National Survey Represents Professional Health Insurance Agents Concerns

National Survey Reveals Agents See a Grey Future

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Hope is apparent Feelings are uneasy

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Between June 5 and June 20, 2010 more than 660 professional health insurance agents from across the country participated in an online survey to test their attitude toward the new federal health care law – the Affordable Care Act of 2010. A second survey restricted only to Minnesota health insurance agents, with 251 responses, reflected almost identical responses (See survey methodology details on page 2).

The survey reveals a profession struggling to understand what the new law has done to them, and what it means for their future. They are uneasy, unsure, and yet hopeful that somehow, they can continue in their professions.

Certain aspects of the bill, such as the Exchange, are seen as a serious threat. The survey, in general, hinted at a moderate level of agent self-denial, with some confusion about what will be required of agents that hope to continue in the profession.

Agents recognize that health care has become a political rather than an economic issue. As a result, agents recognize that a political solution will be necessary, although express frustration about their own role in helping to make political changes.

HOPE IS APPARENT FEELINGS ARE UNEASY

Seventy-eight percent of the respondents earn more than 50 percent of their income from the sale of health insurance. Fifty-one percent earn their greatest income from small group sales, while 26.3 percent primarily focus on individual health insurance.

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Agents understand health care is a political issue

Unclear on their role in making political changes

45.5 percent - Hope voters will make changes

47 percent - Agents must personally engage in politics

2.4 percent - Just contend with current political leaders

Question	Response
Health Insurance as a percent of total business	75%
Small Group provides most of income	52%
Individual provides most of income	26%
In the business more than 10 years	78.5%
Continue with the same business model	32%
The new law will eventually eliminate agents	59%
Repeal the ACA and replace with new law	63%
Elect new members to Congress and teach them	59%
Must be paid at least 80% of current com. rates	76.7%
Ombudsman is a direct threat to agents	76.4%
Navigator demeans the value of the agent	69.5%
Party Affiliation - GOP	45%
Party Affiliation - Independent	40%

More than half of respondents expect to stay in the health insurance business during the next five years, with less than 10 percent leaving for other professions.

Seventy-five percent of respondents have invested at least 10 years in the profession and want to continue, with 55 percent working at least 20 years in the business. This is a highly skilled, experienced sales force that wants to continue doing what they have been doing.

Even knowing that the new law contains potential negative effects on their business, 42 percent indicate they plan only somewhat of a departure from their current business model, with another 32 percent continuing in the same manner. This result suggests either agents' confusion about the bill's impact on their future, or uncertainty about what they can do to change it.

Fifty-one percent of respondents know they will have to adjust their book of business to reflect the new law's requirements. Nearly half of these realize they will have to fight to maintain the agents' place in the new system. In stark contrast, 59 percent of agents saw the new law as a direct threat to their career, and 63 percent want to repeal it, replacing it with new federal or state laws.

Recognizing the need to repeal the new law, 59 percent of agents hope to see the election of a new federal Congress and state legislators that will listen to the agents' point of view.

WHY DOES THE ACA DISCOURAGE CDHPs?

For the last seven years, momentum had been building across America toward consumer-directed health insurance plans. More than 10 million Americans currently are enrolled in these plans, with a growth rate of an amazing 25 percent between 2009 and 2010.[2]

Despite the increased public acceptance of CDHPs, the new law will disqualify millions of low-, and some moderate-income earners from enrolling in them. The new bill sets maximum out-of-pocket limits based on a percentage of household income. Congress worried that high deductibles would exceed what the government believes is a reasonable percentage of income that families should have to personally pay for health care services. The out-of-pocket limits will reduce, or in some cases, eliminate the HSA's advantages.

Agents have mixed beliefs about why Congress included this barrier to consumerism in the new bill. Thirty-eight percent believe that Congress lacks an understanding of the value of consumer-directed health care, or how HSAs work to mitigate out-of-pocket expenses. Another 30 percent believe Congress intends to eventually pass a total government-run health care system, and that CDHPs would stand in the way of such a law.

OMBUDSMAN AND NAVIGATOR THE NEW INSURANCE AGENTS?

The new law creates the Health Benefit Insurance Exchanges. The Exchange itself does not seem to overly worry agents, but what worries them is uncertainty about how the Exchange will operate and whether agents will have an ongoing role to play.

The new law establishes two new insurance-distribution agencies that function within the Exchange – the offices of the Ombudsman and the Navigator.

[2] Staff. (2010). January 2010 Census Shows 10 Million People Covered by HSA/High-Deductible Health Plans. AHIP Center for Policy and Research. Association of Health Insurance Plans. Washington, DC. P-1.

Survey Methodology

Authors: Dave Racer and Greg Dattilo designed the survey questions.

Time period: The survey notices were sent on June 5, 2010 and the authors closed the survey Jun 20, 2010.

Distribution: The survey notice was distributed to professional health insurance agents via email, and agents were asked to forward it to other agents in their own email lists.

Insurance companies in Minnesota, and the Minnesota Association of Health Underwriters delivered the survey notice in Minnesota.

The Heartland Institute, and a wide variety of other public interest groups, circulated the survey notice to their constituencies.

Responses: Total Minnesota Responses: 251 of which 237 were validated. Total Non-Minnesota Responses: 661 of which 637 responses were validated. Responses covered health insurance in all 50 states, with Texas representing 19% of respondents

Review: Survey results were reviewed and comments provided by TRL Consulting, LLC, a St. Paul, MN-based actuarial firm.*

*TRL Consulting, LLC, provides actuarial, financial and Human Resources Consulting. Its Principal is Timothy R. Leier, a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries. He certifies the application of standard statistical principles in the analysis of the data presented herein, and his conclusions are consistent with the questions asked and responses received.

More than 75 percent of agents believe the Ombudsman is a direct threat to the professional health insurance agent.

The Ombudsman is a state employee, but paid in part from a federal grant for the first two years of Exchange operation. The new law lists the Ombudsman's specific duties and they mirror those of the professional health insurance agent. These include enrolling individuals and small groups into health plans, answering insurance questions, filing appeals with insurance carriers, and a significant list of other agent-common duties.

The law also creates another new entity – the Navigator. The primary duty of a Navigator is to bring individuals or small groups to the Exchange for enrollment in an appropriate health insurance plan, a duty somewhat akin to referrals. The state may, however, also allow Navigators to enroll applicants into a health plan offered in the Exchange. Enrolling applicants into private health insur-

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ance plans has been the exclusive domain of the professional, licensed health insurance agent.

The Navigator, unlike the Ombudsman, will not be a state employee. Rather, Navigators could be members of trade unions, professional groups, social clubs, or possibly churches. The only requirement is that a Navigator must have a relationship with the entity or individual that is seeking health insurance. While professional health insurance agents may be allowed to serve as Navigators, they cannot receive commissions for doing so. States are allowed to provide grants to those who serve as Navigators, but it is unlikely those grants would be sufficient to replace today's commissions.

More than 75 percent of agents see the Navigator as a threat to the profession. Furthermore, they believe the Navigator demeans the value that the professional health insurance agent brings to the transaction of purchasing insurance.

What health insurance agents know that government policymakers ignore, is that people do not buy health insurance. Rather, health insurance must be sold. Convincing an employer or individual that they should spend money for something they do not want, nor ever hope to use, requires polished persuasive skills. Keeping clients enrolled can be even tougher.

Moreover, knowledge of the intricacies of insurance law and contracts, availability of various health plans, and the service record of a particular insurance company is vital to guiding clients toward the right choice.

A fellow member of the local Lion's Club, whose members vote him to be their Navigator, can never compete with the agents' expertise. Yet, the new law suggests that almost anyone can qualify to be a Navigator.

After the first two years of operation of the Exchange, any operating costs of these two functions must be covered by premiums and employer penalties paid into the Exchange – federal subsidies will end. It seems very unlikely that the Exchange will pay a livable commission to professional health insurance agents if that commission detracts from paying the expenses of the Ombudsman and Navigators.

THE LAW AND COMMISSION RATES

The new law does not require any state Exchange to pay commissions. The law allows each Exchange to decide whether anyone will receive commissions, or if agents will be allowed to sell Exchange products.

The law does require the federal Secretary of Health and Human Services to establish guidelines for the possibility of including agents in the Exchange. The Secretary also is allowed to review and, with the state, challenge insurance premium rates. The Secretary will, as a result, influence how agents are paid, if they are paid.

Agents expressed strong feelings about commission rates. More than 80 percent said they would not accept a commission rate less than 80 percent of the current rate paid in their state. Compounding the Exchange commission rate issue, the new law also requires premiums for the same plans sold inside and outside of the Exchange must be the same. Therefore, if there is only a small margin for commissions on plans sold inside the Exchange, then it is unlikely the commissions would be greater outside the Exchange.

Commission rates already vary by state, but agents have built their current business models on the status quo. Losing more than 20 percent of their commissions will be a strong incentive to leave the health insurance profession and pursue other lines of insurance, or a different career.

SELLING DIRECTLY TO CONSUMERS

One troubling and potentially threatening result of the new law is that insurance companies will be more motivated to sell individual policies directly to consumers, bypassing the agents.

Anecdotal evidence suggests that plans are already being laid to squeeze or eliminate agents' commissions on indi-

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vidual health plans. A major Iowa-based insurance company executive recently remarked to one a Minnesota-based agency owner, "This is not an insurance company problem. It is a broker problem," implying that the companies will be able to sell, but will do so without agents.

The Congressional Budget Office (CBO) specifically addressed the threat against agents in a December 2008 report:

> "In general, however, substantial reductions in administrative costs would probably require the role of insurance agents and brokers in marketing and selling policies to be sharply curtailed and the services they provide to be rendered unnecessary."[3]

WHAT RESPONSE IS NEEDED?

Agents provided a mixed response when asked what can be done to blunt the worst aspects of the new health care law. More than 45 percent indicated a hope that voters would be willing to make political changes in the fall elections.

Another group of agents – nearly 47 percent – saw the need for agents to personally engage in the fall 2010 elections. They recognize that their future careers depend on electing agent-friendly candidates. An overwhelming 75 percent of agents indicated that any candidate that supports single payer health care needed to be defeated.

Agents were asked about the powers the new law grants to the federal Secretary of Health and Human Services. Nearly 53 percent said giving this much power to a single federal official violates our form of government. Another 40 percent felt health care regulation should be the responsibility of state governments, not the federal government.

Watching how President Obama, Speaker Pelosi, and Majority Leader Reid convinced a reluctant Congress to pass the ACA provided agents and the general public with a view of how political power and horse-trading can work. The new bill passed despite strong bipartisan opposition in the U.S. House of Representatives, and despite the opposition of the American people.

Agents, in their responses, indicated they understand the central role that politics plays in establishing health care and insurance public policy. Moreover, they have come to realize it will take a political response to set aright the many aspects of the new law that negatively affect their livelihoods.

[3] Staff. (2008). Key Issues in Analyzing Major Health Insurance Proposals. Congressional Budget Office. Washington, DC. December 2008. P. xv.

FIGHTING BACK AT THE STATE AND FEDERAL LEVEL

Although agents seem to better understand the role of politics, it did not attempt to test their understanding of what could be done at the state level rather than the federal level.

The National Association of Health Underwriters (NAHU) early on adopted a strategy relating to the Exchanges. NAHU felt the Exchanges were inevitable, and chose to work to drive their management back to the state level. Since the new law does not require states to include agents, and because it leaves vague some of the regulations surrounding use of Navigators and the Ombudsman, it makes state legislative elections critical.

If anti-agent forces control a legislature, agents may find themselves losing individual and small group sales. On the other hand, if pro-agent lawmakers control a legislature, agents might be able to secure and improve their role in selling health insurance.

Agents have a real opportunity to help elect state legislative members that favor market-based health insurance options, and convince those they help elect to support agents' role in selling health insurance. Forty-five percent of agents hope voters make a good decision this fall. Yet, if agents turn from hope to action and combine their efforts with the 48 percent who urge agents to become directly involved, agents could have a major impact on state elections.

Agents' survey responses indicate they have come to understand the need to become politically engaged. The unanswered question is whether their beliefs will be translated into action.

Action Steps for Agents:

Hope is like the wind, going where it is driven.

Action, based on achievable goals and with the proper tools, must be employed now.

It is far more effective to appeal to a lawmaker that thinks as you do, than one who is deaf to your concerns. On our website, you will be able to download The Agents' Political Toolkit.

Go to:

http://www.freemarkethealthcare.com