

## WHAT HAS YOUR ASSOCIATION DONE FOR YOU?

SUBJECT: HEALTH CARE REFORM

The federal health care reform law (The Patient Protection and Affordable Care Act) poses the greatest challenge to insurance producers in memory. It requires each state to create a health insurance exchange – essentially, this entity will become the largest competitor among all insurance producers in Maryland on the day it opens for business. It will have a multi-million dollar advertising budget, and will be providing many of the same services you provide to several hundred thousand Maryland citizens.

In the face of that challenge, your association went to work with Maryland public officials to both educate them about the value of your services and place appropriate limits on the powers of the Maryland Health Benefit Exchange. We have been successful on both counts. We raised and spent nearly \$100,000 for independent consulting studies that 1) proved that our current system of health insurance distribution in Maryland has the same capability as the health insurance exchange in Massachusetts, which is the only state with a fully-functioning exchange at present, and 2) that a takeover of our current Maryland system by an exchange would jeopardize the 20,000 direct jobs that our industry has in the state today. You can find both of these reports on the association web site.

We also spent considerable time and resources establishing personal relationships with senior public officials in this state as they created the laws that, in turn, created the Maryland Exchange. The result? We included, as a statutory purpose of the Exchange, a provision making it clear that the Exchange shall “supplement,” not replace, the private insurance market. This will be a critically important safeguard in future years when there will undoubtedly be attempts to expand the scope of the Exchange.

That’s not all. We included a statutory provision limiting Exchange products to health, dental and vision insurance. Previously, there had been proposals permitting the Exchange to offer other products, from life and disability insurance to health club memberships. We made the point, successfully, that the federal law only requires the provision of health insurance in an exchange and that Maryland should not go any farther.

The navigators required under the federal law were another potential problem. We were concerned that these partially-qualified individuals could, at worst, steal our business, and at best, confuse our clients with misinformation about their current insurance programs. Due to our efforts, Navigators in Maryland are in a box. They may only offer products through the Exchange. By contrast, insurance producers may be certified by the Exchange and essentially become a “one-stop shop” for anyone seeking health insurance in Maryland. We also severely limited the ability of Navigators to even provide information on products outside the Exchange. They will only be authorized to provide general information on insurance in the form of a notice that will be prepared jointly by the Exchange and the Insurance Commissioner. In short, Navigators cannot provide the kind of advice and counsel your clients need, and can only receive from you.

## ANCILLARY SERVICES PROVIDED BY INSURANCE PRODUCERS

Traditionally, insurance producers only provided group insurance products to their business insurance clients with possibly some individual insurance products to business owners and key employees. The landscape today is quite different. With the enactment of federal laws such as COBRA and HIPAA, many insurance producers have evolved into full employee benefits advisors and administrators for their clients. Maryland law did not recognize this evolution, and it prohibited producers from charging fees for these services. Recognizing that the need for such administrative services would only grow in the future, your association enlisted the support of the Maryland Insurance Commissioner in passing legislation that specifically authorizes the charging of fees by producers for these services. As we continue to require more services of producers, and as commission income related to health insurance remains under pressure, it will be increasingly important for producers to achieve a blend of both commission and fee-based compensation. Your association has accomplished that goal for you.

## WHAT ABOUT THE FUTURE?

A critically important issue we are working on right now is the funding of the Maryland Health Benefit Exchange. We know that its annual operating expenses will be in the tens of millions of dollars. We also know that there is considerable support among Maryland public officials for having a broad base of funding – an effort to share the burden among many. The theory these officials have expressed is that the Exchange is a “public benefit” so the public should pay for it.

Without objecting to that point, our view is that our clients – the Maryland businesses and individuals whose insurance needs we serve – should not have to pay the expenses of an Exchange (or at least shouldn't have to pay at the same level) if they do not use the Exchange. The majority of Marylanders will continue to receive their insurance in the same manner as they do today. We have consistently told public officials that our members, and insurance producers generally, will use the Exchange when it is the right choice for their clients; however, we will not simply shift business to the Exchange for the sake of doing so. Paying the cost of running the Exchange is a major issue, and your association will be protecting both your interests and those of your clients as the decision is made on how to fund it. That is why we need your membership and your support today.