compensated for the services they provide. The recently enacted Medical Loss Ratio requirements (1/1/2011) have already impacted the individual and small group market with significant reductions in compensation for agents and brokers. If agent and broker compensation is not clearly and directly addressed, agents and brokers have no rationale to participate and the success of the exchange itself will be in jeopardy. It makes no sense to

eliminate the current distribution system of agents and brokers and replace them with government employees.

Navigators

Section 1311 (i) of the PPACA requires each state exchange to establish a Navigator program and to award grants to eligible entities that carry out the duties identified. The Act requires Navigators to conduct administrative and marketing activities that are designed to promote the existence of the exchange to those who are likely to be qualified to enroll in a qualified health plan.

The NAIC, in its August 2010 resolution stated that the purpose of Navigator programs is to “conduct public education and distribute fair and impartial information concerning enrollment in health plans and provide referrals for consumer assistance.” These are important activities and as Navigators cannot be compensated by health plans, we view their role as complementing the role of licensed producers who will be engaged in the actual enrollment of individuals and small-employers in health plans in the exchange.

It is, however, critical that all applicants for the Navigator program are properly vetted and scrutinized and that grants are provided judiciously and with proper ongoing oversight. Since the grants awarded by the Navigator program will be made from the state – and not federal dollars, it is imperative that the program includes safe guards that ensure accountability and transparency and prevent fraud, waste and abuse. A licensing and/or certification program for those that will be serving in this capacity should be established.

Structure and Operation of Illinois’ Health Benefit Exchange

Our Agent/Broker Coalition supports the inclusion of the following principals in any legislation establishing an HBE in Illinois:

- There should be one public exchange where both individuals and small employers can access coverage options. However, due to the unique nature of individual and small group markets, there should be separate underlying infrastructures and risk pools. One exchange will increase efficiency, reduce costs and confusion. Separate underwriting pools will help address concerns with anti-selection.
- The exchange should be a web-based portal that is simple, transparent and efficient.
- The exchange should be created as a not-for-profit or quasi-governmental entity with an independent board of directors. The exchange should be as free as possible from state hiring and purchasing laws, but subject to the Freedom of Information Act.
- The exchange should be funded by an assessment spread out as broadly as possible amongst all participants in the health care arena. A broad-based assessment would have a minimal impact on any one sector.

- Maintain two separate markets and a level playing field between them. Keep state requirements the same – inside and outside the exchange. Avoid any requirements that will create adverse selection.
- Essential Benefits / Additional State Mandates
PPACA also acknowledges that all states have their own laws on the books specifying mandatory coverage requirements for both individual and small group plans, and that aspects of these requirements may be more stringent than the federal mandated essential benefits. If this is the case, the state is given the option of whether or not to extend its existing mandated benefit laws to the exchange population. If a state elects to do so, however, it is responsible for bearing the cost of providing these additional mandated benefits to people receiving subsidized coverage through the exchange. In other words, no federal subsidy dollars may go to pay for additional state-level mandated benefits. Accordingly, each state will need to carefully evaluate its mandated benefit requirements. If the state elects not to apply any of its specific mandated benefit requirements to the exchange population but still requires the traditional market to abide by those mandates, it could cause great harm to that market.

Conclusion

Therefore, our Agent/Broker Coalition requests that any health Benefit Exchange Legislation in Illinois include the following provisions:

1. **Illinois' HBE governance board needs to include individuals with a variety of perspectives and those with in-depth knowledge of the health insurance and benefits market – especially insurance producers.** An insurance producer is critical to this board's strength in that brokers work daily with consumers, businesses, employees, insurers, medical providers and regulators. We believe our knowledge of the marketing, sales and **servicing** of health insurance will be of great benefit to the HBE.
2. **The structure and operations of the HBE must be simple, transparent and cost-effective.** We believe that a large bureaucracy similar to the Massachusetts Connector (their health insurance exchange) is costly and unnecessary – and the result will be higher health insurance costs.
3. **Individuals and employers must have the option to utilize the services of a licensed insurance producer.** Therefore:
 - a. There should be explicit legislative authorization for agents and brokers to enroll qualified individuals and small employers in the exchange.
 - b. The HBE should have a certification program for producers
 - c. The HBE should have a producer locator prominently available on the HBE website
 - d. There must be a producer identified on the application.
4. **The HBE should have no role in determining producer compensation.** Health plans will continue to contract with producers, verify licensing compliance and compensate producers as they do today.

State-level exchanges are not a new concept; they are merely a new type of health insurance purchasing pool. The state purchasing pools that have been most successful to date have served as market facilitators and aggregators of premiums for small-employers and individuals rather than risk-bearing entities and regulatory bodies that also sell private coverage. They have also trended toward the portal approach which provides consumers with easier access to coverage options without disrupting the existing private insurance market. State-based online portals are the easiest and most cost-effective way for the exchange to present coverage options and quality information in a standardized format and should also be utilized as a means of connecting consumers with qualified and licensed insurance producers to provide them guidance in purchasing health benefits as well as subsidy enrollments.

As the PPACA requires Health Benefit Exchanges to be self-sustaining by 2015, agents and brokers present the most cost effective way to make Illinois' HBE a successful reality. Finally, some pundits have equated the purchase of health insurance with buying a book or airline ticket. Put simply, health insurance is complicated, expensive, rarely shopped for, very personal and extremely critical to one's health and financial security. It is not a purchase to be made lightly. Consequently, consumers and small businesses want an expert to help them make the right choice. This is especially true for business owners who are not just making a choice for their own families, but for the families of their employees as well.