TO: Commissioners Michael McRaith and Sandy Praeger, Chairs, NAIC Exchange Subgroup

FROM: Consumer Representatives to the NAIC:

Barbara Yondorf, Elizabeth Abbott, Stephen Finan, Timothy Jost, Georgia Meharas, Wendell Potter, Stacie Pogue, Sabrina Corlette, Barbara Rea, Kim Calder

DATE: November 8, 2010

RE: **Agent time spent on health insurance claims demonstrates need for recently enacted reforms**

People purchase health insurance to make sure their bills are paid when they get sick. But data extrapolations from a recent survey of health insurance agents indicate privately-insured consumers seek help from insurance agents to assist with an estimated 44.6 million claims each year. The data demonstrate the importance of effectively implementing the disclosure, transparency, appeals and administrative reforms in the Affordable Care Act.

The National Association of Insurance and Financial Advisors released the results of a survey on health claims assistance provided by agents on October 15, 2010. The survey polled 806 NAIFA members who serve health insurance clients. It found that agents assist clients with an average of 223 claims per year. Nearly 70 percent of agents call the insurance company at least twice for each claim; the average is about 3.1 calls per claim and ranges from 1 to 11 or more calls per claim. Nearly 40 percent of survey respondents spend 20 percent of their time working on clients' claims; 3.1 percent spend more than half their time on claims.

NAIFA suggests its findings are representative. If so, the country's more than 200,000 health insurance agents have to intervene between insurers and their enrollees on a claim approximately 44.6 million times a year. Each year they make an estimated 138.5 million calls to health insurance companies and spend a combined total of 76.8 million hours assisting clients with claims issues.

The huge number of requests for assistance, multiple agent calls, and tens of millions of agent hours agents spend on claims indicate something is seriously wrong with the health insurance system. This is especially true when one considers that NAIFA's findings do not include data on the millions of hours insurance companies--who must do the actual claims resolution--spend on claims issues. Consumers and providers also spend millions of hours sorting out claims issues.

Although the survey reveals the many hours brokers spend intervening on behalf of clients, it does not begin to capture the questions and problems consumers encounter in which they do not consult their broker for help. Many of these problems are tackled by insurance departments, community organizations, health insurance volunteer counselors, family and friends.

Getting a claim paid should be straightforward with clear rules that are readily understandable to consumers. Consumers, agents and insurance companies themselves should not have to spend hundreds of millions of hours each year on claims issues. Claim appeals should be straightforward, efficient, and effective. Premium dollars could be better spent paying for care or reducing premium costs.

If agents are in fact calling insurers more than 138 million times a year so that consumers get the coverage they contracted for, the problems that plague the health insurance system are even more serious than is commonly recognized. The NAIFA survey does not include information about the types of problems consumers face and which problems are most common and intractable. This information needs to be collected and the problems systematically addressed through legislation and regulation, not just by agents assisting clients. The best way for agents and others to assist consumers is to support changes to the system that make insurers more accountable and advocacy less necessary.

NAIFA notes that agents assist clients with claims "at no additional cost…while reducing the burden on state offices of insurance." Agents may not directly charge clients for their assistance, but the cost is built into the price of coverage. Commissions can amount to five percent or more of premiums. In the non-group market, first-year commissions are often much larger. With respect to the burden of dealing with claims issues that NAIFA talks about, the choice should not be whether an insurance agent or the state takes it on. Claims problems should be rare events that don't burden anyone.

The NAIFA survey confirms the extraordinary expense and inefficiency of the current system. The Affordable Care Act provides the basic tools for a better system—navigators, ratings of plans, greater use of the internet, standardization of administrative forms and processes, state insurance consumer assistance and ombudsman offices, and effective and efficient appeals systems. These tools need to be developed with a fresh perspective on assisting consumers. The survey clearly illustrates why we should not simply impose the old upon the new.