



**Recommendations for the Michigan Insurance Exchange**

House of Representatives  
Health Policy Committee  
October 13, 2011

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**Who We Are**

- **MAHU - Michigan Association of Health Underwriters**
  - Statewide membership of over 550 members representing both insurance agents and industry/carrier representatives
  - MAHU improves its members' ability to meet the health, financial and retirement security needs of all Americans through education, advocacy, and professional development
- **NAIFA – National Association of Insurance and Financial Advisors – Michigan**
  - Statewide association representing approximately 1,300 insurance and financial Advisors members
  - NAIFA – Michigan members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multi-line, and financial advising and investments

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**Who We Are, cont.**

- **MAIA – Michigan Association of Independent Agents**
  - Membership comprised of over 800 Independent Insurance Agencies across Michigan representing over 8,000 agents and their staff
  - MAIA members: Offer insurance consumers a choice as they work for "more than one company", advocates on behalf of consumers since they have a legal duty to the consumer, and have earned the public trust

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■ [REDACTED]

**Why We Are Here**

- Patient Protection and Affordable Care Act (PPACA) is law
- Discuss the problem of affordability, not access
- Discuss our recommendations for the Exchange
- Explain our role and importance in the industry

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■ [REDACTED]

**Affordability Issue, Not Access**

- We are not in favor of an exchange
- We are concerned about the ability to create an exchange without increasing costs
- In Michigan, the issue is affordability due to the complex, different regulations that govern BCBSM, the HMO's and commercial carriers
  - This prevents true market competition
- We have systems in place that are effective and do not cost more

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■ [REDACTED]

**PPACA Requirements**

- Every state must have an exchange as a health insurance purchasing option for individuals and small businesses
- Exchanges will be a purchasing portal for subsidized and unsubsidized qualified health plans, as well as the enrollment point for Medicaid, CHIP and other state public assistance programs

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**General Exchange Recommendations**

- Based on the uniqueness of the Michigan market, Michigan should create its own exchange
- The Michigan Exchange should:
  - Operate as a "Market Organizer" to allow all health plans and carriers that participate the opportunity to offer innovative products and benefit designs to individuals and small businesses

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**General Exchange Recommendations, cont.**

- Have separate risk pools for individuals and small businesses to manage the unique risk and demographics of each segment
- Include independent licensed insurance agents in the distribution system
- Be governed by an independent non-profit
- Be self sufficient by 2015, while promoting efficiency

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**General Exchange Recommendations, cont.**

- The Michigan Exchange **should not**:
  - Become the exclusive health insurance distribution channel for individuals and small businesses
  - Grant unfair advantages to products inside the exchange via underwriting, tax, regulation or other means

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**More PPACA Provisions**

- Every exchange must have a Navigator program to facilitate enrollment
- States may choose to allow consumers the choice to utilize the services of agents beyond the navigator program
- Navigators are funded through exchange grants
- Agents are specifically listed as a type of Navigator but the law stipulates a compensation method that conflicts with traditional agent compensation structures

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**Navigator Duties Required by PPACA**

- Conduct public education activities to raise awareness of the availability of Qualified Health Plans;
- Distribute fair and impartial information concerning enrollment in Qualified Health Plans, and the availability of premium tax credits and cost-sharing reductions in accordance with federal tax laws;
- Facilitate enrollment in Qualified Health Plans;
- Provide referrals to any applicable office of health insurance consumer assistance or health insurance ombudsman, or any other appropriate state agency or agencies, for any enrollee with a grievance, complaint, or question regarding their health plan, coverage, or a determination under such plan or coverage;
- Provide information in a manner that is culturally and linguistically appropriate to the needs of the population being served by the Exchange

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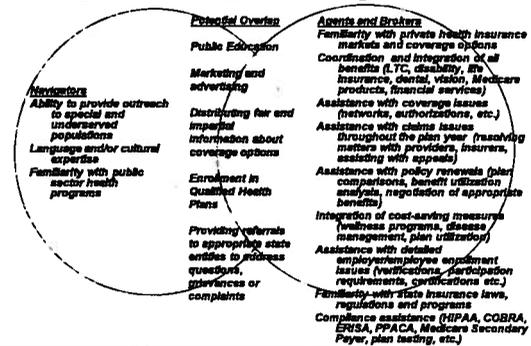
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**Strengths of Navigators & Agents/Brokers**




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**Examples of Agent Value**

Benefit comparison – the exchange may compare benefits and prices but an experienced, licensed agent can help explain the nuances of networks, claims payment, drug formularies, etc.

Ongoing service – insurance agents receive a monthly commission because their involvement is ongoing. Their job is to advocate on behalf of their clients when claims or billing issues arise throughout the year.

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**The Answer is in the Numbers**

- In the current market, it does not cost an individual or small business more to enroll through an agent
- Small group business (under 50) in Michigan sold through an agent in 2010 and 2011:
  - BCBSM 100%
  - HAP 99.9%
  - Priority Health 98%

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**Agent Compensation**

- Agents are paid commissions by the carrier
  - Percentage of premium or flat dollar per contract, per month
- Price of individual or small group coverage does not change if using an agent
- Agents are paid monthly to handle ongoing service issues for their clients
- Agents can get removed from a group at any time if they are not servicing it properly
  - Commission generally ceases within 30 days

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### Commission Comparison

Group Size	BCBSM*	BCN*	Priority**
1	5 - 1%	1 - 2%	\$5.50
2-4	1 - 2%	2 - 3%	\$7.25 - \$10
5-9	3.5 - 4.25%	3.5 - 4.25%	\$19.25 - \$27.30
10-24	4 - 4.75%	4 - 4.75%	\$19.25 - \$27.30
24-49	4.25 - 5%	4.25 - 5%	\$19.25 - \$27.30

HAP***	
Annualized Premium	% Commission
First \$25,000	3%
\$25,001 - \$400,000	5 - 6.5%
\$400,001 - \$1,000,000	1.5 - 2%
\$1,000,001 Plus	.5 - .6%

\*% of premium based on agent tier \*\*Per contract based on benefit plan sold \*\*\*Renewal % based on agent tier

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### Financing Navigators

- PPACA requires that states finance their navigator programs using grants
- Additionally, a navigator may not receive any direct or indirect compensation from a health insurance issuer
- States may not use federal exchange grant funds to establish or pay for navigators
- The state Medicaid/CHIP programs may claim a portion of the navigator expenses, if the navigator "facilitates enrollment" in those programs
- An Exchange may charge a separate fee to compensate the navigator

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### Navigator Questions to Raise

- Are navigators paid in lump sump grants or on a per-head basis?
- Are payments made to individuals or entities?
- Are payments consistent across markets and/or products?
- Are accountability standards in any way tied to payments?
- Are exchange users charged a navigator fee?
- How do you segment exchange operating funds that may stem from a carrier?
- How are conflicts of interest prevented?

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**Licensure Issues to Address**

- Will navigators be individuals or entities?
  - If entities, should that entity be appropriately licensed/regulated by the state?
- How will the state ensure legitimacy and accountability?
- Should entities be responsible for the conduct of their employees and/or volunteers? Or should these individuals be held personally accountable/licensed as well?
- What liability will navigators have?
- How will potential complaints and/or grievances be addressed?
- How should individual performing navigator functions be regulated and held accountable?
  - Producer Licensure?
  - Exchange-specific Certification?

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**Consumer Protection Issues Involved**

- Protection of Access to highly sensitive information
  - Financial information
  - Identifying information (SSNs)
  - Protected Health Information
- Fraud Prevention
- Protection against mistakes that could have severe financial consequences for consumers

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**Existing Regulation of Agents/Brokers**

- Agents and brokers have been regulated by state insurance departments for 100+ years and are legally accountable for their actions
- National Insurance Producers Registry (NIPR) is the national database and means of tracking producer activity in all states and territories
- To be in business agents/brokers must:
  - Comply with state licensing requirements (fees, background check, etc)
  - Pass licensing exam
  - Comply with CE requirements
  - Demonstrate financial responsibility
  - Maintain professional liability insurance
  - Maintain appointment standards with licensed insurers

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**Definition of Agents & Navigators**

- Michigan Insurance Code defines an agent as an insurance producer
  - "Insurance producer" means a person required to be licensed under the laws of this state to sell, solicit, or negotiate insurance.
  - "Sell" means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company
  - "Solicit" means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company
  - "Negotiate" means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms, or conditions of the contract, provided that that person engaged in that act either sells insurance or obtains insurance from insurers for purchasers.
- PPACA defines a Navigator as someone who facilitates enrollment
  - "Facilitate" is not defined

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**Final Exchange Recommendations**

Licensed insurance agents are an important part of the health insurance solution in Michigan and would like designation in the bill separate from Navigators

- Health insurance consumers should not be penalized, either by cost of premium or health plan benefits, for choosing to use the services of a licensed agent, broker or consultant, either within or outside the Exchange (i.e., benefits and rates for comparable plans should be the same, regardless of whether an agent, broker or consultant is being compensated).

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**Final Exchange Recommendations, cont.**

- As authorized under section 1312(a) of the federal act, the exchange shall permit licensed health insurance agents and brokers to:
  - (a) enroll qualified individuals and qualified employers in any qualified health plans or qualified dental plans offered in the exchange; [and]
  - (b) assist qualified individuals and qualified employers in applying for premium tax credits and cost-sharing reductions for plans offered in the exchange
- Michigan has the ability to add agent compensation in the bill:
  - An insurance producer can be compensated directly by insurance issuers for the sale of individual and small group insurance products both inside and outside of the Exchange. This compensation should be at the same level inside and outside of the exchange to ensure an equal playing field for both markets.

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**Thank you for your time!**

**Questions**

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