

Health Agents Confront Issues of Affordability, Uncertainty



June 2009 - 2009 Health Insurance Selling Guide

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It's been a tumultuous year for the insurance industry, and the health market has been no exception. Health care reform was a hot-button issue in the presidential campaign, as well as a major item in President Obama's budget. The skyrocketing cost of health care has been making more and more headlines, as have the limitations of insurance coverage and the failure of many consumers to even obtain such coverage.

And now, the economy has thrown another wrench in the industry's plans, with tighter budgets forcing employers to reduce, cut, or restructure employee benefits, and unemployment sending many consumers into the sometimes difficult individual marketplace.

For the third year in a row, Agent Media (publisher of the Agent's Sales Journal) partnered with the Association of Health Insurance Advisors and the National Association of Health Underwriters to conduct the Health Insurance Study.

Surveying licensed health producers nationwide, we sought to learn what challenges agents face in today's health marketplace. To help you understand what the results of the study mean to you, we spoke with experts to figure out how producers can overcome those challenges. We also surveyed agents on their experience with health savings accounts (HSAs), a tool more professionals are using to help control consumers' health costs.

How agents sell health insurance

While individual major medical leads the pack with 80 percent of agents selling the product, other common health products in a typical agent's portfolio include:

- Group health (70 percent)
- Long term care (69 percent)
- Disability (67 percent)
- Medigap/Medicare supplement (51 percent)
- Short-term major medical (51 percent)
- Consumer-directed health plans, such as HSAs and HRAs (43 percent)

Other types of health insurance-related products sold include Medicare Advantage, voluntary benefits, critical illness, hospital/surgical, international plans, mini-meds (also known as limited-benefit plans), substandard health, and discount plans.

When looking at which types of health plans agents sell most, however, the numbers largely settle in two areas: individual major medical (32 percent) and group health (30 percent). Eleven percent of agents sell long term care insurance more than any other type of health insurance, and 8 percent primarily sell disability. ([Chart 1](#))

According to Mike Norderhaug, senior vice president of sales for Assurant Health, agents may begin to see some further changes in the group and individual marketplaces.

"Our individual business is up, and people are moving into that market because the micro end of the group market can't afford benefits anymore," he said.

When asked about their recent activity, though, fewer agents this year indicated an increase in their new health insurance sales over the past 12 months, with only 8 percent seeing a substantial increase. The majority of agents said their sales increased somewhat (37 percent, down from 44 percent last year) or stayed the same (33 percent, up from 26 percent in 2008).

Eighteen percent of agents, however, said their new health insurance sales decreased somewhat over the past 12 months, marking a steep increase from 2007. (In 2007, only 6 percent of agents had seen somewhat of a decrease, with 17 percent noting it last year.) Several agents commented that the cost of health insurance plans has become prohibitive for clients facing smaller incomes and even unemployment. ([Chart 2](#))

Michael Lujan, director of small-group sales for Blue Shield of California, said some of these shifts, at least in the

group marketplace, can be attributed to the types of agents who are involved in the business today.

"The 'dabblers' in our business — those who only do occasional group health insurance — seem to be leaving because it's getting a little more complex and competitive," Lujan said. "What used to be a simple offering of HMOs and PPOs that you didn't need a lot of expertise for, those days seem to be gone."

Norderhaug confirmed that he's seen more agents specializing in the individual marketplace, as well. Assurant has seen an increase in sales, he said, but that boost has actually come from more health-focused agents. And while more consumers have begun seeking coverage from alternative distribution channels such as the Internet, agents still have a huge role to play.

AHIA President-elect Bill Foudy, also president of Foudy Insurance Agencies Inc., said consumers may also be gun-shy because of the uncertainty of reform.

"Nobody knows what's going to happen with the federal government and state governments, so there's hesitancy on the behalf of people to do things or to make changes," he said.

Most agents remain optimistic about their health sales over the next year, though that enthusiasm is somewhat tempered from years past: Fifty percent of agents this year said they expect their new health insurance sales to increase somewhat over the next year, with 15 percent expecting a substantial increase. (Chart 3) One agent in particular, from Grafton, ND, attributed her optimism to her plan to seize opportunities she's identified in the marketplace.

"My personal business plan is to increase my health insurance client base by partnering with health companies that offer plan options, flexibility, and decent premiums," she said. "With the current crisis amidst our nation and the effects upon the economy, people are repricing their benefits. I see this as an excellent opportunity to educate consumers on health and encourage them to customize a plan that best meets their needs."

Another 25 percent of agents said they expect their sales to remain about the same, and 9 percent anticipate a decrease.

"I suppose you could say there are two camps of brokers," Lujan said, "those who are optimists and prepared to thrive in this changing world, and the other folks who are somewhat panicked about their livelihood. Those who are prepared will succeed, and those who are panicked will decide their own fate."

Agents sell the most individual health insurance to those in their 30s and 40s (21 and 39 percent, respectively), with 18 percent selling mostly to those in their 50s and 13 percent to those in their 60s.

Norderhaug said this breakdown is largely due to the attitudes of individual age groups. The younger the consumer, the more "immortal" they consider themselves and the less value they may see in health insurance.

"When you get into your 40s, you do start to realize that you have health conditions," Norderhaug said. "You have kids, you have accumulated assets you want to protect, and you want health insurance so you don't lose your house and you don't create those really sad stories that you see on TV."

Health insurance challenges

When it comes to the challenges of selling health insurance, agents indicated their top five obstacles are:

- Clients believe they can't afford it (59 percent)
- Rate increases (44 percent)
- Clients aren't qualified (too many health problems, etc.) (32 percent)
- Underwriting process is too difficult (24 percent)
- Prospecting/finding new clients (23 percent)

But regardless of the challenge faced, agents must look at obstacles in a different light in order to be successful. (Chart 4)

"The main challenges are all of the main opportunities for agents, so you can really turn that question around to what they can do," said Vince Ashton, executive director of HealthPass. "Clients just need to be properly educated."

The No. 1 challenge should surprise nobody. As with any other financial protection product, a prospect's immediate needs — food, clothing, shelter — will trump the idea of paying for something that will provide benefits at a later date. Coupled with rising premiums, the perceived cost of health insurance can be a huge hurdle for agents to overcome.

As Ashton pointed out, however, this provides agents with an opportunity to educate consumers. John Greene, NAHU's vice president of congressional affairs, said the first key is to help prospects and clients understand how healthier behavior can help reduce the cost of both health care and health coverage.

"I think that agents need to know that people's lifestyle choices are a large part of what's driving the increasing cost of health care, in particular smoking and the behavioral and lifestyle choices that they make," he said. "To help mitigate those issues, a lot of plans have wellness programs, and some offer the employer some return on investment for the wellness program."

Foudy added that products such as alternative benefit plans can help clients protect themselves from catastrophic health issues while helping reduce their premiums.

But ultimately, when an agent sits down with a health insurance prospect, they should be using that time to figure out the consumer's situation and reasons for purchasing health insurance. This will allow them to fit the client with the best plan for their budget and their needs.

According to Norderhaug, there are two types of people who buy health insurance: those who have assets to protect, and those with few assets. For the former who is concerned with cost, a higher-deductible health plan may be the answer. For the latter, a limited benefit plan would make more sense, one that still provides access to doctor's visits, drug benefits, and inpatient/outpatient care.

"The main thing that jumps out is that we're really facing an affordability crisis in this country," Norderhaug said. "An agent can really help steer a person and ask the right questions to determine which client is sitting in front of them."

Rate increases are another challenge plaguing consumers and agents alike, particularly in the group marketplace, where 60 percent of agents named it as an obstacle.

Susan Combs, president of Combs & Company, said carrier rate increases have had an impact on her group health business.

"Employers are saying they're not getting any more for what they're paying, and, if anything, benefits are getting more watered down," she said.

Ashton said it can certainly be challenging to keep people involved in the health insurance marketplace when clients are facing 15 to 20 percent rate increases. The answer, he said, is more creativity, and figuring out ways to package plans to help clients reduce their rates.

As for prospecting, "It's an age-old problem," Ashton said. "But the most successful people are the ones who can use referrals as the lifeblood of their business." Indeed, 80 percent of agents indicated that referrals are their most valuable lead resource for new health insurance prospects.

And because more consumers are flocking to the Internet to purchase their health insurance coverage, agents would do well to use their Web site to make it easier to get current and prospective clients the information they need and want, Ashton said.

The marketplace also offers several creative ways for agents to find new business.

For instance, one producer from Louisville, KY said, "As more become unemployed, we look for some type of creative plan to address individuals that have lost health insurance."

Another agent from Lafayette, LA said she's been taking the opportunity to educate her clients to help boost her business in the long term.

"My business within the last year has been rewarding, and not by so much an increase in sales, but the opportunity to educate seniors on choices they have with medical and prescription coverage," she said. "Each product I market may not be a good fit for the client, but the knowledge the senior obtained during my presentation is what counts the most for me."

Combs said her business has begun surveying their clients more about their health insurance needs in order to better target prospecting and sales efforts.

"We ask them about different renewal percentages and products, and it gives us an opportunity to cross-sell more," she said. "Being in front of them and contacting them has been very important because everybody is clueless. This survey thing has cut down on so much of our time in showing clients what they don't want to see."

How agents sell HSAs

According to this year's survey, 38 percent of agents consistently offer HSAs to clients, and 34 percent offer them occasionally. And while 18 percent do not offer them and don't have plans to do so, the remaining 10 percent who don't offer HSAs do plan to begin selling them in the next year.

In addition, 56 percent of agents had sold at least one HSA in the past 12 months. (Chart 5)

The majority (49 percent) of agents sell individual HSAs, with 23 percent selling employer HSAs. (Chart 6)

Misty Baker, secretary of the Texas Association of Health Underwriters and president of Lonestar Benefits Solutions, said she's seen more small employers offer HSAs, as both a sole offering, and an alternative to traditional health coverage — and she's seen adoption rates rise in the first two or three years that an employer offers these plans to workers.

"I think it takes a very forward-thinking employer who's open to change and open to the possibility of discussing benefits for more than five minutes in a doughnuts-and-coffee meeting."

To help consumers see the benefits of HSAs, Baker said, agents themselves must also be forward-thinking. While they should recognize that an HSA isn't right for everybody, it should be considered as an alternative for both employers and individuals.

Among those who have sold at least one HSA in the past 12 months, 43 percent said their HSA sales increased in the past year, and 50 percent said they've stayed the same. (Chart 7)

An agent from Cincinnati, OH who said his HSA sales had marginally increased over the past 12 months said, "Business-owners are already risk-takers and appreciate the tax benefits of an HSA."

And in the next year, 49 percent expect their sales to increase. (Chart 8)

"Small-group business owners are often the ones that say, 'Show me an HSA,' " Lujan said. "It's no longer a hidden secret where an agent has to bring it up."

An agent from San Mateo, CA, however, has a different experience: "People, currently, are not interested in HSAs. If they have no money, it is hard to convince them of the long-term benefits of HSAs."

Challenges with selling HSAs

As for agents' main challenges with selling HSAs, Baker said most of them can be overcome with simple client education. Agents named their top five HSA challenges as:

- Clients do not understand them (66 percent)
- Clients prefer traditional health insurance products (35 percent)
- Finding qualified prospects (22 percent)
- Premiums are too high (20 percent)
- Too much admin/paperwork (16 percent)

If confronted with clients who prefer traditional health products, feel the premiums are too high, or simply can't grasp the mechanics and benefits of HSAs, Baker said, agents should take the time to sit down with clients and explore how the product can help them. (Chart 9)

"A lot of our customers do not understand HSAs, but the really good agent will take the extra five minutes and explain the product to them," Baker said. "I use very simple terminology and draw pictures. I explain that there are only two parts to HSAs [a health savings account and a high-deductible health plan], and if you can get through those two parts, people don't turn you off."

When it comes to health insurance, whether you're selling individual major medical, traditional group plans, or health savings accounts, things are changing rapidly. The age-old challenges are still there, but they're accompanied by new obstacles created by potential reform, media coverage, and economic turmoil. Ultimately, agents must prepare to be nimble to succeed in today's market — and they need to show their worth.

"Agents need to be involved in the process of how health care gets reformed when we move forward," Norderhaug said. "They need to tell the story of how they're involved in the sales process, otherwise people will assume there is none, and that would be a huge mistake. If you left this to people to wade through all these choices, that would be a travesty. To cut professional advice out of this process doesn't make sense to me, so agents can't be timid."

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Chart 1

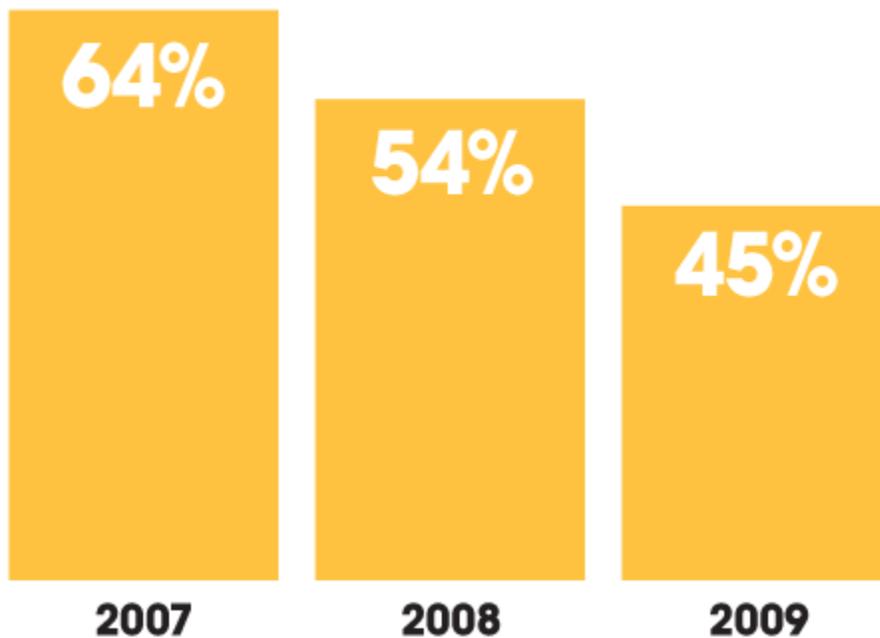
Which type of health insurance do you sell the most?

Individual major medical	32%
Group health	30%
Long term care insurance	11%
Disability	8%
Medigap/Medicare supplement	6%
Medicare Advantage	5%
Voluntary benefits	4%
Consumer-directed health plans (HSAs, HRAs, etc.)	2%
Mini-med	1%
Critical Illness	1%
Short-term major medical	1%

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CHART 2

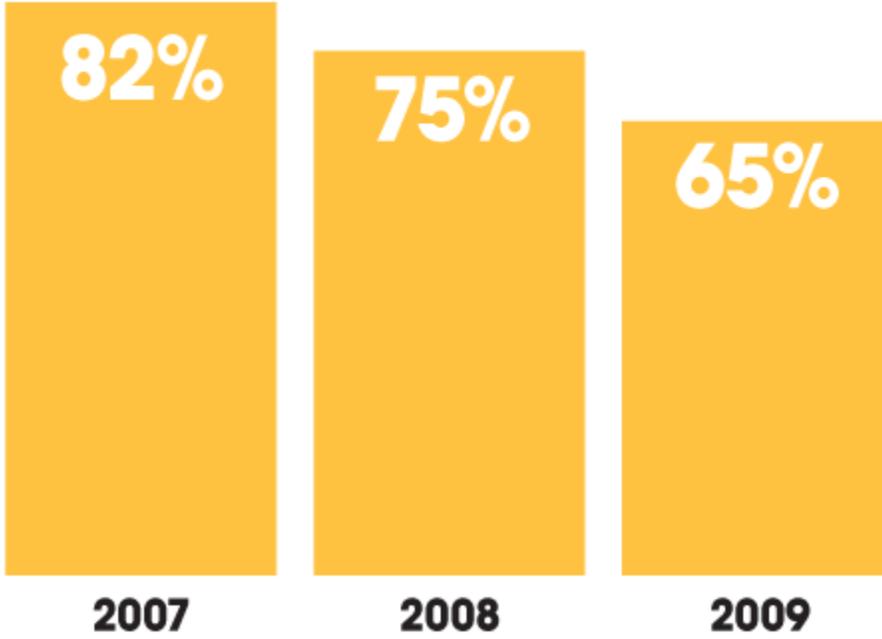
Agents whose new health insurance sales increased in the past year



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CHART 3

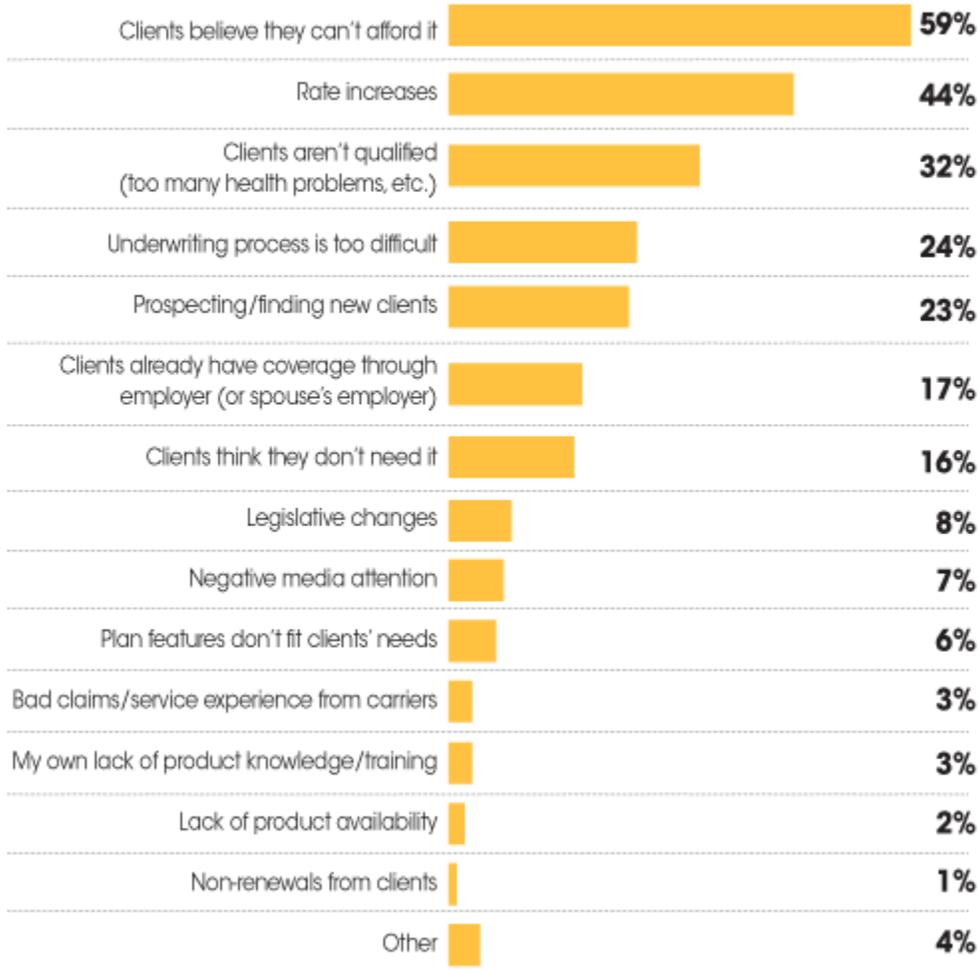
Agents who expect their new health insurance sales to increase in the coming year



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CHART 4

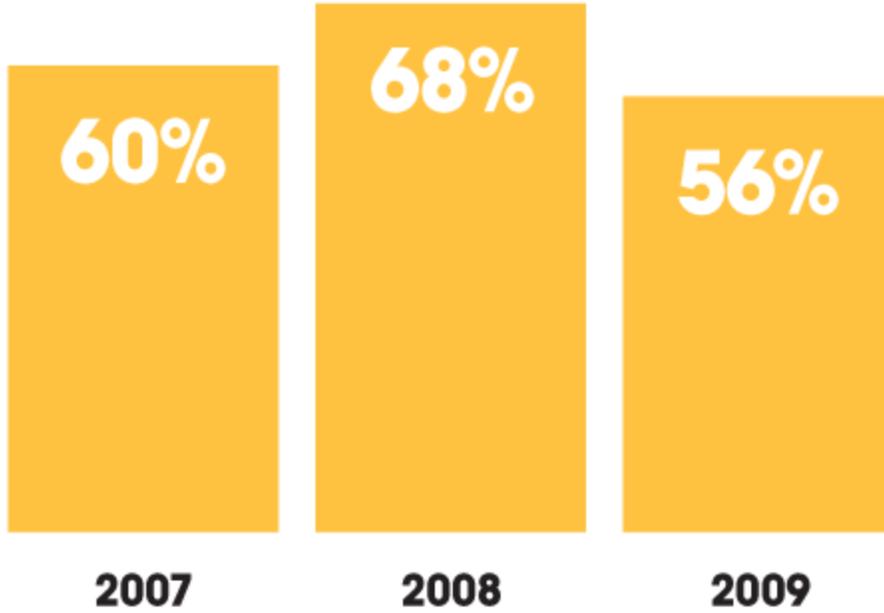
What are your main challenges with selling health insurance?



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CHART 5

Agents who have sold one or more HSAs in the past 12 months



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CHART 6

Which types of HSAs do you sell the most?



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CHART 7

In the past year, did your HSA sales...



Note: Results reflect agents who currently offer HSAs.

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CHART 8

In the coming year, do you expect your HSA sales to...



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Chart 9

What are the major challenges with selling HSAs?

Clients do not understand them	66%
Clients prefer traditional health insurance products	35%
Finding qualified prospects	22%
Premiums are too high	20%

Too much admin/paperwork	16%
Staying compliant with rules and regulations	16%
I don't fully understand them	15%
Not enough quality products	10%
Complications with custodial accounts	10%
Lack of transparency for client regarding health care costs	10%
Deductibles are too high	8%
I worry that HSAs may not be able to cover clients' medical needs	7%
Not enough sales support from insurer	5%
Commissions are too low	5%
Not enough sales support from wholesaler/marketing organization	3%
Other	5%

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Methodology

In March 2009, Agent Media (publisher of the Agent's Sales Journal), the Association of Health Insurance Advisors (AHIA) and the National Association of Health Underwriters (NAHU) conducted a survey among licensed health agents nationwide. Producers were invited via an emailed survey link to take part in the study and were asked questions about their experience in the market and their outlook for and opinion on the health insurance industry in general. More than 350 individuals responded to the invitation. As an incentive, a drawing was held for a \$100 American Express gift card. The survey results reflect answers given by personal producing agents who have sold at least one health policy in the past 12 months.

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