



NATIONAL ASSOCIATION OF INSURANCE AND FINANCIAL ADVISORS

Health Care Reform

Professional Service in the Selection of Insurance Coverage

June 2009

The Issue: How to provide affordable health care coverage for all Americans and ensure professional assistance in the selection of insurance coverage.

NAIFA Position: Insurance agents and financial advisors support universal access to health care for all Americans. We support insurance practices, such as no preexisting condition underwriting and guaranteed-issue coverage if balanced with maintained coverage, that adhere to the President's principles to help lower costs and ensure 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. Details of NAIFA's recommendations are documented in the *Rx For Health Care – The Advisors' Perspective* (available at www.ahia.net)

We support coordinated efforts to control the escalating cost of care including disease prevention, enhancing health information technology and using comparative effectiveness research while maintaining the strictest patient-doctor privacy standards as well as medical malpractice reform to reduce defensive medicine.

We believe that choice, quality, competition and professional service must be a part of any health care reform effort. Specific reform efforts should:

- **Provide Professional Assistance** – Licensed, fairly compensated, insurance agents offer a cost effective means of achieving personal and professional assistance in the selection of insurance coverage for individuals and employers of all sizes in all markets.
- **Build on the Employer-Based System** – The federal government supports employer-sponsored coverage through the tax code by recognizing health insurance premiums paid by employers on behalf of their workers as a business cost, which are generally deductible for tax purposes. These same premium payments by employers are currently not taxable to employees as a part of their compensation. The average employee receives an 84 percent subsidy from his employer towards the cost of coverage, regardless of income.
- **Provide Affordable Options** – Members serving the small business health insurance markets have found flexible spending arrangements (FSAs), health reimbursement accounts (HRAs), and health savings accounts (HSAs) used in conjunction with high-deductible health plans offer affordable health care solutions. If health reform includes a tax cap, that tax cap could adversely impact FSAs, HRAs and HSAs. Reform efforts should build on the employer-based system and allow for affordable coverage options including FSAs, HRAs and HSAs.
- **Allow Professional Consumer Guidance in Government-Organized Health Exchanges** – If government-organized exchanges or gateways are created as an alternative method for distributing coverage, consumers will need reliable information from which to make informed decisions. It would be a

significant mistake to assume that a health insurance exchanges or unlicensed “navigators” could perform the many services currently offered by the professional advisor.

- **Oppose the Creation of a New Government Plan** – A new government plan should not be created to contend with private insurance. In order to compete on a level playing field, the new government plan would need to comply with the numerous private plan requirements including: state licensure, capital requirements, financial solvency, provider network adequacy standards, rate approval, federal and state taxes and assessments, state privacy protections and marketing requirements. If a government plan met the same requirements as private plans, there would be no reason to justify the enormous cost of creating a new federal government establishment to administer the government plan. Preservation of the private health insurance delivery system is necessary in order to ensure choice, quality and competition.

Background: President Obama and Congressional lawmakers have made it abundantly clear that the time for health care reform is now. The challenge for us as a nation is to bring uninsured Americans into the system, and to reduce the high cost of health care for everyone. The top concern of the Administration’s Health Care Community Discussions participants is the cost of health insurance. Reducing the cost of care would increase access since the cost of insurance mirrors the cost of care.

All major comprehensive reform initiatives include proposals to reduce costs through disease prevention and wellness programs, improved health technology and comparative effectiveness research, as well as medical malpractice reform.

- According to the Center for Disease Control and Prevention, chronic disease accounts for about 75 percent of the nation’s aggregate health care spending – or about \$5,300 per person in the U.S. each year. In taxpayer-funded programs, treatment of chronic disease constitutes an even larger proportion of spending – 96 cents per dollar for Medicare and 83 cents per dollar for Medicaid. Chronic disease not only affects health and quality of life, but is also a major driver of health care and thus health insurance costs. More than 60% of the rise in spending is the result of an increase in the occurrence of treatable diseases.
- Significant evidence exists that more expensive care does not beget higher quality care. Additional comparative effectiveness research is needed in order to ensure that patients and doctors have the information they need to evaluate the safety, effectiveness and value of various treatment options.
- Defensive tests and treatment can pose unnecessary medical risks and add unnecessary costs to healthcare. Estimates as high as 10 percent of the costs of medical services are attributed to the cost of litigation and defensive medicine.

About NAIFA: NAIFA comprises more than 700 state and local associations representing the interests of approximately 200,000 agents and their associates nationwide. NAIFA members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. The Association’s mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.

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