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The NEW WORLD of Health Insurance Sales

The Brave New World of Selling Health Insurance

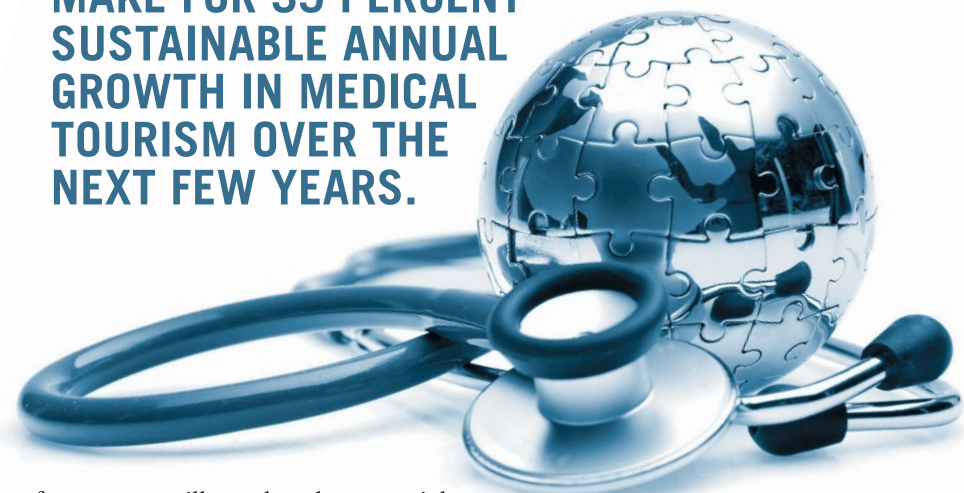
The two producers profiled in this article are honing the skills required to sell in today's difficult business climate: willingness to adapt, ability to meet their clients' ever-changing needs, a "can-do" attitude and a healthy dose of optimism.

BY TINA OREM

It's been almost two years since the introduction of the Patient Protection and Affordable Care Act. Since then, legal challenges, staggered or unclear implementation deadlines and a likely hearing before the Supreme Court have kept the legislation's future uncertain.

It's also been almost two years since we interviewed Michael Lynch and Dan Lebish about their efforts to seize the opportunities the legislation presented and address the attendant issues. (See the article, "Winds of Change," in the December 2009 issue of *Advisor Today*.) How have things panned out for these two producers, and how have they been able to sell more? Their experiences so far will help you navigate your way in the brave new world of selling health insurance.

DELOITTE'S SMALLER PROJECTIONS STILL MAKE FOR 35 PERCENT SUSTAINABLE ANNUAL GROWTH IN MEDICAL TOURISM OVER THE NEXT FEW YEARS.



Back in late 2009, Lynch, who is general manager of GoldenCare USA in Plymouth, Minn., and Dan Lebish, CEO of HM Insurance Group and United Concordia Dental in Pittsburgh, were betting that a major effect of the legislation would be a boost in the market for supplemental insurance. So far they're right; these products remain bright spots for producers, though Lynch and Lebish say the onslaught of demand is yet to come.

"The trigger is going to be when the exchanges are implemented, and people are buying the mandated health plan," Lebish explains. Despite the lingering effects of the Great Recession, sales of supplemental policies are on a decade-long growth streak and the sector's latest confidence measures are at their highest level since December 2006.

"If you look at the benefit designs proposed under the health care reform act, you'll see that the actuarial value of those benefits is kind of in the 72 percent range of full benefits," Lebish notes. "Most coverage today that employers provide is more like in the 90 percent range."

Consumers might need time to realize they want supplemental, however, because a honeymoon effect may occur first. "There are going to be things that aren't covered by their insurance plan even though from their perspective it's costing them less up front and they're getting it on the exchange," Lebish adds. "What's also going to happen is there are going to be more out-of-pocket expenditures after the fact. We believe when that's discovered and people get educated on that, things like critical illness, accident insurance—there will be a demand for it. We're seeing at least some interest in that right now."

Medical tourism—travel to places like India, Thailand, Mexico, or Singapore for less expensive medical procedures—looked like another ripe opportunity in 2009. But the recession dragged on and forecasts shrank. In 2008, the Deloitte Center for Health Solutions predicted that six million people would get offshore care by 2010; a year later, the estimate was down to 1.6 million by 2012.

That isn't to say there's not opportunity. More and more insurers are paying for offshore treatment, and Deloitte's smaller projections still make for 35 percent sustainable annual growth in the medical tourism market over the next few years.

"It's there, and there's a cottage industry being built around it," Lynch says. "How big it is is totally a function of whether or not [the reform legislation] continues. If this thing goes through the way it is and

Tips for Sales Success

There's a lot we still don't know about the future of health-care reform, but a few fundamental truths have revealed themselves in the last year and a half. Here are some key takeaways that will help you survive and thrive:

- **Get up to speed on other lines of business.** Commissions are falling and regulations are building hurdles. The more you diversify, the less likely it is that regulatory risk will jeopardize your business.
- **Get comfortable with working on the fly.** Some programs are going to work at the last minute, and some aren't. If you're up to speed on what's going on, and you can come up with products that work within new parameters, you're going to sell more and maintain a competitive advantage.
- **Get help with scenario analyses and information flow.** A thousand pages of legislation, dozens of amendments, court cases in 50 states, and daily changes in Washington are too much for one person to absorb and still get his work done. But without that information, you can't create effective strategies. So get help—and get it quickly.
- **Use reform as a selling tool.** On many levels, the health-care legislation might be seen as its own worst enemy. Boldly point out areas where it falls short to your prospects and clients, and then offer something better.

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continues down the path it's on, it'll be huge."

Lynch, like Deloitte, is still waiting for the big push. The trigger, he maintains, will be when customers begin to think that the wait for care has become too long. That's partly a function of reimbursement rates falling to a point at which they're unacceptable to just enough care providers.

Adjust and adjust

Like virtually everyone else, Lebish and Lynch have to be ready for anything to happen. But to cope, they've adopted a "just-in-time" approach, which lets them adjust on the fly to demands and avoid investing time on products consumers may not want. "We make adjustments," Lynch says. "We thought we were getting out of the Medicare Advantage program this year. To some extent, it was changing so fast and so furious, and then with the new laws and everything, it looked like it was going to cut back."

But when the final legislation was passed, the companies that GoldenCare USA works with were able to offer Medicare Advantage programs that were still reasonable and profitable. "We really made hay on that program," Lynch says gleefully, knowing he'll likely have to make more adjustments soon. "We didn't think we were going to do it this year; we were ready to move elsewhere. But it still looked like a good deal, so we did it. Does that mean it's going to be good next year? I don't know. We'll worry about that when they come out with the program."

Lebish is constantly retooling, too. "We can't stand still—we can't wait and see what's going to happen," he says. "We have to take some level of risk. We have to make some projections as to what we think is going to occur, and at the same time, try to design things in such a way that if it does change, we have the ability to react to that change."

Retooling, of course, can be expensive. Since his last interview, Lebish has made huge efforts to come up with more than one Plan B. "We're working with consultants trying to figure out or make predictions about what types of employers will retain benefits, what types of employers will get out—doing scenario planning," he says.

LIKE VIRTUALLY EVERYONE ELSE, LEBISH AND LYNCH HAVE TO BE READY FOR ANYTHING TO HAPPEN.

Much of that work is now being done in his company's Office of Health Care Reform, a group created last year to help manage change and communicate the status of reform activities to the rest of the organization on a daily or weekly basis. The team includes "a lot of internal people and is using external consultants." Every subsidiary now has its own health-care reform initiatives tied into the Office of Health Care Reform.

And as if producers need yet another reason to diversify, the tenuous medical-loss ratio embedded in the legislation limits administrative costs—which include commissions and agent fees—to 15 percent-20 percent of an insurer's annual overhead. Though an effort to take commissions out of the calculation was getting some traction in the House of Representatives at press time, the law, as it stands, is placing huge downward pressure on compensation, to which producers selling major medical can testify.

Use reform as a selling point

For Lynch and Lebish, perhaps what has proved more important over the last 18 months or so than their ability to retool quickly has been their talent in using the legislation as a selling tool. For example, the law's Community Living Assistance Services and Support program has all the markings of being an intimidating new competitor for people like Lynch, whose company has been selling long-term-care insurance since 1987. But the CLASS program has been making sales for him instead.

The program is essentially a national LTCI program in which individuals elect to pay a yet-to-be-determined monthly premium (current estimates are about $123 a month) in return for at least $50 a day of cash benefits when LTC is needed. Critics argue that the program may be actuarially unsound because individuals only have to pay into the system for five years in order to be eligible for benefits that have no lifetime limit.

But the simple fact that the law even touches on LTC has made sales for Lynch. "We point to the health care act and the CLASS program, and show that that was in there because the government realizes that it's a huge problem, and it's all fallen back on Medicaid," Lynch explains.

Ultimately, uncertainty can turn lemons into lemonade if you can speak confidently about reform with prospects. "The CLASS Act didn't do anything other than help us, and create awareness, and give us something to talk about," he adds. "Every employer is going to be required to address the issue. Well, that's good for us because half the battle we've had selling long-term care is getting people to address the issue. Even bad press is helpful because at least you can start a conversation among people. Before, they didn't even know what it was."

Lebish, whose companies specialize in worksite coverage, is also using reform as a selling tool. "We think that employers are going to look to self-funding as a way to lower costs and to have more flexible benefit design. We think that smaller and smaller groups are going to be interested in self-funding. And we're already seeing that. It just creates more demand for us."

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Look for new needs to fill

After following Lynch and Lebish for almost two years, it's easier to see why they thrive in this environment: They fight tooth and nail to stay optimistic. They get tired sometimes, but are not disheartened. They love American entrepreneurship perhaps now more than ever. And they're always looking for needs to fill.

"To me," Lebish explains, "good leadership is about setting a vision, identifying and being clear about the direction you're going, and then saying, 'You know, we're not perfect. There's a lot of uncertainty here, but this is what we have to do right now.'"

This enthusiasm hasn't changed much in two years. "The skill sets are all the same here: We solve people's problems through insurance products," says Lynch. "That's the same thing we always do. If we no longer can do that in some profitable way because of some law that got passed that puts up a barrier to do it over there, well, here's another way you can actually solve that problem for these people over here, and with this one, you can actually make some money. So let's go do that!"

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NAIFA and Health-Care Reform

By Diane Boyle

NAIFA believes modifications to the new law are necessary to improve affordability and sustainability of private insurance choices and to ensure that consumers have access to professional services provided by licensed and regulated insurance agents.

NAIFA's specific recommendations include:

- **Remove agent compensation from the Medical Loss Ratio calculation.** The current MLR requirements:
  - Adversely impact consumer access to professionally licensed, regulated, and trained insurance agents.
  - Threaten a service industry employing over 450,000 people without an alternative means of ensuring that consumers receive personalized assistance.
- **Repeal the expanded IRS 1099 reporting rule.** Requiring businesses and landlords to issue a Form 1099 for every purchase of $600 or more is unnecessary and overly burdensome.
- **Raise or remove the Flexible Spending Account contribution cap.** The $2,500 annual limit on FSAs will raise costs for consumers with the highest out-of-pocket health-care costs. Those with chronic conditions or children with special needs will be hit the hardest by this restriction.
- **Repeal the CLASS program.** Although the CLASS program may provide some assistance for long-term care, there are better ways to address LTC financing needs.

Additional modifications should include:

- Reverse the 3.8 percent tax on unearned income (including annuities).
- Enhance the use of HSAs and FSAs.
- Create purchase incentives.
- Build on the employer-based system.
- Reduce consumer costs.

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