



NATIONAL ASSOCIATION OF HEALTH UNDERWRITERS The Smart Connector Alternative

The National Association of Health Underwriters (NAHU) is extremely concerned about the problem of the uninsured and providing easy and affordable access to health insurance coverage. As an association of more than 20,000 committed health insurance professionals, we recognize that there is no one solution to this massive societal problem. The traditional Connector approach, as a means of providing individuals with greater access to affordable coverage, is something that NAHU has studied at length and is an idea we approach with great caution. We believe that there are many significant legal and economic ramifications associated with a Connector. The creation of similar large-scale purchasing pools has done little to increase coverage and control costs. Also, implementing a Connector will not easily mesh with most existing market-friendly state health insurance market regulations as it did with the regulations in its pioneer state of Massachusetts.

Despite all of our concerns about a traditional health insurance exchange, NAHU does recognize the need for greater opportunities to enroll individuals in health insurance coverage. In particular, the issue of individuals who are eligible for public health insurance programs but are not actually enrolling in the coverage needs to be addressed. Of the approximately 47 million uninsured, approximately 14 million people (30 percent of the total uninsured) are actually eligible for a public health insurance program like Medicaid or the State Children's Health Insurance Program (CHIP). There is also the perception that uninsured individuals need a centralized place to access coverage option, connect with qualified professionals, and make choices based on their individual needs and budgets. Finally, the employer-sponsored health insurance system provides tax advantages but it's not always an available option for everyone.

We recognize that state and federal policymakers are looking for market-friendly means of streamlining access to coverage. Many also would like to increase the availability of coverage offered through the workplace and extend tax advantages to individual consumers. Making it easier for individuals to enroll in health insurance programs, both public and private, is certainly an admirable goal. If a jurisdiction is considering using the Connector model to help address these needs, we hope that they will consider using the components of a "Smart Connector" instead. By offering policymakers the components of a Smart Connector, we hope to provide a positive, affordable and realistic means of increasing access to coverage that still protects the existing private health insurance market.

The components of a Smart Connector are:

1. A Smart Connector should focus on individuals who are potentially eligible for publicly subsidized coverage or programs. A Smart Connector should be a public program enrollment portal. Although it would not make insurance more affordable, it could be considered as a potential additional purchasing option for individual market private health insurance products. However, a connector should not be a purchasing option for employer groups. Involving the group insurance market only creates a host of legal and cost concerns. Furthermore, the parameters of obtaining group coverage are very complicated in most states and do not lend themselves to the Connector concept. The decline in the number of employers offering group coverage has prompted some policymakers to consider making a Connector a group purchasing option. These employer-coverage concerns can be addressed in other simpler and more cost-effective ways described in the points below.

2. A Smart Connector should be a public-service gateway that allows people who are eligible for government-assisted plans to verify their eligibility, identify the plan options and determine subsidy levels. A Smart Connector could be an information portal where all individuals could find information about publicly sponsored programs. It could be source of

network provider information, provider outcomes and quality measures and wellness information. Such a portal could also provide information about conventional individual medical plans and the opportunity to request the assistance of licensed insurance producers certified to work with Connector technology and products.

3. A Smart Connector should be only one of several delivery channels for individual health insurance products. A Connector should not replace the current retail distribution system nor should the compensation for producers vary between systems. All Americans should have access to affordable health care coverage. As important as affordability, however, is choice. There needs to be a choice of products, a choice of payers and a choice of benefits, with many price and coverage alternatives.

4. To protect health insurance consumers and help people obtain the coverage that best meets their specific needs and budgetary requirements, a Smart Connector should be manned by licensed and specially trained health insurance producers. Products sold through the Connector should only be sold by licensed producers and, to make sure that there is equity in the offering of Connector and traditionally offered products, compensation for Connector-related sales and enrollment should reflect commissions in the private market.

5. The governing authority of a Smart Connector should include licensed health insurance professionals, other insurance industry representation and oversight by the state department of insurance. Adequate insurance industry participation in a Connector's governing board is essential to ensure that the goals and activities of the Connector are affordable, realistic and workable within the state's existing private health insurance market. In addition, oversight by the state department of insurance will provide consumer protection and compliance with existing state and federal statutes relative to health insurance markets.

6. To preserve market fairness and choice, any subsidies for coverage made available by the state or federal government as part of the creation of the Smart Connector should not be used exclusively for the Smart Connector. Allowing people the ability to choose where they buy their subsidized coverage is essential to maintaining a level playing field within the insurance market, preserving consumer choice, and preventing adverse selection within plans inside and outside of the Connector.

7. To address the decline in employer-provided health insurance coverage and extending tax advantages to individual purchasers, a state or the federal government should make small and cost-effective changes to existing law. These steps could be done at the same time as the creation of a Smart Connector, or they could be done independently. The first step would be to clarify that individual health insurance policies purchased by employees with no premium paid by the employer are not the same as group health insurance policies and are not subject to the group insurance requirements specified in HIPAA. The employees own these policies and they stay in force when workers leave their job. In particular, the requirements regarding individual policies sold on a list-bill basis – whereby the employer agrees to payroll-withhold individual health insurance premiums on behalf of its employees and send the premium payments to the insurance carrier but does not contribute to the cost of the premiums – need to be clarified. Furthermore, insurers would have to recognize the individual insurance plan as a valid coverage option for the accounting of the participation guidelines of the insurer.

8. The state or federal government should clarify that employers implementing list-billing arrangements for their employees may also establish Section 125 premium-only plans for their workers. This would enable employees to pay for their individual policies on a tax-favored basis. If an individual participated in a Section 125 plan for a list-billed policy, those premiums should not be eligible for deduction as a medical expense under Schedule A of the federal income tax form.

9. To maintain a level playing field in the insurance markets, ensure consumer protection and prevent fraud, the state should specify that all individual health insurance policies sold under a list-billed arrangement are subject to all state insurance regulations governing the issuance of traditional individual insurance policies. This stipulation would need to extend to rating requirements, issuing requirements and the requirement that such products only be sold by licensed health insurance producers.