



## **The California Association of Health Underwriters**

### **California Health Care Reform**

#### **Position Paper**

**March 5, 2011**

The California Association of Health Underwriters (CAHU) represents professionals in the health insurance / health care industry, including agents and brokers as stakeholders in the process of implementing federal health care reform. CAHU's mission, in the support of health care reform, is to assist in the timely and proficient establishment of a marketing and support model that will not only be fair to all entities involved, but also provide a smooth transition in the implementation and provision of health care in California.

Stakeholders in this venture include:

- Hospitals
- Provider Groups
- Doctors
- Carriers
- State Government Agencies
- Federal Government Agencies
- Community Service Organizations
- Community Health Organizations
- Licensed Agents and Brokers

It is CAHU's contention that if each stakeholder looks for common ground with the other entities, and not the ideologies that separate us, a compromise of ideas can be structured that will bring satisfaction to all parties involved.

Depending on the study used, of the 6.6<sup>1</sup> – 7.2<sup>2</sup> million people uninsured in California, 900,000<sup>3</sup> -2.9<sup>4</sup> million are eligible for state or federal assistance through programs already in place (Medi-Cal, Healthy Children, California Kids, and AIM). If this group of people were insured through

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<sup>1</sup> UCLA Center for Health Policy Research Exhibit 3

<sup>2</sup> California's Uninsured Quick Reference Guide – California HealthCare Foundation

<sup>3</sup> California's Health Care Almanac , California's Uninsured – California HealthCare Foundation

<sup>4</sup> Foundation for Health Coverage Education

California Association of Health Underwriters

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government assistance or plans offered through a public exchange it would reduce the state uninsured in California by as much as 44%<sup>5</sup>.

## STATE EXCHANGE

It is clear in The Health and Human Services Interim Final Regulations that the structural details of the exchange are to be left to the state exchange board to create, as it should be. Each state faces its own challenges and therefore must address them appropriately.

The plans that will be offered within the Exchange should target the 2.9<sup>6</sup> million people that need a different solution. By providing low-cost basic health plans the Exchange would be matching that solution to the marketplace.

While CAHU is concerned with the structure of the plans within the Exchange, our focus is on the marketing and distribution of these products. It is clear that the current agent and broker community has not been successful in reaching a segment of the population. Community service organizations and community health organizations are positioned to better reach this market segment. When equipped with the proper tools, these organizations could provide competent, professional service to the people they currently serve in other areas.

To accomplish this and to provide consumer protections that training and licensing ensures it is imperative that an educational and licensing process be in place. The California Department of Insurance currently tests and licenses thousands of people every year. This system should remain in place for anyone selling health insurance in the State of California. While there are 6.6<sup>7</sup> – 7.2<sup>8</sup> million uninsured in California there are 26<sup>9</sup> million insured consumers. These people were enrolled in health insurance by licensed agents and brokers. Licensed agents and brokers have the knowledge and training necessary to help individuals navigate the turbulent waters of understanding health insurance, and are also on the front lines with their clients and their clients employees, putting them in an outstanding position to enroll or refer those in need to the appropriate entity for the proper program.

A voluntary program that could be constructed by The California Association of Health Underwriters (CAHU) would provide a conduit for community service organizations and community health organizations to educate individuals within their organization about the specific exchange products and how they operate. CAHU, currently a licensed Continuing Education provider for California Department of Insurance<sup>10</sup>, would also become an educational resource for all individuals and organizations involved in the enrollments. By using trained, skilled individuals in the enrollment process the consumer will better understand the products

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<sup>5</sup> Based on UCLA Center for Health Policy Research Exhibit 3 figures

<sup>6</sup> Foundation for Health Coverage Education

<sup>7</sup> Foundation for Health Coverage Education

<sup>8</sup> California's Uninsured Quick Reference Guide – California HealthCare Foundation

<sup>9</sup> UCLA Center for Health Policy Research Exhibit 3

<sup>10</sup> <http://www.cahu.org/education>

being offered, make more informed choices, and understand how to access health benefits in their coverage.

By using licensed agents and brokers the reimbursement issue would be resolved. All products would pay commissions and each agent and/or community service activist would be compensated uniformly. Navigators who made consumers aware of the availability of health insurance would not be required to be licensed, but those who actually facilitated the purchase of health insurance would be required to be licensed. A level playing field would be created both inside and outside the Exchange. Licensed agents and brokers would be able to sell in both marketplaces. This level playing field would ameliorate the issue of adverse selection and prevent the pools from imbalance.

## **THE NAVIGATOR**

Within the guidelines provided by the federal government the term navigator is used to describe the individual who will present health plans, within the Exchange, to interested parties. The definition of the navigator is left to each state to interpret according to their needs. The role of the navigator may cover many areas. Our focus is on selling and servicing health insurance products within the Exchange.

CAHU's recommended definition for those who solicit or sell health insurance within the exchange is:

- California Department of Insurance<sup>11</sup> licensed agent in good standing
- Certified in Health Care Reform
- Certified in California Exchange plans

### California Department of Insurance Licensed Agent in Good Standing

As described above, this process would be facilitated by cooperation between the community delivery groups and CAHU. The process would be streamlined and designed to produce knowledgeable licensed agents quickly.

### Certified in Health Care Reform

A standardized class and test would be constructed, similar to America's Health Insurance Plans (AHIP) testing for Medicare certification, to educate individuals new to health care reform.

### Certified in California Exchange Plans

The Exchange plans will be new to all parties. It is important that anyone who sells these products understand how they work. By establishing a standardized class and test for these plans, it will insure that each navigator is equipped with the same tools.

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<sup>11</sup> <http://www.insurance.ca.gov/>

## **MEDICAL LOSS RATIO**

The value of agents and brokers is immense. We stand as the consumer's advocate between the carriers and the consumers providing knowledge and insight that helps both parties to understand the process, making the system work. We market products for all carriers at no charge, and are only compensated for the product we sell. Our primary goal is to help the consumer find the product that meets their needs, at a price they can afford, and educate them as to how the product works. We then work as an advisor to the consumer to help them with any issues that they may have with the carrier. We also help to communicate the carrier's needs to the consumer in such a way that the consumer can understand it. The licensed agent and broker is a value-add to the consumer and should not be considered carrier administrative cost.

The HHS Interim Final Regulations, while referring to the value of agents and brokers, fall short of acknowledging the absolute necessity of agents and brokers being involved in the delivery of health plans, and as the consumer's advocate. They include agents and brokers commissions in the medical loss ratio formula as part of the carriers administrative cost. As a result, licensed agents and brokers have experienced a 50%<sup>12</sup> decrease in commissions in the individual market. This reduction begins in 2011.

For this system to work the licensed agent and broker must be compensated both inside and outside the Exchange in a fair and balanced manner. Therefore it is necessary that agents' commissions be a pass-through in the medical loss ratio formula.

## **CONCLUSION**

We agree that health care reform is necessary. We cannot continue to experience double-digit increases with health insurance. While it is clear that additional measures need to be taken to control health care costs, all stakeholders must work together to improve the marketplace with the tools we have been given. The Exchange can be a valuable instrument in bringing health care relief to millions in California. The role of the navigator will be vital in bringing success to the Exchange. The medical loss ratio issue must be resolved to ensure balanced compensation.

The California Association of Health Underwriters stands ready to work with all parties involved to make health care reform and the State Exchange successful. If everyone will come to the table willing to share ideas in a spirit of compromise, our goal is within reach - 6.6<sup>13</sup> million Californians need us. We are up to the task.

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<sup>12</sup> California Association of Health Underwriters

<sup>13</sup> Foundation for Health Coverage Education

**Definition of Navigators  
Soliciting or Selling Health Insurance  
Within the Exchange**

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## **Seven Reasons to License Navigators That Solicit or Sell Health Insurance Within the California Exchange**

1. Licensing all who solicit or sell health insurance, through the California Department of Insurance (CDI), uses our existing systems, technology, and laws, provides a smooth transition to the Exchange, and saves the taxpayers money by not duplicating departments already in place. Licensed individuals demonstrate a commitment to act in a professional and ethical manner.
2. The pre-licensing educational requirement, and passing the California Insurance Exam, ensures that each applicant has a basic understanding of health insurance.

The CDI Pre-Licensing Education – Educational Objectives states:

***“For purposes of the pre-licensing curriculum and examination, the successful applicant is defined as an entry-level individual of an agency or an insurer. Twenty hours of accident and health agent pre-licensing education must at a minimum include the material in these objectives.”***

***” Section 1677 of the California Insurance Code (CIC) requires that the Accident and Health agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has basic knowledge of insurance and insurance laws.”***

3. All applicants will be subject to a background review as per CIC 12921(a) using:

California Code of Regulations  
Title 10. Investment  
Chapter 5. Insurance Commissioner  
Subchapter 1. Production of Insurance  
Article 5.7. Producer Licensing Background Review Guidelines

**This helps to protect the consumer from individuals who practice unlawful behavior including fraudulent practices.**

4. Licensed agents will be required to honor all privacy regulations of The Health Information Privacy and Portability Act of 1996 (HIPAA) and The Gramm-Leach Bliley Act (GLB).

**This protects the consumer's personal financial and health information as required by federal law.**

5. For renewal purposes licensed agents are required to complete 24 hours of continuing education every 2 years, including 4 hours of ethics. Mandatory renewal requirements keep licensed agents educated and informed of changes in the marketplace.

**This ensures the consumer receiving up-to-date information and helps the consumer make better decisions.**

6. By using licensed agents through the CDI, consumers will have a vehicle to inspect an agent's history or file a complaint.

**This provides additional protection to the consumer and utilizes the CDI, a proven state agency, at no additional cost to the Exchange.**

7. Requiring all individuals who solicit or sell health insurance to be licensed creates a level playing field inside and outside the Exchange. Licensed agents, by participating in both markets, will see no advantage in "steering" consumers in a certain direction. Adverse selection will be avoided.

**This provides the consumer with more choice.**

These 7 reasons indicate that it is in the consumer's best interest to work with a licensed agent. There can be no better example of "Patient Protection" than the utilization of a tool that will ensure the consumer's rights to, an informed educated advisor, protection of financial and health information, transparency of a qualified representative, and a source for conflict resolution. In addition it is the most cost effective way to implement the Exchange.