Health Care Reform

THE ISSUE: The 116th Congress may consider legislation that could significantly affect the cost of health insurance to individuals and businesses. Some proposals could modify or repeal the Affordable Care Act (ACA) while others would dramatically expand the scope of government programs in providing health insurance coverage to millions of Americans.

BACKGROUND: The ACA, enacted into law in March 2010, has profoundly affected the health insurance industry which 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 play a critical role by helping consumers navigate the complicated health insurance landscape, assist consumers in evaluating and enrolling in a plan, and 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 important services to policyholders. While the ACA has helped millions of individuals obtain health insurance coverage, health insurance costs continue to increase and health insurers have exited the individual insurance market in many states. Congress will examine various proposals to address this critical issue.

NAIFA POSITION: NAIFA supports bipartisan efforts to improve affordability and sustainability of private insurance choices and ensure that consumers have access to professional services provided by licensed and regulated insurance advisors. NAIFA urges legislators to enact health reform that achieves the following goals

- **Provide Consumer Assistance:** NAIFA supports proposals that allow consumers to obtain the advice and counsel of a licensed, regulated financial advisor. Because of the current federal regulations implementing the ACA’s medical loss ratio (MLR), many health insurers have significantly cut agent commissions – which are included in the MLR calculation – to meet the MLR requirements. Health insurance agents and brokers provide consumers with a variety of valuable services, but they cannot afford to continue doing so without adequate compensation. Agent commissions should be excluded from the MLR calculation 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.

- **Define a Full-time Employee as Someone Working 40 Hours per Week:** The ACA’s change in definition of “full-time employee” from an employee who works 40 hours to 30 has resulted in employers reducing employees’ work hours and decreasing wages. To minimize the disruption to the American workforce, NAIFA supports returning to the traditional definition of “full-time employee” as one who works 40 hours per week.

- **Repeal the “Cadillac” Tax:** NAIFA supports repeal of the 40% excise tax, the so-called “Cadillac tax,” levied on companies offering high-quality health insurance plans. While this tax was intended to only hit Americans with “gold-plated” health insurance coverage, modest plans covering low and moderate income working families are projected to trigger the tax. Government policies should encourage employers to offer workplace benefits, not penalize them for doing so.
• 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. NAIFA supports eliminating this tax.

• Preserve the Employer-Based Health Care Insurance System: NAIFA supports the continuation of the employer-based health insurance system which provides health insurance coverage to approximately 181 million Americans. NAIFA prefers reform efforts that build upon the employer-sponsored system and supports proposals to permit employers to voluntarily provide group health insurance coverage.

• Permit Basic Benefit Policies: NAIFA supports reforms that permit insurers to offer affordable basic benefit policy to consumers. The specific benefits provided by these policies should be determined by market demand rather than government mandates.

• Provide Tax Incentives and Deductibility of Premiums: Tax credits, full deductibility of premiums and other incentives should be retained and preferably expanded to encourage more businesses and individuals to purchase coverage. Such tax credits should be available to individuals who purchase health insurance coverage on the exchanges as well as the private market. NAIFA supports these types of incentives and assistance since they would encourage consumers to purchase health insurance coverage.

• Promote Greater HSA Use: NAIFA supports efforts to expand and encourage the use of HSAs and HDHPs. HSAs can be set up by consumers or by employers and give individuals the opportunity to use tax-free funds to pay medical bills and to save for future health care expenses. HSAs are established in combination with insurance coverage under a qualifying high-deductible health plan (HDHP). NAIFA members serving the small business health insurance market have found HSAs used in conjunction with HDHPs offer an affordable health care solution.

• Raise or Remove Flexible Spending Account (FSA) Contribution Caps: 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.

• Support the Private Insurance Market: Some members of Congress may introduce legislation to establish a single-payer health insurance system, often referred to as “Medicare For All.” NAIFA urges legislators to oppose such a plan as it would result in exorbitant costs on taxpayers and businesses and reduce or eliminate competition and choice for consumers. Legislators should support proposals that bolster the private market and lower costs of health insurance coverage.

NAIFA’s additional recommendations on how to improve our nation’s health insurance system can be found here: https://www.naifa.org/NAIFA/media/GovRel/Misc/ACABrochure0118.pdf.

For More Information:

Diane Boyle  
Senior Vice President  
Government Relations  
(703) 770-8252  
Dboyle@naifa.org

Steve Kline  
Director  
Government Relations  
(703) 770-8187  
skline@naifa.org