

San Diego Association of Health Underwriters

The Adverse Effects of Medical Loss Ratio (MLR) and Agent Compensation Calculations on the Consumers of Health Insurance

Support of SB 2288 and HR 1206

Introduction:

We welcome the opportunity to comment on SB 2288 and H.R. 1206. We strongly support the goals of reducing health care costs, improving health outcomes for patients and providing better value for health care consumers. We are extremely concerned that MLR definitions would adversely impact spending on such important health plan activities as case management, wellness, disease management, and fraud and abuse prevention programs, among others. These important aspects of medical care and health plan coverage were given heightened emphasis by Congress in the PPACA because they both improve care quality and also help contain medical treatment costs. If they are somehow diminished due to narrow MLR definitions and enforcement, the quality of health care delivery for consumers will deteriorate and health care costs will surely increase.

Who we are:

The San Diego Association of Health Underwriters (SDAHU) is an organization with over 250 licensed agents, brokers, consultants and benefit professionals in the county of San Diego, CA. We are one of over 200 chapters nationwide with more than 100,000 licensed agents serving the need of large and small group employers, families and individuals guiding them through the complexities of searching, enrolling, and purchasing the best value health plans.

SDAHU believes that “activities that improve health care quality” should be defined broadly enough to include activities that:

- 1) Relate directly to the individual patient’s care.
- 2) Provide tools to educate and inform patients about their current or future care and potential alternative cost savings.
- 3) Prevent unnecessary and inappropriate care.
- 4) Ensure a minimum level of health care quality.

All of these activities work to improve the quality of health care and to enhance access to quality care.

Treatment of Pass-Through Expenses:

SDAHU recognizes that the intent of the MLR requirements is to reduce the cost of health care premiums for consumers and provide better value. However, we are concerned that in its application, the MLR provisions may have the unintended consequence of eliminating certain administrative cost-savings in place today.

Specifically, carriers today routinely collect funds that are passed-through to independent third-parties as an operational convenience to their members. For example, in the small business and individual market, health plans include commissions in their premiums, but pass 100% of these funds along to the independent agents and brokers. This practice reduces the health insurance system's overall operational costs, eliminating the need for businesses and consumers to prepare mail and track separate payments to their benefit specialists. It would be counterproductive for the MLR provisions to eliminate this cost-savings administrative convenience which provide to their members.

SDAHU recommends that HHS remove fully-disclosed pass-through fees collected by carriers from the MLR calculation since 100% of these fees are transferred to independent third-parties. We also fully support disclosure of these fees to businesses and consumers. Expanding this practice to the individual and small group markets would be a straight forward process. In addition, when creating this exemption, we believe HHS should also ensure that the recipients of these pass-through fees are truly independent of the facilitating health plan and that 100% of the fees are transferred to the third party.

Medical Loss Ratios in a reformed Health System:

SDAHU hastens to underscore that in and of itself, imposing minimum MLR requirements does not address many of the public policy concerns surrounding the health system. MLRs do not help contain medical care spending growth, ensure that health care services are appropriate and accurately billed, or address directly the quality and efficiency of the health care services. While well-designed MLR requirements may be an appropriate component of the reforms, enacted under the PPACA, such requirements should not be viewed as a panacea.

S.2288.IS

It is essential that licensed independent insurance producers continue to perform these duties, and others, as the Patient Protection and Affordable care Act has made significant changes to the regulatory environment for health plans. To understand these changes, employers and consumers will need professional guidance even more in the future. This service is especially important for small business; as such producers often fill the role of a human resource department as well as professional consultant.

H.R.1206

H.R.1206 Amends the Public Health Service Act to exclude remuneration paid for licensed independent insurance providers from administrative cost calculations for purposes of calculating the medical-loss ratio of a health insurance plan.

How it affects consumers

The Health Care reform has added many burdens to the health care industry. Consumers now face higher premiums because of mandatory services that health insurance plans are required to offer. While the added service does benefit certain demographic groups, it certainly does not benefit all consumers as a whole.

Conclusion

Consumers rely on their insurance agents and brokers not only to keep them informed and to assist with the understanding of all the upcoming changes in the health insurance industry, they also:

- Explain in detail how a certain plan is best suited for the consumer
- Helps them find a plan that fits their needs and budgets
- Facilitate the application and enrollment process
- Help manage and settle any claim that might arise.
- Help employers search for wellness, disease management and additional ways to maintain costs low.
- Help employers review their contribution strategies. (How much is appropriate for employees to share in the costs?)
- Help employers decide if they should increase the deductibles and/or co-pays?
- Help employers decide if a health-saving accounts (HSA) or health reimbursement accounts (HRA) is best suited for them.
- Agents can offer a cost/benefit analysis for numerous options being considered.
- Agents compare and contrast the rates and the benefits packages for their clients

- When it is time to renew, brokers explore other options for the employer, repeating the steps taken earlier.

Because agents play a key role in delivering and selling the health insurance product, explaining health insurance to the consumer, providing customer service to the clients who are the policy/certificate holders themselves, helping with claims issues and offering help in reconciling billing discrepancies, it follows that maintaining a healthy productive population of agents is integral to the success of any health care system and/or reform of it.

Agent compensation, as presently defined by PPACA, falls within MLR calculations. It therefore adversely affects the agent's ability to continue to offer their services at the same high levels the public and clients have become accustomed to and expect.

For this reason, it is imperative that agent compensation calculations be removed from within MLR and calculated as the "pass through" expense it actually is, and has always been.

Failure to remove agent compensation from MLR calculations will therefore adversely affect the consumer, the success of health the care system itself and of any efforts to effectively reform or improve it.

For these reasons we support SB 2288 and H.R. 1206.

References:

<http://www.rwjf.org/files/research/Hall,%2078-1.pdf>

San Diego Association of Health Underwriters Web Site: <http://www.sdahu.org/>

Contributing SDAHU Legislative Committee Members

**Mark Haskell, VP Legislation - SDAHU
Haskell Enrollment and Insurance Services, LLC**

Web: www.thatinsurancesite.com

Email: MLH@haskellinsurance.com

Facebook: <http://www.facebook.com/MedicalInsuranceAdvice?ref=hl>

**Michael Freeman, SDAHU Legislation Committee and Member of the Board
Countywide Health Insurance Services, Inc.**

mike@countywidehealth.com

www.Countywidehealth.com

Dave Lindsey

David Lindsey Agency-Insurance Specialists

SDAHU Legislation Committee Member

Web: www.davidlindseyinsurance.com

Email: dave@davidlindseyinsurance.com

Facebook: <http://www.facebook.com/DavidLindseyAgencyInsuranceSpecialists?ref=hl>

Kristopher Schulte

Schulte Insurance Agency

Email: kris@schulteinsurance.com

Web : schulteinsurance.com

Face book: <http://www.facebook.com/SchulteInsurance>

<http://www.linkedin.com/company/schulte-insurance-agency>