Health Care Insurers Warn Brokers Against 'Wrapping' Products

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HEADLINE: Health Care Insurers Warn Brokers Against 'Wrapping' Products

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ABSTRACT

Premiums Expected To Increase By 2012, employees will pay an average of about $9,000 in yearly out-of-pocket health care expenses as premiums rise, according to estimates by the National Coalition on Health Care, a nonpartisan policy group in Washington, D.C., that advocates health care reform. FULL TEXT

Some of the state's largest health **insurance** carriers have sent warning letters to brokers who sell their products cautioning them that if they combine certain **insurance** products they could be denied a commission, or worse, kicked out of their network.

Brokers familiar with the matter say they're being asked to sign statements saying they will not combine some high-deductible plans with other forms of **insurance** that cover the deductible.

"They're actually saying we'll cancel your appointment; we won't pay you," said one local broker who spoke on condition of anonymity.

Several carriers, including Anthem Blue Cross, Blue Shield of California, Health Net and Kaiser Permanente, have sent warning letters to **insurance** brokers threatening to terminate their contracts or withhold commissions if they sell the so-called "wraparound" plans to employers.

Health plan administrators argue that their bundling tactics actually encourage overuse because workers have less incentive to be careful with the **insurance** money. Brokers complain that insurers are restricting them from devising some new ways to save employers money.

"Most employers are unaware **insurance** companies are trying to block these plans because their agent won't tell them," said Mark Reynolds, chief executive of Visalia-based Ben-e-lect, a flexible benefits program that sells wraparound plans to businesses and has partnered with more than 30 chambers of commerce. "The brokers are put in the middle of this."

The office of state **Insurance** Commissioner Steve Poizner began looking into the issue after media reports about the warning letters surfaced recently. In August, Blue Shield of California reportedly fired an **insurance** broker for enrolling a small-business employer in a $3,000 deductible plan, presumably with another form of financing to help employees with their deductible.

Jason Kimbrough, a spokesman with Poizner's office, said the commissioner has looked into the issue without launching an investigation.

"We have been in communication with these folks," he said.

Carriers refused to comment on the issue, citing confidentiality reasons.

Legal Opinion

The firing of broker Bill Goldstein raises questions of legality and contractual obligations between a broker and a health plan. A legal opinion issued Oct. 1 by the **insurance** commissioner found that small-business employers were acting legally in covering employee deductibles, although it did not address the issue of contractual relationships between brokers and carriers.

"We still are not stepping into the contractual language between a health insurer and broker," Kimbrough said.

At a time when many businesses are busy crafting benefit plans for 2009, the question becomes whether other carriers will deny commissions or end relationships with brokers who bundle plans.

As the presidential candidates debate the reforms needed to change current health care systems, employers are grappling with rising premiums at a time when the economy has offered little financial relief.

Instead of dropping coverage altogether, many small businesses have opted for health plans that ask employees to pay high deductibles and out-of-pocket expenses.

"Everybody is looking for a solution because nobody can afford the premium," said Mike Cully, president and chief executive of the 977-member San Diego East County Chamber of Commerce. "It's simply devastating."

Cully said the issue of affordable health care is a recurrent one, especially because nearly 90 percent of the chamber's members represent companies that employ between two and 19 people.

Premiums Expected To Increase

By 2012, employees will pay an average of about $9,000 in yearly out-of-pocket health care expenses as premiums rise, according to estimates by the National Coalition on Health Care, a nonpartisan policy group in Washington, D.C., that advocates health care reform.

Two studies published last month, conducted by the Kaiser Family Foundation and the Center for Studying Health System Change, underscored the impact of increasingly high medical costs on working Americans.

The Kaiser study found that employees are paying an average of $3,354 in premiums for family coverage, twice the amount paid in 1999. Total cost for family coverage averages $12,680 a year, up 5 percent from last year.

In the study by the nonpartisan Center for Studying Health System Change, funded by the nonprofit research organization Commonwealth Fund, almost one of every five families said they had trouble paying medical bills in 2007. More than half of those families said they borrowed money to pay medical bills.

"Employers this year, more than any other year, are saying we need to make sure our employees are becoming better consumers," said John Povinelli, senior vice president of Sibson Consulting in Phoenix, a firm that provides mostly mid-size employers with advice on managing health care costs.

Sibson is the strategic human resources consulting division of Segal, an independent firm of benefits, compensation and human resources consultants.

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