It's the End of the Health Producer's World as We Know It—But You Can Do Just Fine

The Inter-Company Marketing Group's (ICMG) past two annual meetings have convened under the shadow of health care reform, but this year's gathering saw some clear opportunities, even as the future of the reform law remained gray.

ICMG is an association devoted to developing alliances in the insurance and financial services marketplace, but last year it wasn't certain what the health insurance marketplace would even look like in the near future. The meeting was in February 2010. The Senate had passed a version of health care reform in 2009 and the nation was enduring the daily drama of whether it would pass in the House of Representatives. Of course, the House passed the law a month after the meeting.

Fast forward to this year's meeting in early February and the law's survival was still the subject of drama. In fact, two days before the meeting opened, Judge Roger Vinson, in a federal district court in Pensacola, Fla., declared the reform's individual mandate unconstitutional in deciding a case brought by 20 states. The law is sure to go before the Supreme Court.

But no matter what happens to the law, it was clear to many attendees at the ICMG meeting that things will never be the same. Health insurance producers can assume they will not be doing business the same way they did before the reform. And quite a few people said that is a good thing.

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"I teach agents that long gone are the days of being a health insurance professional," said J.R. Jordan, senior vice president, Colorado Banker Services Insurance. "You are now going to be a health insurance enroller or a provider. You can walk into a client's place and you can sell critical illness [insurance], accident insurance, health insurance and give your clients more coverage than they've ever had before. You're getting three separate income streams and at the same time you are making more money than you did before health care reform, while keeping your block of business more persistent than it's ever been."

But before we consider the opportunities, here is a look at why the world is changing for producers.

Medical Loss Ratio

The seemingly arcane medical loss ratio (MLR) is one of the top reasons for drastic change. Reform allows insurance companies to spend only 15 to 20 percent of premium dollars for administrative expenses and profit. That includes producer commissions, so seller compensation is getting the squeeze. One estimate was that some producers who used to make 30 percent commission can now expect to make only 10 percent.

"If you have 15 percent to work with, a CEO of a health plan or insurance company has to decide to take money out of the bonus pool for executives or out of the brokers' commissions," said Sam Fleet, AmWINS Group Benefits president. "This is a way for insurance companies to eliminate or severely impact broker compensation."

Some companies are taking it a step further. "We recently saw Aetna announce in its large group that the company is going to separate out broker commission from the premium on the bill," Fleet said. "So that's going to force disclosure issues and it's also going to force broker comp down."

Health Exchanges

States and the federal government are still developing health insurance exchanges and very few people are sure they know how the exchanges will work. Producers might have a role as "navigators."

"There are navigators that are part of the legislation," Fleet said. "These navigators are going to help people through the exchange. They can be brokers, they can be unions, they can be associations, so it remains to be seen how brokers are going to work within the exchange. In Massachusetts, brokers work within the connector very effectively. Whether that model takes hold in exchanges throughout the country remains to be seen."

Even more troubling are models from other industries that have undergone significant shakeups, according to Lindsay Resnick, chief marketing officer for KBM Group.

"Let's face it, the classic analogy is what happened to travel agents when Travelocity, Expedia and Kayak came along," Resnick said.

That is the model health producers in the individual market should be taking into consideration, he said. Although Resnick recognized some doubt that exchanges will come to be, he pointed out that they do have a variety of fans.

"For the most part, even Republican

states like the concept of an exchange, of a shopping mall for health insurance," Resnick said.

Although a shopping mall for insurance might be difficult to imagine, Resnick has noticed some inklings of it.

"You're seeing it from some of the big boys in Florida, for example," he said. "Blue Cross has opened retail outlets so you can go into the malls and, [just] as you'd see a Verizon, a T-Mobile or an AT&T store, you now see a store with Blue Cross Blue Shield."

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So, is that the death of the salesman? Not at all.

"I will contend that there will still be a nonexchange market, and I'll advocate the concept of solution selling," Resnick said. "If you're bringing value to your individual or your small group, they will continue to shop through you. And we've seen that in Massachusetts. Not every individual, and particularly not every small group, goes through the Massachusetts exchange."

Diversify or Die?

Resnick touched on a recurring theme at the meeting—broadening the health producer's focus to be of greater value for clients, which also increases revenue streams. Another important theme was rethinking prospecting techniques, including the seemingly paradoxical tactic of going to the Internet to find the senior market. It's working for Brandon Todd, CEO of Medigap360.

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"When I was a producing agent, I wrote about $250,000 to $300,000 a year in Medicare supplement premium," Todd said. "That was about 200, 250 policies a year, which put me in the top 1 percent of the top 1 percent of producers out there. Now my average agent is writing more than $900,000 of Medicare supplement premium per year."

That's done by producers who call prospects from leads generated off the Internet.

"Traditional marketing doesn't work anymore," Todd said. "We get clients every day who are in their 90s from the Internet. We're seeing a really big shift with people going online, particularly with baby boomers. People are used to buying their car insurance, home insurance, health insurance and life insurance online [or] over the phone, and they don't want you in their homes anymore. They're just as happy to not have to go out to see [you]. The traditional marketing method for Medicare products, which is going out, driving an hour-and-a-half radius of your office to go meet people at their kitchen tables, well, that just isn't working."

There's Gold in That Gray

Despite all the discussion of shrinking health insurance market opportunity, the senior market is booming, said Ed Porter, director of marketing and distribution for AmeriLife.

"We're the largest producer of senior health care insurance in the country and we had our largest year last year," Porter said. "We did more than $365 million of Medicare supplement premium. We recruited more than 40,000 life and health agents last year.

It's a tidal wave of business because 15,000 people are turning 65 every day. And when people turn 65, Porter said, it's the biggest change in their lives since they got married and had children. They lose their group health and they're looking for help.

But don't write off the under-65 market just yet, said Rob Kramer, vice president of business development at Ceridian Health and Productivity Solutions. A wealth of opportunities are available in the benefits market, particularly if you're already dealing with employers through health insurance.

In fact, a well-rounded benefits package can be a key to lowering health insurance costs. Employee assistance programs (EAPs), combined with wellness programs, are more important than ever because their help covers the new mental health parity requirement and can improve overall health.

"There's a real close tie between wellness coaching and an EAP, because 40 to 60 percent of medical issues, even weight gain, tobacco, cardiovascular health, all have a behavioral and emotional component," Kramer said. "So we'll deal with anxiety and depression and some of those other concomitant issues that get in the way of people being able to manage those wellness issues."

AmWINS' Fleet agreed, saying that the holistic approach is especially vital when helping employers build self-funded plans. It is not enough for health producers to offer insurance plans; they have to increase their value by helping clients deal with the underlying cost drivers. And lifestyle factors is a key one. Producers can be essential navigators to help employers and clients make the difficult changes that improve well-being and productivity along with driving down costs.

"I heard a great line in one of the sessions today about a frozen carrot," Fleet said. "You know, we always talk about a carrot to improve wellness. But if they don't take the carrot, then you hit them over the head with it. So it's a frozen carrot, more like a stick. That kind of explains how agents can guide cost-effective lifestyle choices." INN

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