



for Health Care

THE ADVISORS' PERSPECTIVE



Contents

Affordability

Provide Consumer Assistance	5
Preserve the Employer-Based Health Care Insurance System	5
Permit Basic Benefit Policies.....	5
Provide Tax Incentives and Deductibility of Premiums	6
Promote Greater HDHP/HSA Use	6
Enact Medical Liability Reform.....	6
Expand Wellness & Disease Prevention Programs	6
Encourage Cost-Sharing, Eliminate Cost Shifting, and Create Cost Transparency.....	6
Reduce Administrative Expenses.....	7

Access

Allow Pre-Existing Coverage With Reasonable Limitations	10
Grant Flexible Premium Rating.....	10
Fund State High-Risk Pools.....	10
Support Medicare Advantage Plans.....	11
Reauthorize CHIP Program.....	11

The health reform challenge

is to bring uninsured Americans into the system and to reduce the high cost of health care for everyone. Of course, these two challenges are related and one cannot be solved without tackling the other.

The National Association of Insurance and Financial Advisors (NAIFA) has developed principles that support a workable solution to our health care problems. These principles, if enacted into law and regulation, would help lower costs and ensure coverage is available to all citizens—without jeopardizing the high quality of care American consumers expect.





Affordability

Provide Consumer Assistance

Choice, quality, competition and professional service must be a part of any health care reform effort. Licensed, regulated and fairly compensated insurance agents offer a cost-effective means for providing individualized professional assistance in the selection of insurance coverage for individuals and employers of all sizes in all markets. Policies should not restrict the ability of consumers to obtain the advice and counsel of financial advisors.

Preserve the Employer-Based Health Care Insurance System

NAIFA supports the continuation of the employer-based health insurance system, which provides health insurance coverage to approximately 177 million Americans. Most Americans receive their primary health insurance through an employer—either their own or that of a family member. NAIFA prefers reform efforts that build upon the employer-sponsored system and supports proposals to permit

employers to voluntarily provide group health insurance coverage. The Employee Retirement Income Security Act (ERISA) should be preserved to prevent any disruption to the current employer-based health care insurance system.

Permit Basic Benefit Policies

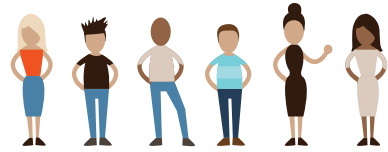
As a rule, the uninsured want insurance, but high premiums can discourage people from purchasing insurance. To address this, an affordable basic benefit policy should be made available for these consumers. Less expensive basic benefit policies can help the uninsured access affordable coverage. The specific benefits provided by these policies should be determined by the market rather than government mandates. Basic benefit policies should be structured to keep premiums low, yet also include the option for consumers to upgrade to policies with more benefits and greater coverage. A basic benefits package can be designed with specific benefits or specific cost coverage. Health reform initiatives should encourage the development of consumer choice-driven health plans that

encompass a variety of approaches to health care financing designed to improve consumer awareness of the costs and quality of their care. NAIFA supports the availability of basic benefit policies.



Provide Tax Incentives and Deductibility of Premiums

Tax credits, full deductibility of premiums and other incentives should be retained and preferably expanded to encourage more businesses and individuals to purchase coverage. Such tax credits should be available to individuals who purchase health insurance coverage on any public or private exchange as well as in the private non-exchange market. NAIFA supports these types of incentives and assistance to encourage consumers to purchase health insurance coverage in a setting of their choice.



to pay medical bills and save for future health care expenses. HSAs are established in combination with insurance coverage under a qualifying high-deductible health plan (HDHP). NAIFA members serving the small business health insurance market have found HSAs used in conjunction with HDHPs offer an affordable health care solution. NAIFA supports efforts to expand and encourage the use of HSAs and HDHPs.

Promote Greater HDHP/HSA Use

Health savings accounts (HSAs) can be set up by consumers or by employers and give individuals the opportunity to use tax-free funds

Enact Medical Liability Reform

NAIFA supports meaningful proposals to reduce defensive medicine and reform medical liability laws. This could be accomplished by adopting a system of peer-



approved practice protocols, which would establish guidelines for providers to follow and impose limits on a provider's liability if such practice guidelines were followed in a non-negligent manner. NAIFA supports efforts to strengthen federal health programs through laws that allow safe harbors and higher standards of evidence for medical professionals who follow clinical practice guidelines developed by national and state professional medical societies.

In addition, enacting medical malpractice and tort reforms could save billions of dollars. The current litigation system for compensating patients injured by medical negligence is expensive, slow, and does little to benefit the injured patients. Lawsuit abuse is driving doctors out of the medical profession, compromising patient access to care, decreasing the quality of care patients receive and generating higher health care costs for everyone.

Expand Wellness & Disease Prevention Programs

NAIFA supports the expansion of cost-effective wellness programs and preventive medicine. Chronic diseases not only affect health and quality of life, but are also a major driver of health care utilization and thus health insurance costs. These programs should also be coupled with increased consumer education efforts. Too often, expenditures for medical conditions are related to poor lifestyle choices or behaviors that are preventable. Consumers need to be personally responsible for those poor choices that impact their health and their need to consume health care services.

Increased education is needed to help consumers better understand their role in the health care marketplace. Providing consumers with information on fees and treatment options will lead to more price-conscious behavior. Education programs on disease prevention, smoking cessation, proper diet and exercise will encourage healthier lifestyles, thus reducing the financial burden on the health care delivery system.

Encourage Cost-Sharing, Eliminate Cost Shifting, and Create Cost Transparency

Higher cost sharing and transparency of cost and quality of care reduces spending with little or no adverse effects on health. Efforts should be made to mitigate cost shifting by federal, state and self-insured programs. Artificially discounting the cost of care provided through these programs not only results in higher costs and premiums to private payers but also creates incentives for providers to avoid treating patients covered under these programs.

If we want individuals to act as informed consumers of health care services, we must provide them with the necessary information. Providing information about payment rates, the quality of care and services empowers patients to make wise decisions about health care.

Reduce Administrative Expenses

Cost savings potentially exist in reducing redundant and unnecessary health care administrative expenses. Those savings can best come from the efforts of competitive private health plans. Facts show that the alternative – government-run health care – is unacceptable because public health plan administrative costs are often significantly higher than private market plans.



Access

Allow Pre-Existing Condition Coverage With Reasonable Limitations

The ACA requires insurers to offer health insurance coverage to an individual even if that individual has a pre-existing condition. While this approach may have been well-intentioned, it has resulted in severe unintended consequences, including significantly higher costs for all policyholders. NAIFA believes that if there will continue to be a requirement to offer coverage to all consumers, including those with pre-existing conditions, there must be flexibility for insurers to offer such coverage with reasonable limitations on coverage for such pre-existing conditions so as to not increase the cost of health insurance for others.

Grant Flexible Premium Rating

NAIFA supports permitting greater flexibility for setting health insurance rates. The higher rates for the younger population, as a result of the narrow 3:1 age rating band required under the ACA,

combined with low penalties for not having coverage have resulted in adverse selection as younger individuals chose not to purchase coverage. Other rating restrictions, such as pure community rating, will only continue to insulate individuals or employer groups who perpetuate poor lifestyle choices and behaviors.

NAIFA supports modified community rating which provides the opportunity for those who take the initiative to improve their lifestyle and health status to be rewarded with a premium cost variance. Rating based on individuals who present the same class characteristics should not vary more than +/- 30 percent from the modified community rate set because of health status, claim experience, age or any other factor.

Fund State High-Risk Pools

A high-risk pool is a program created by a state that provides health insurance to individuals who cannot obtain affordable coverage in the private market because of serious medical conditions. States

should establish high-risk pools to meet the needs of the medically uninsurable, and funding of losses from such pools should be broad-based and not impose an undue hardship on any single group. NAIFA supports federal grants to states in order to provide health coverage for high-risk populations.

Support Medicare Advantage Plans

The Medicare Advantage program offers Medicare beneficiaries a wide range of health plan choices to meet their varying needs and circumstances. Federal law authorizes different types of Medicare Advantage plans – including traditional HMO and PPO plans, private fee-for-service (PFFS) plans, special needs plans (SNPs), and medical savings account (MSA) plans in order to provide choices to all beneficiaries. The ACA reduced funding for Medicare Advantage by more than \$200 billion. NAIFA supports the continuation and proper funding of Medicare Advantage Plans.

Reauthorize CHIP Program

States should have the flexibility to enroll eligible low-income uninsured children in the federal Children’s Health Insurance Program (CHIP) or Medicaid when they qualify for other means-tested programs (such as free or reduced-price school lunches; food stamps; or the Women, Infants, and Children program). Make refundable, tax credits available for low-income individuals and families for the purchase of health coverage. The credits would be used to purchase employer-sponsored insurance when an employer offers coverage. Allow eligible employees to pay their share of the CHIP premiums through the employer’s Section 125 plan. Professional, licensed and regulated agents can enroll the parent(s) in the employer-sponsored plan. Enrolling the eligible children in the appropriate CHIP plan is the next logical step.

About NAIFA

Founded in 1890 as The National Association of Life Underwriters (NALU), NAIFA is the oldest, largest and most prestigious association representing the interests of insurance professionals from every Congressional district in the United States. Our mission – to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members – is the reason NAIFA has consistently and resoundingly stood up for agents and called upon members to grow their knowledge while following the highest ethical standards in the industry.

To learn more about NAIFA's solution to our health care problems visit www.NAIFA.org



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