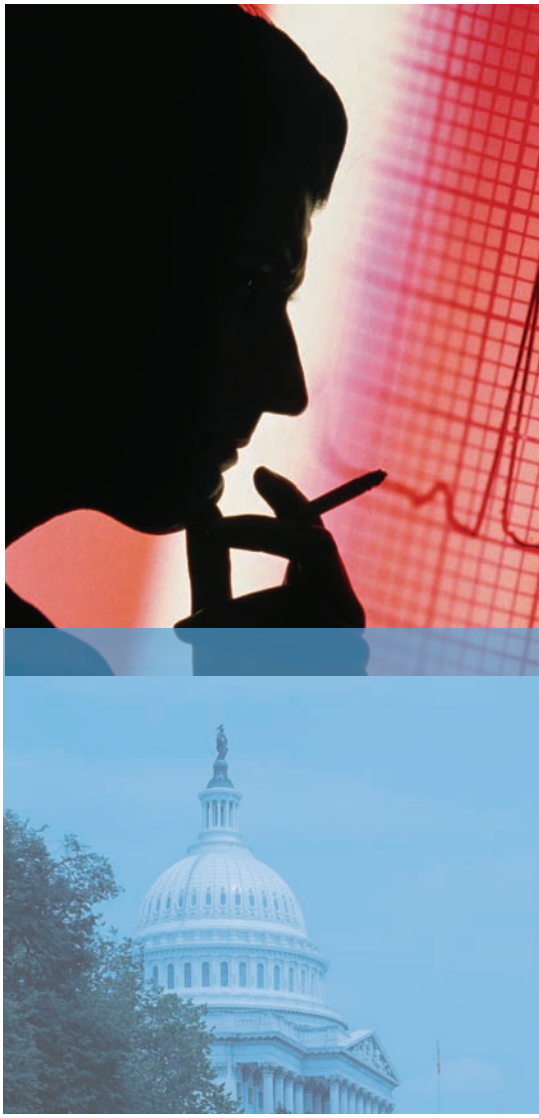
Winds of

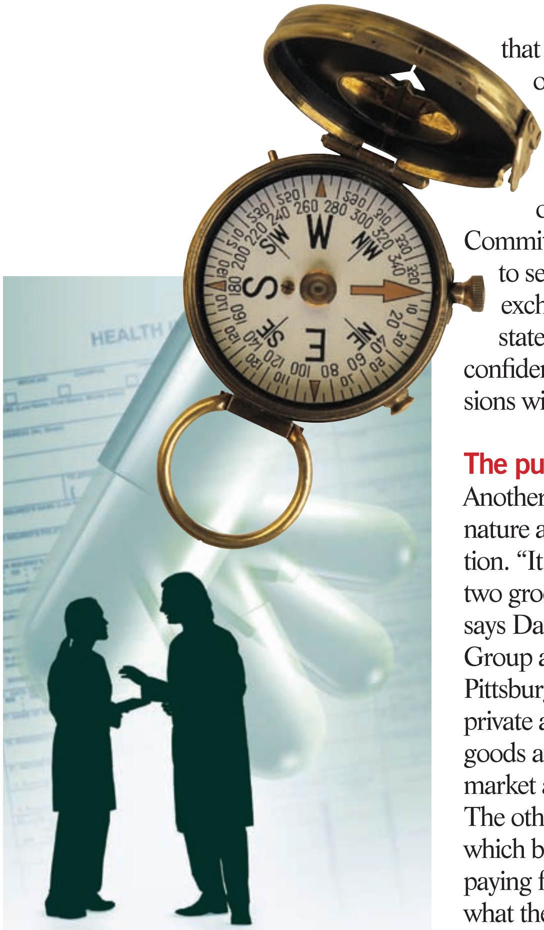
THE WAY IN WHICH HEALTH CARE IS DELIVERED IS EXPERIENCING A MAJOR TRANSFORMATION. YOUR KEYS TO SUCCESS IN WHATEVER SYSTEM IS ULTIMATELY ADOPTED? FLEXIBILITY AND AN UNWAVERING COMMITMENT TO CUSTOMER SERVICE.

BY TINA OREM

Change

Last month, the U.S. House of Representatives voted to pass its version of health-care reform (H.R. 3962). The Senate floor debate was expected to start after the Thanksgiving holidays, and the final bill will no doubt be different from the House version. As we await a final bill, what specific issues should you be focusing on and what products and strategies will help you survive and thrive? Read on to find out.





The role of the navigator

Section 3105 of the Affordable Health Choices Act offered by the Senate's Committee on Health, Education, Labor & Pensions (HELP) creates grants to states that hire "navigators" who help consumers learn about and apply for various health insurance options. The catch is that in the original version, a navigator could not be an insurer or receive any direct or indirect payments from insurers. This effectively shuts out the thousands of brokers and agents who advise clients every day.

Diane Boyle, NAIFA's vice president, Federal Government Relations, says that having real-life agents explain to Congress what they do helped change the mind-set away from eliminating agents, and in July, the committee adopted an amendment that opens the navigator system to licensed insurance agents and brokers. "Navigators basically held the same job description as an agent. They advise people, they help them navigate through the system," explains Boyle. "But prior to that point, the idea was that the consumer could either go online and figure it out on his own or call an 800 number."

The House Energy and Commerce Committee's version of the bill and the Senate Finance Committee's version also allow agents to sell both inside and outside an exchange and keep them subject to state laws, according to Boyle. She is confident that the new navigator provisions will stay in place, "at least for now."

The public plan

Another area worth watching is the nature and status of the public-plan option. "It would pretty much be like having two grocery stores next to one another," says Dan Lebish, CEO of HM Insurance Group and United Concordia Dental in Pittsburgh, Penn. "One grocery store is private and has to buy its supplies and goods and everything out in the open market and competitively pay for them. The other is run by the government, which basically says 'this is what we're paying for potatoes' and it's less than what the private grocery store can pay. And that just isn't fair. That ultimately would put that private grocery store out of business."

Taxing benefits

Concerns about paying for reform, which runs about $856 billion in the least expensive version, are no secret. To pay the tab, significant Medicare Advantage cuts are imminent, and at press time legislators were toying with capping flexible-spending accounts, as well as taxing so-called Cadillac plans, according to Boyle.

But could life insurance, employer-provided benefits, and other tax-advantaged insurance products be next on the hit list? It has to be tempting. "If you look at [the tax advantages of] those benefits, they add up to roughly a trillion dollars," says Boyle. "So, if you want to pay for it, could you just go to our products and take away the tax advantages? The good news is that none of the bills so far does that."

Even if Congress refrains from taxing most benefits, taxing a select few could still be bad news for advisors, says Lebish. "Ultimately those taxes end up getting passed back down to the individual—the employee—either though prices or through the employer paying those taxes but then providing less in benefits." Employers may then not be able to afford ancillary benefits, such as vision and dental insurance, according to Lebish.

New roles for ERISA and self-funded plans

"The one thing that we track more than anything else is if there will be a role for employer-based benefits and health-care benefits in whatever gets passed," says Lebish. He's carefully watching for any indications that employers won't be able to use ERISA guidelines to create their own benefit plans.

"ERISA really allows employers to self-fund, and when they self-fund it also allows them to develop and design their own benefit plans," Lebish explains. "It also allows employers, if they want, to be responsible for their own risk—not subsidize risk across one another."

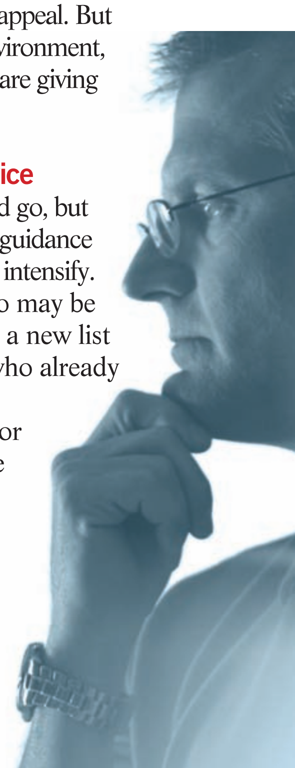
Lebish says HM Insurance and other companies like his would have their work cut out if the reforms jeopardize self-funding. "It would probably mean that we would have to change a lot of our distribution approaches to our products and we would be marketing our products more directly to individuals rather than to employers," he explains.

A silver lining

Given the state of flux health-care reform is in, there's no way to know which products are guaranteed to do well or which will lose their appeal. But even in this tenuous environment, a few areas of business are giving advisors high hopes.

Service, service, service

Products may come and go, but the need for consumer guidance and education will only intensify. An influx of people who may be new to insurance and a new list of choices for those who already have insurance could create opportunities for advisors to emphasize their value as consultants, especially if a government-run plan comes with a lot of



bureaucracy and Boyle's aforementioned 800 numbers.

"I think there will be some sort of exchange out there, this marketplace if you will, where insurance carriers and consultants are delivering products and services to individuals," explains Lebish. "When that happens, the biggest challenge is being able to communicate, explain and educate consumers about their real needs and having them understand the differences in the products and services, the risks associated with choosing one service or the other, the costs and why they differ."

This increased service role may be simply a return to the old days. "Supposedly, that's what everybody in our business has been doing over the last 30 years," says Lebish. "That is our responsibility. I think in the past, it ended up focusing too much on price and commoditizing products."

Supplemental insurance

In a post-reform world, the market for supplemental insurance could also boom.

Where NAIFA Stands

NAIFA has long advocated for reform efforts to improve access to and affordability of health insurance. These laudable goals remain priorities for our association.

The health-care reform challenge is to bring the millions of uninsured Americans into the system and reduce the high cost of health care for everyone. Of course, these two challenges are related and one cannot be solved without tackling the other.

NAIFA supports practical solutions to our health-care problems. Utilizing the following basic principles will help lower costs and ensure that coverage is available to all citizens—without resorting to new government programs or jeopardizing the high quality of care we enjoy and expect as American consumers.

- Provide tax incentives and deductibility of premiums.
- Consider the demographics of the uninsured.
- Voluntary coverage preferred, modified mandatory may be acceptable.
- Remove legislative and regulatory barriers that limit insurance options.
- Provide assistance to those who can't afford insurance.
- Establish state risk pools.
- Allow affordable coverage.
- Eliminate cost shifting.
- Establish comparative effectiveness research.
- Increase consumer education.
- Expand wellness programs.
- Create cost transparency.
- Reduce defensive medicine.
- Modified community rating.
- Provide consumer assistance.

Details of these tenets are in "Rx for Health Care Reform-The Advisors' Perspective" at *www.naifa.org/health*. □

"Basically there will be a market for private major medical insurance, but the government's going to prescribe what's in those plans. They are going to be pretty comprehensive and pricey, and if you don't buy one, you're going to get fined," says Mike Lynch, general manager of GoldenCare USA in Plymouth, Minn.

However, there will still be gaps in coverage. Lynch explains it this way: "The real thing is if the government allows supplemental (I think they will), then people who can afford to do so—and there will be all kinds of private markets for it—will buy supplemental products that at the point of claim will put a lot more money in their pockets than what the government would. And they would be able to buy themselves to the front of the line."

Lebish agrees. "In terms of the products, a basic health insurance product—you still need that and a network behind it, either a PPO or an HMO type of network. You will need ancillary products as well, like dental, vision, etc., and depending on the decisions the consumer makes, you might need some products that fill gaps, such as critical illness and accident insurance, as well as limited medical benefit plans.

"What's embedded in those services is what will be even more important," he continues. "Things like disease management and preventive and wellness services are going to be even more important to help control costs."

Offshore policies

Reform could also build a market for products in the burgeoning medical-tourism business, which many employers and insurers are already scrambling to find ways to incorporate sensibly. In 2007, about 750,000 Americans traveled abroad for medical care, according to the Deloitte Center for Health Solutions, and the group expects the number to surge to six million by next year. Blue Cross & Blue Shield and a variety of employers have even explored partnerships with offshore hospitals and are picking up the tab for employees who opt for their much cheaper services.

For many patients, offshore medicine is the only affordable way to undergo procedures not covered by their policies, and with lower malpractice insurance costs and lower labor costs. And with bigger government subsidies for health care in those other countries, the savings can reach 80 percent to 90 percent. Legislation that drives up costs or lengthens the wait for treatment could boost the sector even more. "Mexico, Costa Rica, they're doing the whole deal, including flying you there," Lynch explains. "The doctors who work there don't live there. They simply get in their private jets, fly down there, do three days' worth of work and fly home.

"If it gets really rough because of the service queues for all the stuff everybody wants, because everybody now is entitled," he adds, "then that's really going to be the way. People will sell policies that will provide the transportation and the operation the patient might need and bring him home to recuperate."

The road ahead

Boyle concedes that no matter what happens, life for agents and advisors will not be the same and it probably won't be easier. Nonetheless, this could be a great time for new agents to get into the business. "They haven't learned to play the game the old way," Boyle explains. "It could be, because I believe that at the end of the day, we'll still see a really strong role for advisors and the jobs they do. It could be good for somebody starting out because the rewards of helping someone navigate through this will still be there."

That doesn't mean life will get harder for industry veterans; in fact, there's reason for optimism. Lynch, who has been in the business for 36 years, seems excited about it all. "I never look at it as being harder for myself; it just creates more opportunities," he explains. "You can't squelch people's ingenuity and free enterprise. If they shut the door over here, five more will open over there, so just go over there. Even in the last two weeks I've had so many opportunities coming at me that I can't even sort them out. Everybody's got a good idea."

Exploring innovative products is important, but making sure you're flexible, are willing to change and offer a wide array of products will be the true keys to surviving and thriving in a post-reform America.

A little perspective won't hurt, either. As Lynch puts it, "I remember people saying 30 years ago, 'Boy, this is the strangest time I've ever been in this industry.' So, it's always strange." □

Tina Orem is a freelance writer and a contributor to Advisor Today.

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