The New Roles of the Health Insurance Professional in the CDH Era

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The New Roles of the Health Insurance Professional in the CDH Era

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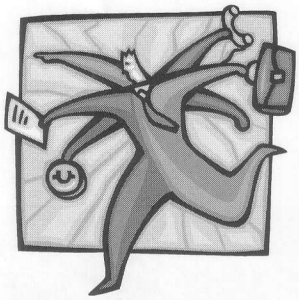


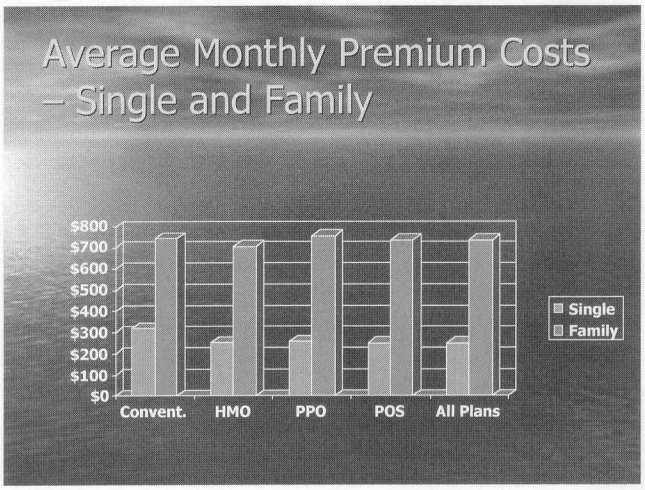
During the Clintons' first term in the White House, the first lady met a NAHU member who asked what would happen to health insurance agents if the ClintonCare model was enacted. Mrs. Clinton said, "You seem like an intelligent person—I'm sure you can find another job."

That's right, fellow agents, brokers and consultants. Just a few short years ago we stood at the precipice of unemployment. The Clintons were finally going to implement what had been talked about so many times before, and put into practice by our neighbors to the north: universal health care. Ah yes, "Hillary Care"—a prescription drug in every pot, and an ER visit in every garage. Phew... thank God that didn't happen... then.

But guess what, folks? The very same person who was the architect of a universal, single-payer health plan proposal is now running for president, and foremost on her to-do list is implementing such a plan. However, this time we're ready—we have a market-based solution that has already proven its worth in but a few years of implementation.

Some estimates have indicated that as many as 37% of the Health Savings Accounts established through 2006 were opened by people who were previously uninsured. Consumer-directed health care (CDH) could very well be the silver bullet we've been seeking to, finally, once and for all, rein in spiraling health insurance costs. Interestingly enough, this evolution of our business has brought forth the requirement that we indeed get other jobs. In addition to being insurance salespeople, I contend that in the new world of CDH, we are also required to be accountants, attorneys, bankers, HR managers and government affairs experts. Talk about multitasking!

CDH may in fact be our last and best hope to reform the health care system utilizing private-sector approaches, thus maintaining our valuable role in the sector. We all know that managed care squeezed every dollar of savings to be had from the supply side of health care over the course of the last few decades. The following graph illustrates this fact:



Now it's time to address demand. It has been reported that over 50% of the $2 trillion spent on health care in our country last year was directly attributable to lifestyle choices (e.g., smoking, excessive eating and drinking and reckless behavior). Imagine how much could be saved and redirected if people started taking better care of themselves, and purchasing health care the way they purchase consumer products—comparing outcomes and pricing, negotiating with providers and ultimately settling on the best care at the best location at the best price. Wow, what a concept. Well, guess what—it's here and it's here to stay, and it's called consumerism.

Clearly, such a major shift in the way health care is purchased involves a significant change in the way this risk is insured and the way coverage is packaged and sold. Everyone involved in health care financing and delivery must pitch in and do their respective parts in making this massive paradigm shift succeed.

The health insurance industry has done an outstanding job of evolving to a consumer-centric model. Insurance companies have developed products, services and capabilities that weren't even conceived of a mere 10 years ago. The government has done its part by creating ways to maximize the Tax Code for our collective benefit (see FSA, HRA and HSA). Health care providers have pitched in as well, and are working toward the process of providing pricing and outcomes data (i.e., transparency), which enables patients to effectively shop for and purchase the right care. The banking industry has

entered the health insurance business and has embraced its new role as HSA custodian. Now it's our turn. Health insurance agents are charged with the responsibility of taking all these new products, services, capabilities and technologies, and effectively putting it all together for our clients so that it makes sense, saves precious dollars and plans for the future.

So get ready, fellow agents. In addition to selling insurance, consumer-directed health care creates many new roles for us:

Attorney

Medical Savings Accounts, later changed to Archer MSAs, came into the health care financing world as a part of the Health Insurance Portability and Accountability Act of 1996. Originally they were a "pilot project" scheduled to go away after a four-year trial period. Congress extended the life of MSAs by three years and, in 2004, they were officially declared dead, replaced by Health Savings Accounts.

HSAs were introduced to our world as an add-on to The Medicare Prescription Drug Improvement and Modernization Act of 2003. They were officially "born" on January 1, 2004, when they were authorized to be established on behalf of qualified beneficiaries. In that first year alone, the Treasury department issued a total of 10 notices, revenue rulings, procedures and guidance announcements. Since that first year of their existence, there have been two more notices, a revenue ruling and a set of final regulations pertaining to the comparability requirement for employer HSA contributions—each one having to be read, understood, summarized and communicated to our clients and prospects. And in late 2006, the Tax Relief and Health Care Act of 2006 was passed, which relaxed many of the regulations associated with the initial HSA law.

Similarly, Health Reimbursement Arrangements (HRAs) became a part of the health insurance lexicon in 2002 when the Treasury department tweaked existing revenue code (i.e., Section 105) and authorized their use. Once again, we were required to read, understand, comply and communicate. And this isn't a "one and done" proposition, colleagues. These are the CDH spending account arrangements of today. Tomorrow's health care financing arrangements will be entirely different. There is already talk of the creation of a "401(h) plan" that would be used to finance qualified health care expenses. Make no mistake about it, we have to act like attorneys and translate these new laws, regulations and rulings into meaningful solutions for our clients and prospects.

Accountant

Do you know what a 1099 SA is? How about a form 8853? An 8889? When are HSA contributions tax-exempt versus tax-deductible? What is the significance of section 213(d) of the Internal Revenue Code? These are just a few of the accounting related questions that arise in our new world of CDH.

In the very early days of MSAs and again in 2004 and 2005 relative to HSAs, many accountants didn't fully understand the particulars of these new, tax-preferred health care savings accounts. Unfortunately, not all accountants grasped the correct, technical information relative to these new and not-yet-popular accounts. I can recall many a conversation had with clients' accountants where I explained the ins and outs of the account to the accountant (true story...several times over). In fact, I contacted the Board of Accountancy in my state and got them to approve an HSA presentation I had put together for three CPE credits, and started doing seminars for accountants.

In the absence of qualified expertise in the field, people historically rely on for certain forms of advice, they'll look to the person who brought suggested, sold and implemented the program for such advice. And we'd better be prepared to provide it. HSAs have very definite and very specific tax implications, and our clients will turn to us for advice and clarification when needed.

By the way, a 1099 SA is the document an HSA custodian or trustee provides account holders, which indicates the amount of money that was withdrawn from an HSA in a given tax year. A form 8853 (Archer MSA) and a form 8889 (HSA) indicate the amount of money that was contributed to the account in a given tax year. HSA funds are tax exempt if made through employer payroll, and are tax-deductible when deposits are made by account holders with after-tax dollars. Finally, section 215(d) of the Internal Revenue Code lists the majority of qualified medical expenses that can be reimbursed with HSA funds.

Banker

I remember a time, not long ago, when insurance people feared the entrance of banks and credit unions into our business. Well, guess what, colleagues? They're here. But we have warmly welcomed them, and what a valuable service they provide in the new world of CDH.

Like accountants in the early days of MSAs and HSAs, many banking professionals did not initially possess a thorough grasp of all the particulars of these new health care accounts, in large part because they were new and not yet popular among their customer base. Well, that's all changed now.

There were an estimated 3.6 million HSAs in existence at the end of 2006, more than double the number in place at the end of the prior year. Some estimates indicate the number of HSAs in place to grow to 8 million by the end of 2007, with nearly $14 billion in deposits. Wow! How far HSAs have come in so little time, and we've only just really begun. Not long ago, there were only two HSA custodians in all the land and, unless you lived in Kansas or Idaho, they weren't even close to your back yard. As of today, I know there are at least a dozen HSA custodians in Omaha, where I office, and probably four to five times that number throughout the state.

Our clients are relying on us to not only recommend a reputable bank or credit union to provide the critical

services needed in order to make HSAs work, they expect us to make the process of account enrollment and maintenance as easy and efficient as possible. Remember, you can have a qualified high-deductible health plan without an HSA, but you can't have an HSA without a qualified high-deductible health plan. So we must be prepared to explain, sell, provide, service and monitor the companies providing each piece of the equation.

Human Resource Manager

Human resource managers walk the ultimate tight rope—keeping their bosses happy, while keeping employees content with the myriad issues they face on a day-to-day basis. Perhaps no other issue is more important to employees today than their benefits package, specifically health insurance. And who among us doesn't want the best benefits at the least amount of cost?

The responsibility of recommending benefit plan designs, premium cost-sharing arrangements, and a new one—spending account contribution amounts—likely rests with the HR manager. That's right: The implementation of a CDH-style plan introduces a new calculation that heretofore did not exist. And if the health insurance agent is the one recommending the new CDH-style plan, the health insurance agent better be in a position to put on the HR manager's hat and assist with the new responsibilities that accompany the recommendation. The introduction of the CDH-style plan may also present the opportunity for the employer to revise the premium cost sharing arrangements used in the past. Since the introduction of a spending account contribution presents a "dollar matching" scenario, similar to what we typically see with 401(k) plans, the employer may actually be in a position to increase the employee's share of the premium in return for a spending account contribution.

Government Affairs Expert

History has taught us that, often times, when it comes to health care reform, the government tips its hand in advance and provides a preview of what is to come. We also receive valuable insight into proposed laws and regulations from our trade associations. This certainly was the case with respect to the Health Insurance Portability and Accountability Act and, more recently, the Tax Relief and Health Care Act of 2006, which relaxed many of the regulations associated with the initial HSA law. In fact, the government often invites commentary on pending regulations to get sound, real-world input on putting new laws to work for the betterment of society. If we health insurance agents are truly committed to CDH, and other private-sector health care reform measures, we need to get more involved with the crafting of laws and regulations. And there is no better (or easier) way to do so than by getting involved with the National Association of Health Underwriters, which represents our collective best interest. We can no longer sit back and hope that the government's attempts to "reform" our industry do not result in the elimination of our collective livelihood. Rather, we must put the very skill set that keeps us in business to work, and SELL Uncle Sam on the value of our involvement in the health care financing sector.

So how does the typical health insurance agent go from being a salesperson to being an attorney, accountant, banker, human resource manager and government affairs expert? First and foremost, it involves a serious commitment. A commitment to consumer-directed health care generally means working harder for less money in the short run, but making much more money in the long run, while maintaining significantly better client persistency.

There is much to know and stay on top of, and our business has become extremely dynamic, changing at times, by the week. Over the last 12 years, I have put together a host of tools to help promote, sell and implement a particular form of CDH - Health Savings Accounts. I have assembled these tools into a package called The HSA Tool Kit (www.thehsatoolkit.com) and provide this valuable suite of sales tools to interested customers. NAHU will begin offering The HSA Tool Kit at a discounted rate to NAHU members, possibly by the time this article goes to press. In the mean time, read your trade journals, e-newsletters, newspapers and anything you can get your hands on that addresses health insurance, health care financing and CDH. The value you are able to demonstrate and provide to your clients today will benefit you for years to come. Who knows—we just might be able to keep the government from taking over our business! ■

Scott Stevens is an employee benefits specialist who specializes in alternate funding arrangements including partial self-funding and consumer-driven health plans. He has helped thousands of employer groups transition to such plans over a 20+ year career in health care financing and insurance. His career has included stints as vice president of sales/marketing for a national insurance company and co-founder and vice president of a regional TPA.

Among his accomplishments was leading an initiative that resulted in the introduction of one of the nation's first integrated MSA/high-deductible plan programs in 1996. Stevens has published articles addressing health care financing issues, and has become a recognized national speaker. He served on Washington, DC-based task forces including the HIAA Technical Advisory Group on Medical Savings Accounts and the Health Savings Account Task Force. He is a regular speaker at the Consumer Driven Healthcare Conference and Symposium held twice each year at various locations around the country. He can be reached at sstevens82@msn.com.