



Health Care Reform

THE ISSUE: Congress is evaluating modifications to the Patient Protection and Affordable Care Act to ensure expanded access to affordable health services in a sustainable competitive insurance market without jeopardizing high quality care and service expected by consumers.

BACKGROUND: The Affordable Care Act (ACA), enacted into law in March 2010, has made significant changes to the health insurance industry. The ACA requires individuals to maintain health insurance coverage that meets the ACA's minimum standards or pay a tax penalty. Many businesses, especially those with over 50 full-time employees, must now offer ACA compliant plans to their employees or pay the ACA fines. For individuals who qualify, the ACA provides tax credits to assist with the purchase of a qualified health plan through a state or federal health insurance exchange. The law is being implemented in stages as most provisions have already taken effect while others will not become effective until as late as 2018.

The ACA has profoundly affected the health insurance industry which provides essential products to protect consumers. The industry also employs over 450,000 people in the United States including health insurance agents who deliver crucial services for American consumers of nearly every income bracket.

Agents help their clients navigate the complicated health insurance landscape and the challenges they face in light of the new law. Agents assist consumers in evaluating and enrolling in a plan and play a critical role in providing local, personalized and cost-effective services throughout the life of a policy. The commission earned compensates the agent for the sale of a product and for providing the following important services to policyholders:

- Working with clients to evaluate their need for health insurance protection. This involves substantial research and fact-finding to meet the client's needs, while participating in an on-going process to anticipate changes in a person's family and employment situations.
- Explaining the benefits of available health plans to the client.
- Making specific recommendations that suit the client's objectives and budget. Often a health insurance plan is designed by the advisor to fit a client's special needs.
- Encouraging the client to act in a timely fashion to ensure that the proper coverage is in place when needed and providing accurate and complete information to the insurer so that the client is charged the very best premium available.
- Reviewing coverage on a periodic basis, suggesting changes when appropriate and counseling clients on ways to reduce costs. Often, agents must assist clients in reviewing the need for legal and tax compliance and recommending further professional assistance when necessary.
- Assisting with claims, answering questions and serving as ombudsmen when helping clients deal with insurance companies. Agents often spend an enormous amount of time helping clients assemble the proper documentation needed to file or follow up on a claim. This is especially true with seniors who receive Medicare benefits.
- Helping business owners in communicating their benefit packages to their employees and often assisting the employee in seeing how the benefits coordinate with their personal financial programs as well as those provided by government entities.

NAIFA POSITION: NAIFA's goals have been and continue to be ensuring affordable coverage for all Americans. NAIFA supports bipartisan efforts 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 advisors.

As Congress considers changes to the ACA, NAIFA supports targeted revisions to the law including:

- **Remove Advisor Compensation from the Medical Loss Ratio (MLR) Calculation** - Agent commissions should be excluded from the MLR calculation to preserve existing cost-saving practices, advance the intent of the MLR provisions to reduce overall spending on administrative costs, and maintain an important operational convenience for small businesses and individuals. Current MLR requirements:
 - Adversely impact consumers' access to professionally-licensed and trained insurance advisors
 - Threaten a service industry employing over 450,000 people without an alternative means of ensuring that consumers receive personalized assistance.(H.R. 815, S. 1661)
- **Define a Full-time Employee as Someone Working 40 Hours per Week** - In order to minimize the disruption to the American workforce, a traditional 40 hours per week definition of "full-time employee" is needed under the ACA (currently, 30 hours). (H.R. 30, S. 30)
- **Reverse the 3.8 Percent Tax on Unearned Income (Including Annuities)** - The price of health reform should *not* come at the expense of responsible consumers who plan for their retirement needs and the financial security of their families.
- **Expand the 3:1 Age Rating Restriction** - The higher rates for the younger population, as a result of the narrow 3:1 band, combined with low mandate penalties will result in adverse selection because younger individuals are likely to choose not to purchase coverage.
- **Raise or Remove Flexible Spending Account (FSA) Contribution Cap** - 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 the \$2,500 annual limit.
- **Eliminate the 40% Excise Tax** – While the tax has been delayed until 2020, this 40% excise tax on middle class Americans' health plans should be permanently repealed.
- **Create Purchase Incentives** - A meaningful mechanism is needed to discourage healthy individuals from waiting until they are ill or injured to purchase coverage. Since the monetary penalty for not purchasing health insurance would be far lower than the cost of the policy itself, it simply is not financially rational for healthy individuals to purchase insurance prior to becoming ill.
- **Build on the Employer-based System** - Protecting employer-provided health benefits should be fundamental to reform efforts. Legislation should build on the employer-based system.
- **Reduce Consumer Costs** - Better cost control is needed to ensure the affordability and sustainability of private insurance choices.
- **Allow Greater Access to Premium Subsidies** – Consumers eligible for premium subsidies may only receive them when purchasing a plan through insurance marketplaces established by the law. Subsidy-eligible consumers should be allowed greater choice in how they access coverage.

ABOUT NAIFA: Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is one of the nation's oldest and largest financial services organizations representing the interests of insurance professionals from every Congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. NAIFA'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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