

To Play in U.S. Health Reform, Some Insurers May Leave Agents, Brokers Behind

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To Play in U.S. Health Reform, Some Insurers May Leave Agents, Brokers Behind Fran Lysiak

Some U.S. health insurers may leave agents and brokers hanging out to dry as President Barack Obama seeks to slash their administrative expenses -- including commissions -- as one way to control high health care costs as part of his comprehensive proposal to overhaul the health care system, industry watchers say.

The president is committed to tackling health reform this year. The agenda he put forth on the campaign trail to provide coverage for everyone included the creation of a National Health Insurance Exchange to help individuals and businesses buy private coverage or they could enroll in a new, public, or government, health plan.

Members of the Democrat-controlled Congress are expected to draft legislation this summer, and key members of the Senate, including Finance Committee Chairman Max Baucus, D-Mont, embrace the concept of an exchange.

Agents and brokers "are going to get whacked very hard on this," said J.P. Wieske, director of state affairs for the Council for Affordable Health Insurance, Alexandria, Va. The intent of exchanges is "to replace the agents," he said. Most hard hit would be those who work with small businesses, a market where commissions are the highest, Wieske said.

The private health insurance industry and agents and brokers are united in opposing the proposed government plan, but an exchange may be a thorn solely in brokers' sides.

Commissions are "an easy target," said Sam Fleet, president and chief executive officer of AmWins Group Benefits, a wholesale brokerage. The average cost of distribution for commercial health plans, including broker fees, sales and marketing, accounts for 30% to 50% of total administration, totaling \$23 billion annually, he said.

The exchange would function similar to a Federal Reserve of Health Insurance, setting premiums and telling brokers what they can make, Fleet said. "The translation is, hold on to your commission checks."

According to Fleet, insurers "aren't going to stick up for the broker." For years, they've been writing business direct and selling insurance through the Internet to bypass agents and brokers, he said. Some health insurers with a national presence may think "we may as well go along and get along," echoed Wieske, saying insurers can "live with the exchange."

But Janet Trautwein, chief executive officer of the National Association of Health Underwriters, said she's not sure a national exchange will be the ultimate result of reform. She doesn't think carriers "are about to throw us under the bus." That doesn't mean, however, there won't be pressure on them to reduce administrative fees, especially in the individual and small group market, Trautwein said.

Robert Zirkelbach, a spokesman for America's Health Insurance Plans, the industry trade group, said brokers and agents play a vital role in helping consumers and employers find coverage that is right for them. "As the nation pursues comprehensive health care reform, brokers and agents will continue to play an important role in this process," he said.

Opposing an exchange is Don Hamm, president and chief executive officer of Assurant Health, which specializes in insurance for individuals and small businesses. Independent insurance agents "provide independent, expert advice and individualized solutions to consumers, which is now more important than ever," he said. "It would be a mistake to diminish that important value by implementing a one-size-fits-all connector approach."

NAHU is launching a "major grassroots effort" discussing the value that agents and broker bring to the health care system, Trautwein said. They do more than help someone fill out an application, she said. For small employers, they serve as their human resources department, and a big part of their job is providing service after the sale, Trautwein said.

Nancy-Ann DeParle, director of the White House Office of Health Reform, has said she's not clear about the value of brokers but Trautwein said she hopes her group's campaign will change that view.

[To listen to an interview with Trautwein in the near future, go to www.bestdayaudio.com]

(By Fran Matso Lysiak, senior associate editor, BestWeek: fran.lysiak@ambest.com)

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