

Broker Rant

I write this less than a week after the annual occurrence of our SDAHU sales Expo. As is usual, we had over 400 attendees, and a deep list of vendors to speak with. SDAHU has a reputation in California for putting on a very good show. The speakers all brought their A games, and the rubber chicken tasted pretty good. My thanks to the EXPO Chair, President-elect Mark Haskell, and the SDAHU board of Directors, SDAHU volunteers and our Executive Director Gail James Clarke, for their efforts to make this a successful day. Also, a big shout out to our sponsors, without which this event would not be possible. Enough of the niceties. Here we go.

I took two very strong impressions home with me from the sales conference.

1. Michael Lindstrom, our keynote speaker, mentioned that he puts his cell phone on airplane mode at night, and does not turn it on to receive data until he is absolutely prepared to face the new day with a positive attitude. That is great advice for me, as I have been known to peer at my email before I have even had a cup of coffee. So much of what we agents bring to the world is our positive attitudes. Our clients gravitate to that energy, and it is a lot of what separates successful brokers from less successful brokers. The world we perceive is what we believe it is. It is best to muster strength before facing adversity, and to wear that positive attitude before facing unpleasant news. Great advice.
2. Michael Lujan, our current CAHU President, has taken a courageous stance regarding THE TOPIC OF WHICH WE ARE NOT SUPPOSED TO SPEAK. I digress to explain... For those who are new to our association, one of the most frequent concerns I hear from members is "What is our association, particularly NAHU, doing about the state of agent compensation reductions in the new ACA marketplace?". The answer has been that NAHU has been advised by prominent legal sources that, as a non-profit entity, we risk onerous anti-trust violation penalties for talking about what we get paid, and how much things cost. That has led to a decision by NAHU to ban any public member discussion of compensation, and to not take an official position on the topic.

Witness the rant: I am not talking about advocating something like a boycott of a carrier here, as that is, indeed, an obstruction of free trade, and not acceptable for an association like ours. Agents can organize privately to do that, if required. I am referring to talking about how we make a living, and how to be fairly compensated for the work we do. Obviously, there is some legal basis for this opinion NAHU uses, and violations of the Sherman Act are serious business. But-it is only an opinion, and not the only one.

It is not my opinion, either. I am concerned that this taboo on the "C" word is harmful to our association membership growth and retention, which weakens our stature and makes it harder to protect our industry. The landscape is changed, and we have to make our value proposition part of the conversation. Being at the table is good, but having something to say about yourself at the table is better.

If you do any individual health business, you have witnessed a reduction in agent commissions, sometimes to 0% for certain products. These super low, or non-existent commissions, are a market reaction from carriers, pleading with us not to sell that product because it is a drain on their bottom line. That I get. But, like it or not, agent commissions are a part of the Medical Loss Ratio for insurers, and are baked into the rates from the beginning. We are not the problem in these problem plans. Insurer-Talk to your actuaries, or HHS.

A possible carrier assumption, in this new and standardized ACA digital age, was that people would soon gravitate to online health insurance enrollment and metallic plan selection sites, and that agent services for distributing and selling insurance would quickly become unimportant. That would result in not having to pay for agent services, and reduced costs, or increase profits, or both. The symbiotic relationship between insurers and agent/brokers would change, and maybe we would go the way of the dinosaurs.

The reality has been that agent services have never been more important, and that it really helps a consumer get a better experience if they use one to assist them. Peter Lee, the CEO of CoveredCA, who historically has not been known as the defender of agents and brokers, has sent an open letter to HHS expressly stating his concern that we remain a viable part of the delivery system. Why?

Like it or not, we make him look good. CoveredCA has succeeded largely on the sturdy backs of health professionals like us. We write the most business, by far. Our cost to do this is hugely lower than other enrollment sources. Our clients pay their premiums more than those who don't use an agent. That means we have a better retention rate than other sources. Our clients are happier and feel better informed, and serviced. For group producers, these facts are also true. It is worth it to have an agent involved.

Unfortunately, the servicing part of my job has greatly increased, and sometimes I spend more time fixing things than selling policies. Michael Lujan brought up a central point on this topic. Open almost any of your agent contracts, and you will find that we are generally required to do at least three things: Sell, Service, and Renew. If we don't do those things, we could be in violation of our contract, and could be terminated with cause. That means losing all commissions from that carrier.

Sooo- throw your hat at this. What if we aren't paid enough to cover the cost of doing these things? What is "enough" compensation to cover the cost of doing these three things? What commission is enough to cover the sale? What about the cost to service, and renewal? Do we want the government to be involved in setting minimum levels for compensation, or is that a dangerous precedent? Should we try to use fees instead of, or in conjunction with, commissions? Is it better to let the market set these levels? (Err-If I look at recent history, maybe not...) I only scratch the surface, and there is definitely a devil in the details.

I am not going to try to answer these questions today, partly because I can only hold your attention for so long, partly because my editors don't like me to get too long-winded, but mostly because I don't have all the answers. But I think about these issues every day, and I think about how important it is that we professional health consultants organize and be ready to fight for our financial livelihood. CAHU is the largest state association in NAHU, and our medical insurance market is larger than Canada, and several European nations. What we do is mission critical, and will guide the nation. We must be the bellwether.

So, if you have ever needed a reason to become a CAHU member, or need a reason to stay a member, if you really want to believe someone has your back in this fight, you now have one. If you are ready to help answer these questions, you have people who want your ideas and assistance. In the end, our success is defined by what we do, not what we wish somebody else would do for us.

I am standing right there beside Michael Lujan. Are you?

Barry Cogdill