

Findings

Kaiser Family Foundation

Survey of Health Insurance Agents

Assessing Trends in the Individual and Small Group Insurance Markets

SURVEY OF HEALTH INSURANCE AGENTS

Assessing Trends in the Individual and Small Group Insurance Markets

INTRODUCTION

Through their work arranging health insurance for millions of people each year, agents and brokers interact with insurance companies, individuals, and businesses, both at the time coverage is purchased and throughout the year.¹ In recent Kaiser surveys, 68 percent of small businesses and 36 percent of people purchasing health insurance on their own reported using a broker to buy their policy.² Due to their role in the health insurance market—gathering quotes, explaining coverage options, and offering ongoing service to individuals and businesses—agents have a unique vantage point from which to view changes in the insurance marketplace and emerging trends in the types of policies people are purchasing and insurers are selling.

Agents are able to shed light on several types of trends occurring in the private health insurance market. Although many provisions of the Patient Protection and Affordable Care Act (ACA) have yet to take effect, health insurers are preparing for its full implementation and have made changes to comply with provisions that are already in effect, such as covering preventive services without patient cost-sharing and enrolling children with pre-existing conditions. The individual and small group insurance markets will undergo many more changes with the implementation of state-based health insurance exchanges and new regulatory requirements, slated to begin in 2014. In the meantime, premiums and deductibles continue to rise, as they were before the passage of the ACA.³ While comparing coverage options for clients, agents may notice changes in the cost and comprehensiveness of plans they sell and how consumers and insurers are responding to the changing market before these trends emerge in other data sources.

The role health insurance agents play may also change under reform, due in part to requirements that insurers reduce administrative expenses.⁴ Under the Medical Loss Ratio (MLR) provision of the ACA, most insurers must spend at least 80 percent of their premium income on medical care and quality improvement activities, leaving 20 percent or less for administrative costs, marketing, and profits.⁵ As agent compensation is considered an administrative expense under the law, insurers may have an incentive to reduce their compensation to or reliance on agents. In addition, new state-based health insurance exchanges will change how insurance is sold to individuals and small businesses.

To get a sense of what market trends insurance agents are seeing—and to better understand their role in the market and their views of the changes taking place under health care reform—the Kaiser Family Foundation conducted this nationwide survey of 500 insurance agents and brokers who arrange major medical insurance for individuals, small groups, or both.⁶ The telephone interviews were conducted during February and March of 2012. Some of the questions we sought to answer through this survey include: What are the most noteworthy trends or changes agents see in the types of policies purchased by individuals and small businesses? Have agents noticed changes in the cost and comprehensiveness of coverage in recent years? On what activities do agents spend the bulk of their time? What are their views of the ACA and how familiar are they with some of the new programs created by the law?

We focused these questions on the individual and small group insurance markets, as these two markets will be undergoing significant changes as the ACA is implemented, particularly with the establishment of insurance exchanges in 2014. Most agents we surveyed (76 percent) arrange insurance for both small businesses and individuals, while 16 percent only sell in the individual market and 8 percent only sell to small groups. In order to identify trends unique to the specific markets, each agent was only asked about one type of coverage (individual or small group), with the exception of a few questions that were about the two markets more generally.⁷

¹ In this report, we use the term agents to refer to insurance brokers, agents, or producers.

² 2007 Employer Health Benefits Survey, Kaiser Family Foundation and Health Research & Educational Trust. Available at: <http://www.kff.org/insurance/7672/index.cfm>; Survey of People who Purchase their own Insurance, Kaiser Family Foundation. Available at: <http://www.kff.org/kaiserpolls/8077.cfm>.

³ 2011 Employer Health Benefits Survey, 2011, Kaiser Family Foundation and Health Research & Educational Trust. Available at: <http://ehbs.kff.org/>.

⁴ Cynthia Cox and Larry Levitt, Insurance Brokers and the Medical Loss Ratio, December 2011, Kaiser Family Foundation <http://healthreform.kff.org/notes-on-health-insurance-and-reform/2011/december/insurance-brokers-and-the-medical-loss-ratio.aspx>.

⁵ Explaining Health Care Reform: Medical Loss Ratio, February 2012, Kaiser Family Foundation <http://www.kff.org/healthreform/8282.cfm>.

⁶ All agents selected for interviews work for agencies that arrange major medical health insurance policies for more than one health insurer.

⁷ We divided the survey into two separate modules: Form A, which contained questions about the individual health insurance market, and Form B, which contained questions about the small group market. Agents were assigned to the form corresponding with the market in which they do the most business. In some cases, agents reported equal experience in both markets; most of these agents were assigned to Form B. For more details of survey methodology, refer to the appendix.

COSTS AND TRENDS IN COVERAGE

Acting as a liaison between individuals or small businesses and health insurers, agents' role in the marketplace gives them a unique perspective on trends in health insurance. When asked to identify noteworthy trends in the individual and small group markets in their own words, a large majority of agents (73 percent) point to increasing costs, with half (50 percent) noting increasing premiums and almost a quarter (23 percent) noting increasing out-of-pocket costs like deductibles or coinsurance. Another 22 percent point to trends in coverage such as reductions in benefits, followed by changes in underwriting (14 percent) and effects of the Affordable Care Act (14 percent). These topics are explored in more depth in terms of what agents hear from insurers, from their clients, and how their business is changing.

RISING DEDUCTIBLES AND PREMIUMS

Individuals and small businesses often face higher deductibles than larger groups.⁸ About half of agents (51 percent) report that currently the most common deductible is \$2,000 or more, compared to 20 percent who say the typical deductible two years ago was \$2,000 or more. Agents also report that deductibles in the individual market are typically higher than deductibles in the small group market. For example, 18 percent of agents say that individual market clients now typically face deductibles of \$4,000 or more, compared to 4 percent of agents asked about the typical small group market deductibles. In addition, half of agents say that most of the plans they arrange in the individual or small group market are health savings account (HSA) eligible, meaning the deductibles and other cost sharing features meet the federal requirements allowing an enrollee to open a tax-preferred HSA.

Agents also report relatively steep premium increases in 2011 in the individual and small group markets and many expect a similar rate of increase for plan renewals in 2012. Agents most commonly report that based on what they have heard from insurers they expect the typical percentage point premium increase in 2012 to be between 11% and 20% (39 percent), while another third (33 percent) expect premiums to increase between 6% and 10%. Similar shares of agents say the typical premium increase in 2011 fell within the same ranges.

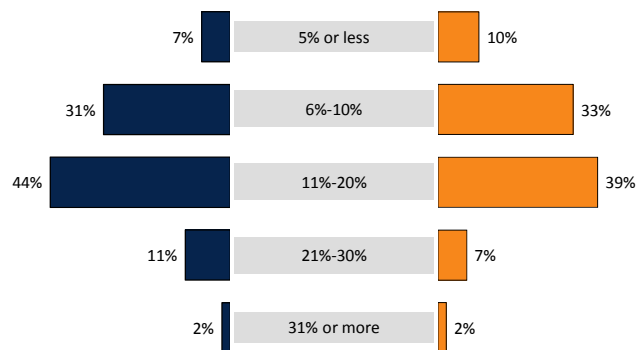
Half Of Agents Report Most Common Deductible Is At Least \$2,000						
	What is the most common deductible amount for single coverage plans you arrange in the [individual/small group] health insurance market?			Thinking of how this compares to previous years, what would you say was the most common deductible amount for single coverage plans you arranged in the [individual/small group] market two years ago?		
	Total	Individual Market	Small Group Market	Total	Individual Market	Small Group Market
\$1-\$999	7%	5%	8%	30%	23%	39%
\$1,000-\$1,499	26	23	30	32	30	35
\$1,500-\$1,999	14	11	17	12	15	10
\$2,000-\$2,999	31	32	30	15	19	9
\$3,000-\$3,999	8	8	7	2	3	0
\$4,000 or more	12	18	4	3	6	<1

Note: Open-ended questions. No deductible (vol.), Wasn't selling in this market two years ago (vol.) and Don't know/Refused answers not shown.
Source: Kaiser Family Foundation *Survey of Health Insurance Agents* (conducted February 15-March 8, 2012)

Four In Ten Agents Expect Premium Increases Between 11% And 20% In 2012

Thinking about the carriers you work with in the [individual/small group] market, what would you say was the typical percentage point premium increase for health insurance in 2011?

Based on what you've heard from carriers in the [individual/small group] market, what do you expect the typical percentage point premium increase for health insurance to be in 2012?



Note: Open-ended questions. Don't know/Refused answers not shown.
Source: Kaiser Family Foundation *Survey of Health Insurance Agents* (conducted February 15-March 8, 2012)

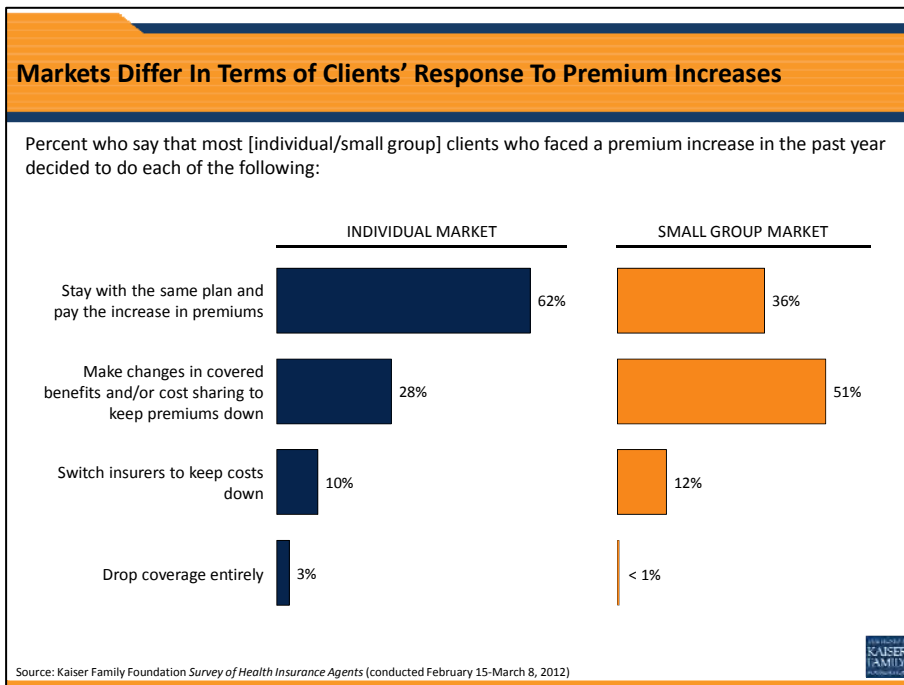
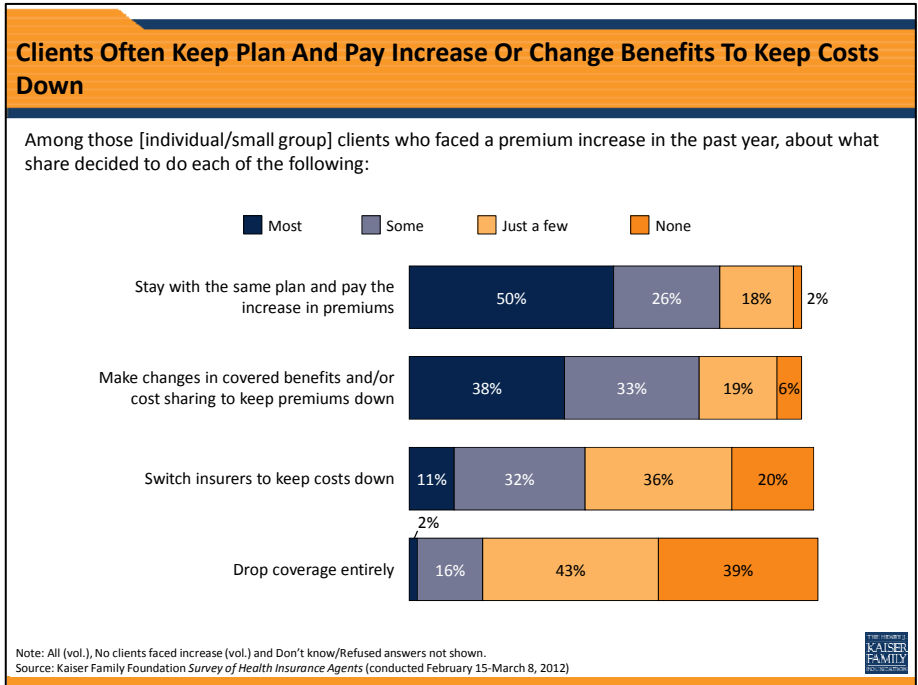
⁸ Survey of People who Purchase their own Insurance, April 2010. Kaiser Family Foundation. Available at: <http://www.kff.org/kaiserpolls/8077.cfm>; 2011 Employer Health Benefits Survey, 2011, Kaiser Family Foundation and Health Research & Educational Trust. Available at: <http://ehbs.kff.org/>.

FACED WITH RISING PREMIUMS, MANY STICK IT OUT OR MAKE BENEFIT CHANGES

One in two agents (49 percent) report that more than half their clients faced a premium increase of greater than 10% at their 2011 renewal. When faced with premium increases, agents report that many clients remain with the same plan and pay the increase or make adjustments to their plans to lower the cost. Half of agents say that in the past year most of their clients stuck out the premium increase with the same plan, while 38 percent report that most clients changed the benefits, cost sharing, or both. Among agents with clients who made changes to benefits, increasing the deductible is the most common change (88 percent). About one in nine agents say that most clients switched insurers to keep costs down, and another 32 percent of agents say that *some* clients did this. The vast majority of agents (82 percent) say none or just a few clients dropped coverage entirely in response to premium increases in 2011.

Agents report that clients in the individual market respond differently to premium increases than clients in the small group market.

Twice as many agents report that most individual insurance clients stayed with the same plan when faced with a premium increase than made changes in covered benefits or cost-sharing (62 percent vs. 28 percent). In contrast, agents are more likely to most small group clients made changes in benefits as opposed to staying with the same plan and paying the increase (51 percent vs. 36 percent). As noted above, deductibles in the individual market are often higher than in other markets, perhaps leaving individual insurance clients less room to make changes in covered benefits or cost sharing in order to mitigate a premium increase.



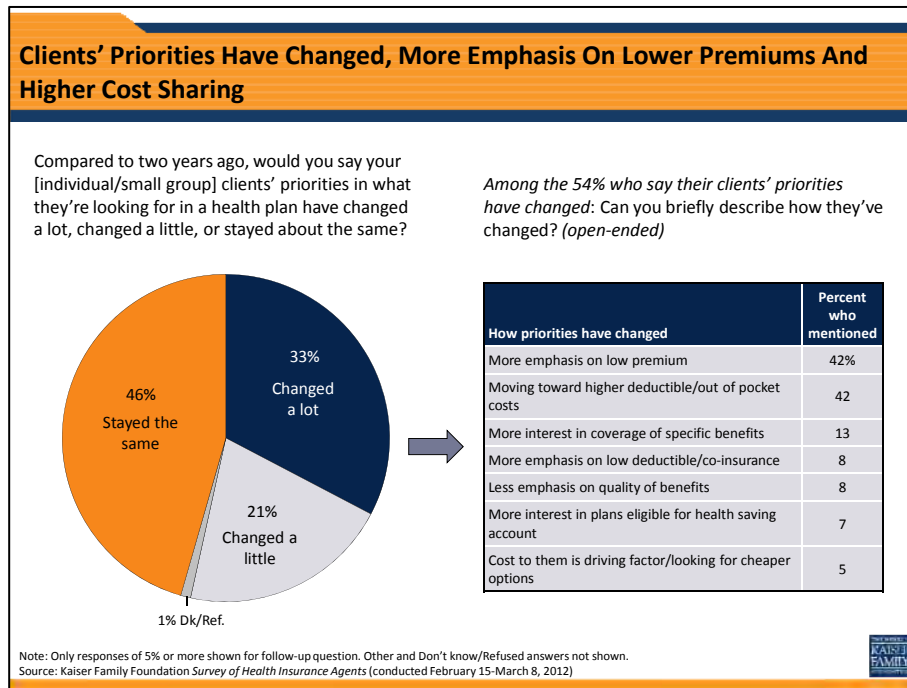
CLIENTS' PRIORITIES FOR BENEFITS HAVE CHANGED, WITH FOCUS ON LOWER COST, HIGHER COST SHARING

Agents are in a unique position to hear from clients what they want out of their health plans and provide perspective on how those priorities have changed over the years. Just over half of agents say their clients' priorities for their health plans have changed a lot (33 percent) or a little (21 percent) in the past two years. Agents who say their clients' priorities have changed report that clients now place more emphasis on low premiums (42 percent), as well as higher deductibles or out-of-pocket costs (42 percent). Other

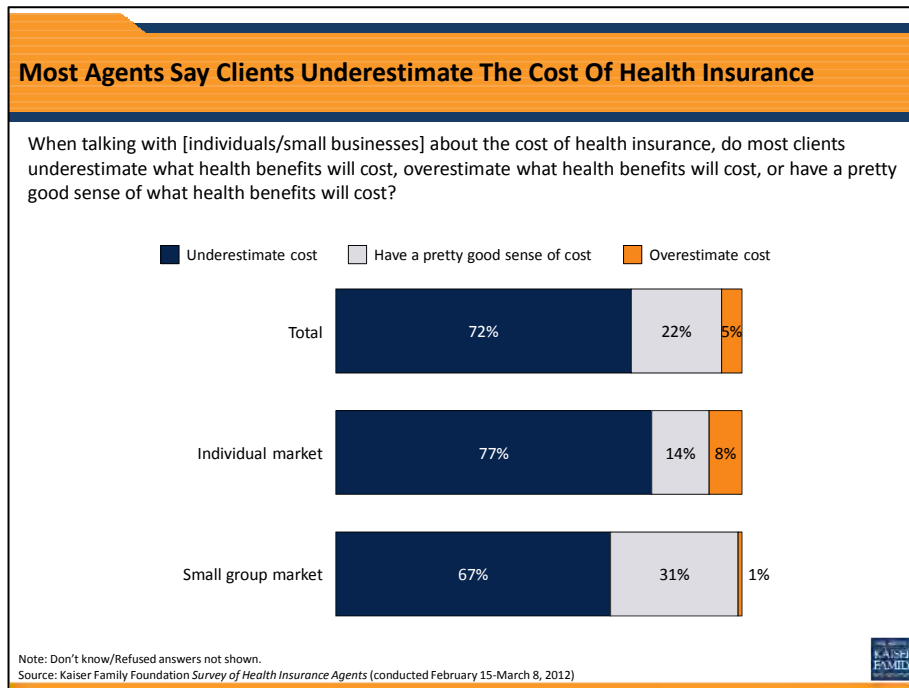
ways in which agents say their clients' priorities have changed include more interest in coverage of specific benefits (13 percent), more emphasis on cost-sharing (8 percent), less emphasis on the quality of benefits (8 percent), and more interest in HSA-eligible plans (7 percent).

More agents report that the priorities of their small group clients have changed than say individual market clients' priorities have changed (62 percent vs. 47 percent). And, agents are more likely to say small group clients are placing greater emphasis on low premiums relative to individual insurance clients (49 percent vs. 36 percent).

While agents say clients are increasingly focused on cost issues, they also report that clients do not always have a good sense of how much insurance does, in fact, cost. Roughly seven in ten agents (72 percent) think



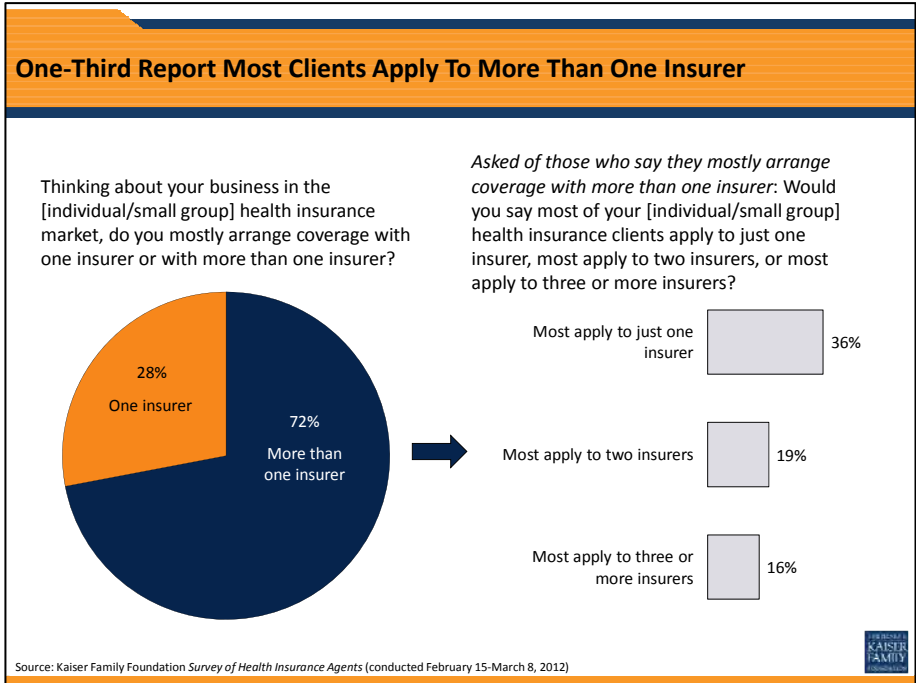
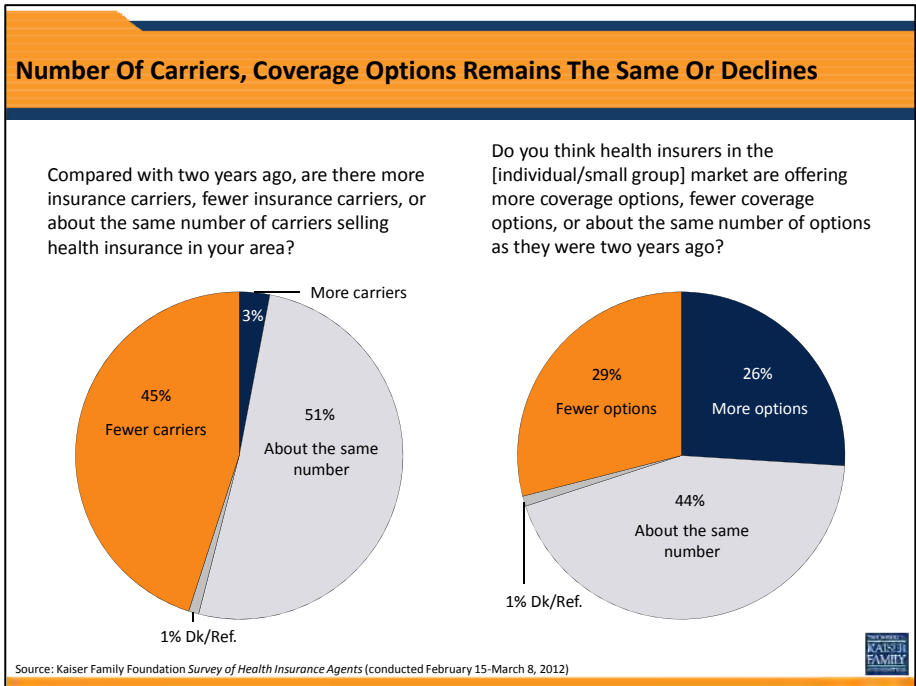
most clients underestimate what health benefits will cost, compared to 22 percent who say most clients have a pretty good sense of the cost and just 5 percent who think most clients overestimate the cost. There is some variation depending on the market. Twice as many agents report that most small group clients have a good sense of the cost of benefits than most clients in the individual market (31 percent vs. 14 percent).



MANY AGENTS REPORT FEWER CARRIERS BUT A SIMILAR NUMBER OF COVERAGE OPTIONS

Reflective of consolidation among insurers, nearly half of agents (45 percent) report that there are fewer carriers selling insurance in their area than there were two years ago, and just three percent say there are more carriers in the market. Consolidation varies by region with half of agents in the Midwest (50 percent) and South (49 percent) saying there are fewer carriers, compared to 34 percent of agents in the West. Despite many saying there are fewer carriers, agents are relatively split on whether health insurers are offering more coverage options (26 percent) or fewer coverage options (29 percent), with the remaining 44 percent saying insurers are offering about the same number of coverage options they were two years ago.

The majority of agents (72 percent) arrange coverage with more than one insurer. However, 36 percent of agents say that most of their clients apply to just one insurer. As a result, roughly two-thirds of agents (64 percent) say they either mostly arrange coverage with one insurer or that most of their clients apply to just one insurer. About a third of agents (35 percent) report that most of their clients apply to two or more insurers, including 16 percent who say most clients apply to three or more insurers. Applying to at least three insurers is about twice as common in the small group market as the individual market (23 percent vs. 10 percent). Consistent with the finding that agents in the West are less likely to report a decline in the number of carriers, these agents are also more likely to report they arrange coverage with more than one insurer (81 percent) than agents in the Midwest (70 percent) or the South (71 percent).



AGENTS REPORT OVERALL FINANCIAL PROTECTION DECREASING, LIMITS AND EXCLUSIONS INCREASING

Even while they say the number of coverage options is holding relatively steady, four in ten agents say that plans offer enrollees less financial protection today than they did two years ago, another 44 percent say it has remained the same, and a relatively small share (14 percent) say plans today provide more financial protection. The small group market may have seen a greater decline in financial protection as almost half (48 percent) of agents think small group plans offer enrollees less protection, compared to a third (34 percent) of agents responding about individual market coverage.

Health insurance plans may have limits or exclusions that restrict access to certain types of services, explicitly limiting the amount of financial protection a plan offers a consumer. Large shares of agents report that in the past two years there has been an increase in the number of policies with limits (71 percent) or exclusions (47 percent) on at least one of the following plan components: prescription drugs, mental health treatment, hospitalization coverage, outpatient services, or physician services. Specifically, half of agents (49 percent) say they've seen an increase in plans with limits on

prescription drugs and about three in ten say they've seen an increase in the other types of limits. More agents report that limits on inpatient and outpatient services are increasing in the individual market than do so for the small group market (35 percent vs. 26 percent for inpatient, and 36 percent vs. 24 percent for outpatient).

Coverage Limits or Exclusions Are Increasing			
Percent who say they have seen an increase in the past two years in the number of policies...	Total	Individual Market	Small Group Market
...with limits or caps on what they will pay for:			
Prescription drugs	49%	51%	47%
Mental health services	33	34	31
Inpatient hospital services	31	35	26
Outpatient or ambulatory care	31	36	24
Physician services	29	32	26
Increase in at least one	71	72	69
...that exclude coverage for:			
Prescription drugs	35%	36%	35%
Mental health services	23	25	20
Inpatient hospital services	13	14	11
Outpatient or ambulatory care	16	20	12
Physician services	17	19	15
Increase in at least one	47	49	44

Source: Kaiser Family Foundation *Survey of Health Insurance Agents* (conducted February 15-March 8, 2012)

Reported increases in coverage exclusions are not quite as common as they are for coverage limits. Most frequently agents say they have seen an increase in the number of policies that exclude prescription drug coverage (35 percent), followed by mental health services (23 percent), physician services (17 percent), outpatient care (16 percent), and inpatient hospital services (13 percent). And, similar to coverage limits, agents are more likely to say exclusions for outpatient services are increasing in the individual market than in the small group market (20 percent vs. 12 percent).

BUSINESS PRACTICES

Agents arranging health insurance for individuals and small businesses are often responsible for activities that would otherwise be accomplished by human resources departments in large businesses, such as investigating coverage options and explaining coverage to enrollees.⁹ Agents were surveyed about their job activities as well as other business practices, such as their business size and the proportion of policies they sell for major medical insurance, to get a better sense of the role that insurance agents play in the market.

⁹ Congressional Budget Office, "Key Issues in Analyzing Major Health Insurance Proposals," Pub. No. 3102, December, 2008, p. 70. Available at: <http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/99xx/doc9924/12-18-keyissues.pdf>.

MOST AGENTS HAVE SIGNIFICANT EXPERIENCE IN THE FIELD

Most agents have been arranging major medical insurance for a considerable amount of time. The vast majority (67 percent) report that they have been in the business for ten or more years. About a third of agents (32 percent) say they have been arranging major medical insurance less than ten years, including just one percent of agents who say they have been in the major medical insurance business for less than a year.

Many insurance agents and brokers sell and arrange policies for multiple types of insurance, such as major medical, life, and automotive

insurance. Agents split fairly evenly when asked whether the majority of the policies they sell are for major medical insurance as opposed to other types of insurance. Half of agents (50 percent) report that the majority of the policies they sell are for major medical insurance, while the other half report that the majority of policies they sell are for another type of insurance.

AGENTS REPORT SPENDING MOST TIME EXPLAINING COVERAGE TO CLIENTS, INVESTIGATING OPTIONS

Of their time spent arranging major medical insurance, a majority of agents (72 percent) report spending either most or a lot of their time explaining coverage to clients. A substantial share of agents (49 percent) report spending most or a lot of their time investigating options across carriers and coverage levels. About a quarter of agents (24 percent) report spending most or a lot of their time helping clients resolve claims questions or disputes with their carrier. On the other hand, a majority of agents say they spend little to no time on other activities like preparing plan booklets (63 percent) and underwriting for the carrier (56 percent).

The amount of time agents report spending on their various job activities varies somewhat depending on whether they are working with an individual client or a small business. When working with small businesses, agents are much more likely to report spending most or a lot of their time investigating options across carriers and coverage levels (66 percent) than when they work with clients in the individual market (35 percent). Agents are also more likely to report spending a lot or most of their time preparing plan booklets (19 percent) or resolving claims disputes (30 percent) when working in the small group market than when they work with their individual market clients (9 percent and 19 percent, respectively).

Agents Have Significant Experience Arranging Major Medical Insurance

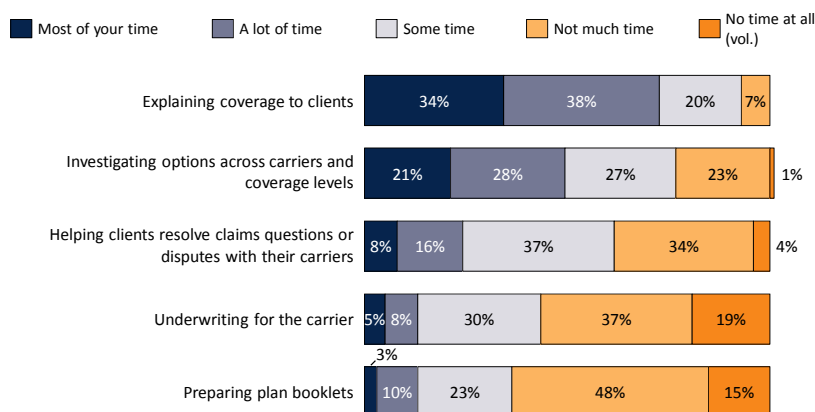
How many years have you worked as a broker arranging major medical insurance?

Less than 1 year	1%
1–4 years	14
5–9 years	17
10–19 years	24
20–29 years	25
30 or more years	18

Source: Kaiser Family Foundation *Survey of Health Insurance Agents* (conducted February 15-March 8, 2012)

Most Time Spent Explaining Coverage To Clients, Investigating Options

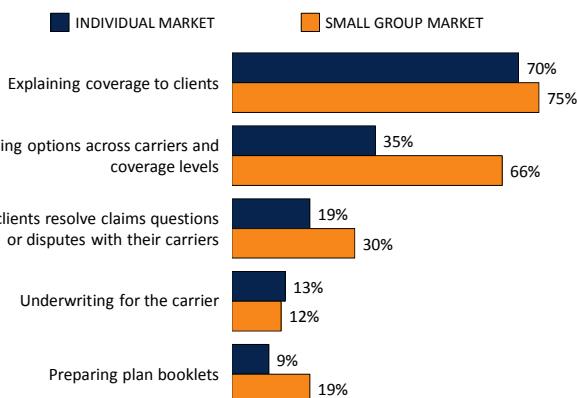
Of the time you spend arranging [individual major medical insurance/small group major medical health insurance], how much time do you spend doing each of the following?



Note: Don't know/Refused answers not shown.
Source: Kaiser Family Foundation *Survey of Health Insurance Agents* (conducted February 15-March 8, 2012)

Market Differences In Time Spent Servicing Policies

Of the time they spend arranging [individual major medical insurance/small group major medical health insurance], percent who say they spend "most" or "a lot" of time on the following activities:



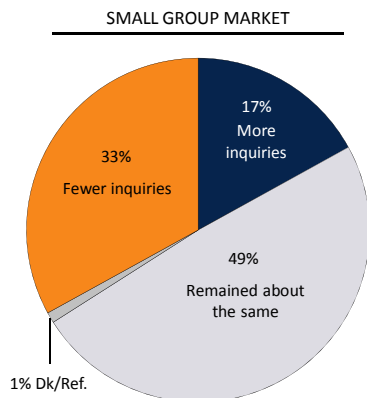
Source: Kaiser Family Foundation *Survey of Health Insurance Agents* (conducted February 15-March 8, 2012)

AGENTS TEND TO WORK IN SMALL, INDEPENDENT OFFICES

We also asked agents to provide us with some information relating to their business size. Eight in ten agents (80 percent) say they work in an independent office, with only two in ten working in an office that is part of a larger agency. Most agents (76 percent) work at relatively small agencies with fewer than 10 agents or brokers.

A Third Say They Are Receiving Fewer Inquiries From Small Businesses

Compared to two years ago, are you receiving more inquiries from small businesses interested in purchasing health insurance, fewer inquiries, or has the number of inquiries remained about the same?



Source: Kaiser Family Foundation Survey of Health Insurance Agents (conducted February 15-March 8, 2012)

A THIRD OF AGENTS NOTE A DECLINE IN INQUIRIES FROM SMALL BUSINESSES IN RECENT YEARS

Perhaps an effect of the recession, one in three (33 percent) agents in the small group market report receiving fewer inquiries from small businesses interested in purchasing major medical insurance in the past two years. About half (49 percent) say the number of inquiries from small businesses has stayed the same over the past couple of years, and only about one in six report seeing an increase in requests from small businesses looking to purchase insurance.

STOP-LOSS INSURANCE FOR SELF-FUNDED SMALL BUSINESS CLIENTS

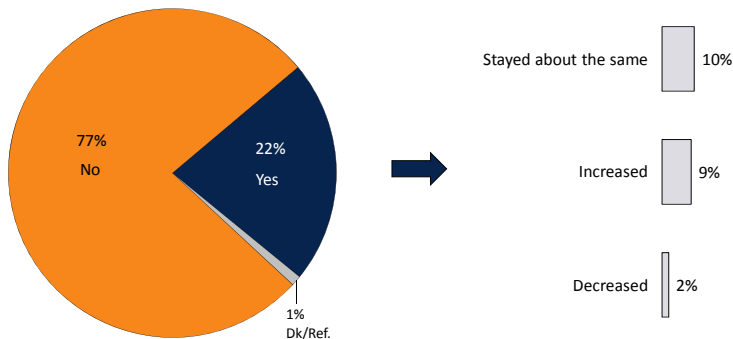
Employers offering health insurance to their employees may choose between purchasing coverage from an insurer (in which case, the financial risk is born by the insurer) or self-funding (in which case, the employer assumes most or all of the financial risk themselves).¹⁰ The practice of self-funding is quite common among large companies—which can spread the financial risk across a large number of employees—but less common among smaller businesses, with only about 13 percent of workers in smaller companies covered by self-funded plans.¹¹

Employers that self-fund may purchase a type of reinsurance called stop-loss or catastrophic loss insurance, which limits the amount of money employers have to pay in claims for their employees' coverage. Roughly one in five agents working in the small group market (22 percent) say they sell stop-loss coverage to self-funded small employers. Agents with the majority of their business coming from major medical insurance are more likely to report selling stop-loss insurance than those who do less of their business in major medical insurance (27 percent vs. 15 percent). Overall,

One In Five Small Group Agents Sell Stop Loss Insurance

Among those who sell small group health insurance: Do you sell stop loss or catastrophic loss insurance to employer groups who want to self-fund, or not?

Asked of those who sell stop loss or catastrophic loss insurance to employer groups: In the past two years, among small employers, has interest in self-funding and purchasing stop loss coverage increased, decreased or stayed about the same?



Note: Don't know/Refused answers not shown for follow-up question.
Source: Kaiser Family Foundation Survey of Health Insurance Agents (conducted February 15-March 8, 2012)

nine percent of agents who do business in the small group market say that interest in self-funding and purchasing stop-loss coverage

¹⁰ Under federal law, self-funded plans are exempt from state laws regulating insurance such as mandated benefits and consumer protections. Employers electing to self-fund sometimes use a third party administrator to administer the plan.

¹¹ Note that in this case, smaller companies refers to those businesses with 3–199 workers; Employer Health Benefits Survey 2011, Kaiser Family Foundation and Health Research & Educational Trust. 2011. Available at: <http://ehbs.kff.org/>.

has increased in the past two years, while ten percent say it has remained about the same and just two percent say it has decreased. This increased interest may be due, in part, because some key rules under the ACA (for example, the requirement to community rate or cover essential health benefits) do not apply to self-funded plans.

AGENTS AND THE AFFORDABLE CARE ACT

AGENTS LARGELY UNFAVORABLE TOWARD ACA, THINK THEY'LL BE WORSE OFF UNDER THE LAW

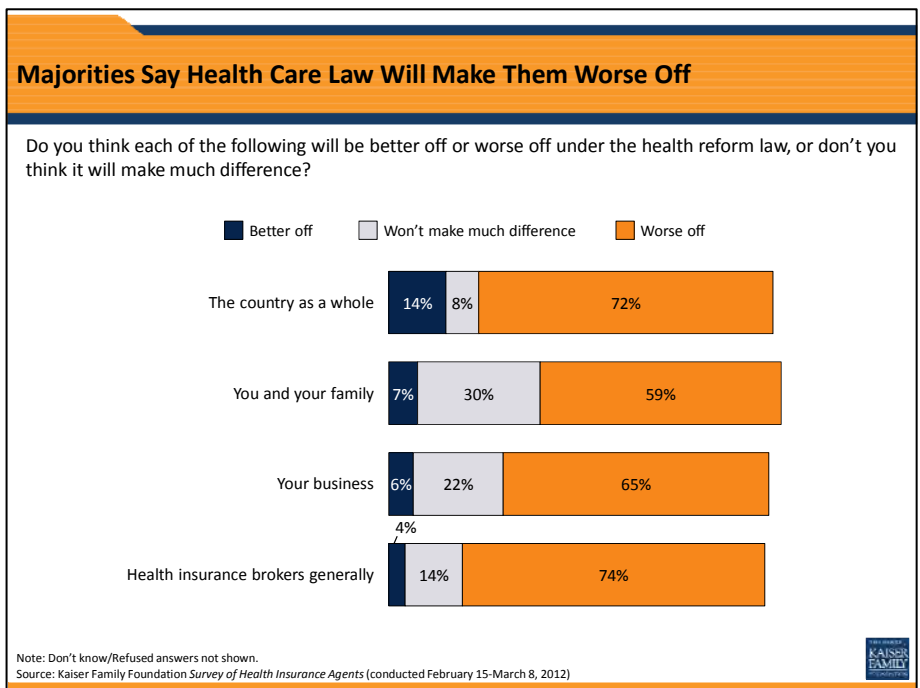
The Affordable Care Act's potential impact on the role of agents in the health insurance marketplace and on their commissions has stirred controversy about the law, so it may not be a surprise that many agents do not like it. In contrast to the public at large who are fairly evenly split in their views of the law,¹² health insurance agents overwhelmingly oppose it, with over half (54 percent)

saying they have a *very* unfavorable view and an additional 19 percent with a *somewhat* unfavorable view. In contrast, one in five agents (20 percent) have a favorable view of the law. Politically, 49 percent of agents identify as Republican compared to 12 percent Democrat and 25 percent independent. Nationally, among the public, opinion of the law is split along partisan lines with Democrats being more likely to favor the law while Republicans are more likely to oppose it.

This negative view of the law may be reflective of the fact that agents do not think the law will benefit them. Between six in ten and three quarters of agents think the country, their families, their business, and brokers more generally will be worse off under the ACA. Agents who have an unfavorable view of the law are generally more likely to think it will make them, their businesses, the industry and the country worse off than those agents with a more favorable view. Agents who have been in the business for at least 20 years are more likely to have an unfavorable view of the law and to think the law will leave them worse off, compared to agents who are newer to the profession. In addition, agents who report that half or more of their business is in major medical insurance are more likely than those agents who do less of their business in major medical to say their business (71 percent vs. 58 percent) and brokers generally (79 percent vs. 69 percent) will be worse off under the law, although still a majority of those who do less business in health insurance think the law will make them worse off.

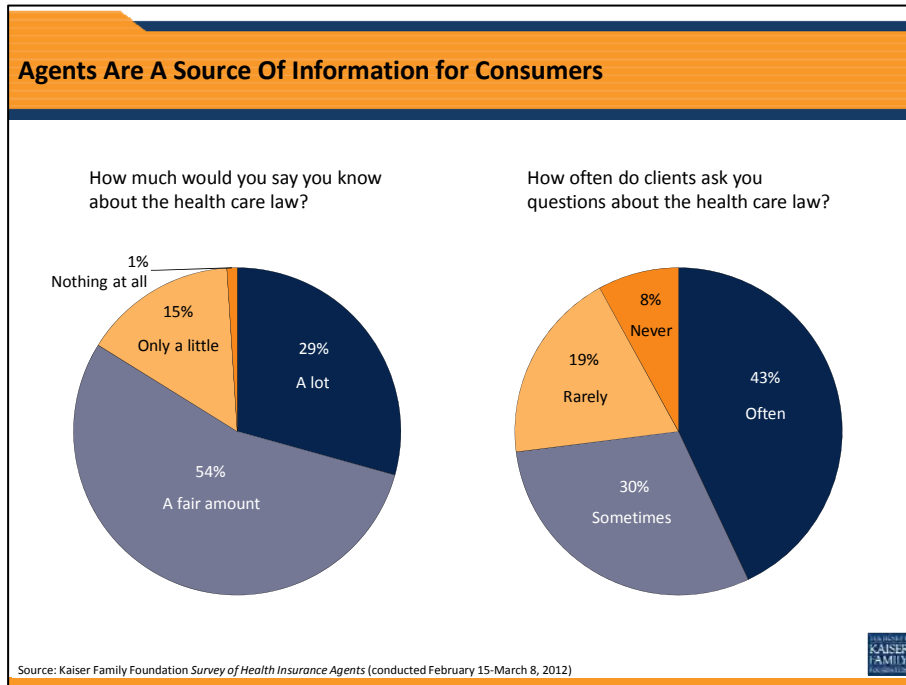
Agents More Unfavorable Of Law Than The General Public		
As you may know, a health reform bill was signed into law in March 2010. Given what you know about the health reform law, do you have a generally favorable or generally unfavorable opinion of it?		
	Among Agents	Among the General Public
Favorable	20%	41%
Very favorable	9	18
Somewhat favorable	11	23
Unfavorable	73%	40%
Somewhat unfavorable	19	11
Very unfavorable	54	29

Source: Kaiser Family Foundation *Survey of Health Insurance Agents* (conducted February 15-March 8, 2012); Kaiser Family Foundation *Health Tracking Poll* (conducted February 29-March 5, 2012)



¹² Kaiser Family Foundation, Health Tracking Poll, (conducted February 29-March 5, 2012), <http://www.kff.org/kaiserpolls/8285.cfm>. The field period for the March Kaiser Health Tracking poll overlaps the field period for the agent survey.

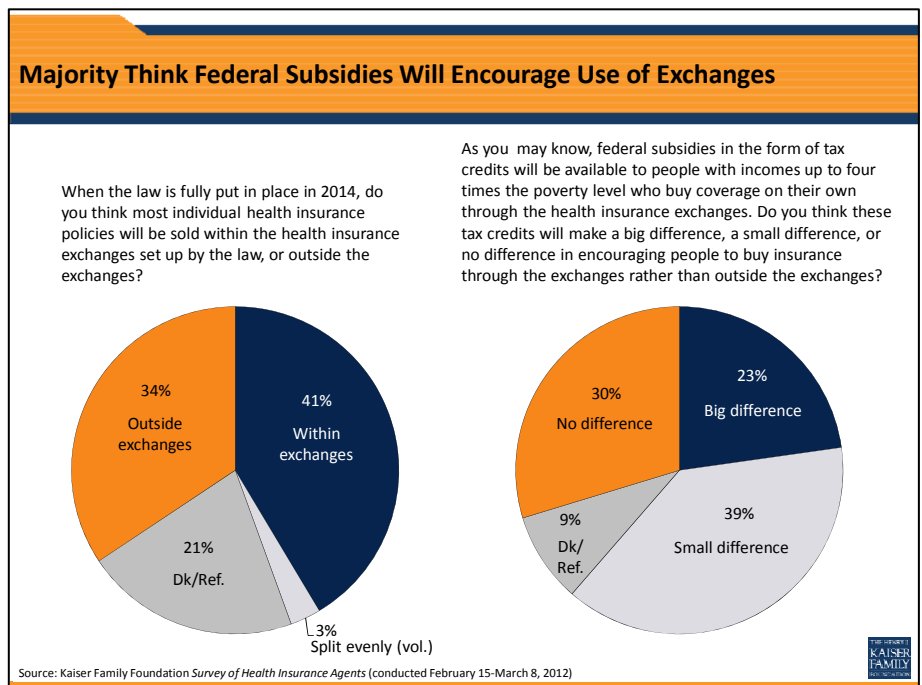
As the ACA is implemented, agents may also be a source of information for consumers with questions about the law. Most agents say they know a fair amount (54 percent) or a lot (29 percent) about the law. And, about three-quarters of agents (73 percent) say that clients ask them questions about the law at least sometimes. In terms of how the law may change their day-to-day work, the plurality of agents (41 percent) think that when the law is in effect they'll spend about the same amount of time servicing policies as they do now, with about another quarter each saying they'll spend more (28 percent) or less (26 percent) time servicing policies.



MANY SAY MOST INDIVIDUAL COVERAGE WILL BE SOLD WITHIN EXCHANGES, SUBSIDIES WILL ENCOURAGE PARTICIPATION

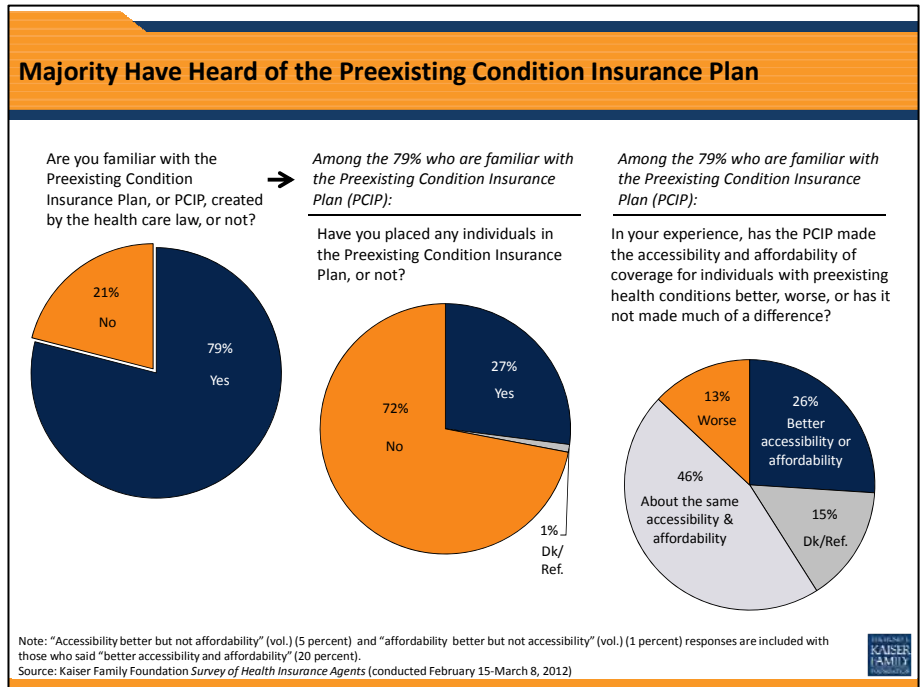
In 2014, lower and moderate income individuals will be eligible for subsidies to make health insurance and cost sharing more affordable. While individuals and small businesses may purchase insurance through the state-based exchanges or outside the exchanges, subsidies will only be available for individuals who purchase coverage through an exchange. Four in ten agents say that once the exchanges are put into place most individual health insurance policies will be sold within the exchanges and a slightly smaller share (34 percent) expect most individual insurance to be sold outside the exchanges. Most agents (62 percent) say that tax credits for those with low or moderate incomes will make a difference in encouraging people to buy insurance through the exchanges, including many (39 percent) saying they will make only a small difference.

Perhaps reflecting uncertainty among agents about the impact of the ACA on their business, many agents who arrange insurance in the individual market are pessimistic about how the law will affect the amount of business they do. Almost half of agents (46 percent) say they expect to sell fewer individual insurance policies in 2014, 28 percent say they expect to sell about the same amount of policies, and 17 percent say they expect to sell more.



MIXED FAMILIARITY WITH ACA'S NEW INITIATIVES

A number of provisions in the ACA create new programs to assist consumers in navigating the market and encourage small businesses to offer insurance. Agents have a role to play with these new initiatives by providing referrals or information to consumers. One of these new programs, developed in an effort to assist uninsured individuals with medical conditions that prevent them from obtaining insurance, is the Pre-Existing Condition Insurance Plan (PCIP).¹³ Although this program will only be in effect until the broader market reforms included in the ACA take effect in 2014, agents can earn compensation for qualified referrals. A large majority of agents (79 percent) say they are familiar with the PCIP and of these, just about one in four (27 percent) report that they have placed an individual in the plan. About a quarter of agents familiar with the program say that in their experience the PCIP has improved accessibility or affordability (26 percent), while almost half (46 percent) believe it has not changed accessibility and affordability, and a few (13 percent) say it has made cost and access worse. Those agents who have placed a person in the PCIP are more likely to think that the program has improved access or affordability than agents who have not placed a client in the program (50 percent vs. 16 percent).



Another such initiative is the state-based Consumer Assistance Programs (CAP) which provide most states with federal grants to help residents with problems or questions about individual health insurance. At this point, awareness among agents is fairly low. Four in ten agents (41 percent) selling insurance in the individual market in a state with a CAP say they have heard of the state program. About half of these agents (20 percent overall) report that they've referred a client to the program. The Affordable Care Act also establishes a Navigator program within the exchanges, starting in 2014, in which agents may serve as "navigators" to assist individuals and small employers in making choices about their health care options. Relatively few agents are familiar with this future program with just under a fifth of agents (17 percent) saying they know a lot or a fair amount about it, and the majority reporting that they know only a little (40 percent) or nothing at all (43 percent).

Familiarity with New Initiatives	
Consumer Assistance Programs (among individual market agents in states with CAPs)	
Percent who are aware of the program	41%
Percent who have ever referred a client to the program	20
How much would you say you know about the Navigator program ... a lot, a fair amount, only a little, or nothing at all?	
A lot	5%
A fair amount	12
Only a little	40
Nothing at all	43
Small Business Tax Credits (among small group market agents)	
Percent who talked with a client about the small employer tax credit	51%
Source: Kaiser Family Foundation Survey of Health Insurance Agents (conducted February 15-March 8, 2012)	

In addition to subsidies to encourage individuals and families to enroll in individual health insurance, the law also encourages small businesses to offer insurance by providing tax credits to small employers who offer coverage depending on the firm size and the average employee wages. Half (51 percent) of agents who sell in the small group market say they have spoken with a client about the tax credit.

¹³ Department of Health and Human Services, "Health Reform and People with Pre-Existing Conditions," Healthcare.gov, available at: <https://www.pcip.gov/>.

DISCUSSION & CONCLUSIONS

With agents able to identify trends in the marketplace before other data sources might, this survey sheds light on health insurance agents' views of recent trends in the individual and small group markets, their business practices, and their views of changes taking place under the ACA. A few of the key findings include:

- Deductibles and health insurance premiums continue to rise steadily and sharply, with agents reporting that the typical deductibles today are higher than they were two years ago and expecting continued large premium increases.
- In the face of rising costs, agents report that clients are focusing on lower premium costs and higher cost-sharing, often at the expense of the financial protection offered to enrollees.
- Agents spend much of their time explaining coverage and helping clients navigate different options.
- In contrast to Americans at large who are generally split on the Affordable Care Act, many agents dislike the law and think it will make their business, brokers generally, and them personally worse off. This should be kept in mind considering agents report often getting questions directly from clients about the law.

These findings point to the struggle agents, insurers and their clients are facing balancing clients' financial protection and the rising cost of health care. Increasing deductibles or limiting certain services may help mitigate premium increases, however may leave enrollees at risk for high out-of-pocket costs. As the Affordable Care Act is implemented, pending the Supreme Court ruling on the law, it will likely lead to significant changes for insurance brokers and agents. The law creates new incentives for insurers to limit administrative expenses and provides for more standardization of health plans facilitating comparison across plans, both of which may change the degree to which insurers and consumers rely on agents. Agents are among the groups specifically eligible to take on the role of "Navigators" in the exchanges, but, at this point, few agents are familiar with this program and it remains to be seen whether agents will have an interest in taking on this role. Their overall negative views of the ACA are consistent with the uncertainty surrounding the role agents will play after reform. Despite this uncertainty, their front-line perspectives and experiences provide a unique viewpoint from which to understand changes and trends in the individual and small group health insurance markets.

METHODOLOGY

The *Survey of Health Insurance Agents* was designed, analyzed and conducted by researchers at the Kaiser Family Foundation, including Bianca DiJulio, Cynthia Cox, Larry Levitt, Gary Claxton, Mollyann Brodie, Liz Hamel, and Karen Pollitz. The survey of 500 health insurance agents was conducted between February 15 and March 8, 2012 using computer-assisted telephone interviews carried out by Social Science Research Solutions (SSRS). The sample was drawn from the Dun & Bradstreet database. In order to identify agents who sell major medical insurance, the sample was pulled from five Standard Industrial Classification (SIC) categories that a pilot study determined contained a sufficient percentage of health insurance agents. The five SIC categories were: (1) Life insurance; (2) Health insurance; (3) Insurance agents, brokers, and service; (4) Insurance agents, NEC (Not Elsewhere Classified); and, (5) Insurance Brokers, NEC. Participants were eligible for the survey if they met the following criteria: (1) acts as an agent or broker for comprehensive or major medical health insurance policies; and, (2) arranges for major medical health insurance policies for more than one health insurer; and (3) arranges major medical health insurance policies in the individual market and/or the small group market.

The sample was weighted to balance the sample demographics to match estimates from the Dun and Bradstreet Database since there is no federal source specifically for health insurance agent data. Data were weighted by SIC code, Census division, business size, and site type. All statistical tests of significance account for the effect of weighting. Weighted and unweighted values for key demographic variables are shown in the table below.

Sample Demographics		
	Unweighted	Weighted
Census Region		
Northeast	9.8%	9.8%
Midwest	35.0%	31.7%
South	34.4%	32.8%
West	20.8%	25.7%
Business Size		
Less than 5	68.6%	76.5%
5-9	11.4%	9.9%
10-20	4.2%	3.6%
21 or more	3.6%	2.8%
Unknown	12.2%	7.2%
Site Type		
Single location	91.6%	92.9%
Multiple locations	8.4%	7.1%
SIC		
Insurance agents, brokers, and service	75.2%	78.3%
Insurance agents, NEC	14.6%	16.6%
Other 3 categories	10.2%	5.1%

The survey has two modules: Form A for questions about the individual health insurance market and Form B for questions about the small group market. Agents who sell health insurance only or mostly in the individual market were assigned to Form A, while those who sell only or mostly in the small group market were assigned to Form B. Some agents reported an equal share of their business coming from each market and most were assigned to Form B.

The margin of sampling error including the design effect for the full sample is plus or minus 5 percentage points, for Form A it is plus or minus 6 percentage points, and for Form B it is plus or minus 7 percentage points. For results based on other subgroups, the margin of sampling error may be higher. Sample sizes and margin of sampling errors for other subgroups are available by request. Note that sampling error is only one of many potential sources of error in this or any other public opinion poll.

The response rate calculated based on the American Association of Public Opinion Research's Response Rate 3 formula was 58 percent.



The Henry J. Kaiser Family Foundation

Headquarters
2400 Sand Hill Road
Menlo Park, CA 94025
Phone: (650) 854-9400 Fax: (650) 854-4800

Washington Offices and
Barbara Jordan Conference Center
1330 G Street, NW
Washington, DC 20005
Phone: (202) 347-5270 Fax: (202) 347-5274

www.kff.org

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