



TESTIMONY
of the
Independent Insurance Agents & Brokers of New York
before the
Senate Standing Committee on Health
Senate Standing Committee on Insurance

New York State of Health:
A Discussion on Implementation

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Hearing Room B
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Presented by

John H. (Jack) Smith, Jr.
Regional Director
Independent Insurance Agents & Brokers of New York

Members of the Senate Standing Committees on Health and Insurance, I want to thank you for the opportunity to speak on behalf of the Independent Insurance Agents & Brokers of New York (IIABNY), a statewide trade association representing 1,750 insurance agencies and brokerages and their nearly 13,000 employees. My name is Jack Smith and I am a regional director for IIABNY. I am also the executive vice president and owner of the William A. Smith & Son Insurance Agency, a third generation family owned business, with offices in Newburgh, Montgomery and Poughkeepsie.

Our agency services 1,000 business clients for health insurance, in addition to our Property and Casualty clients. Most of our clients are small businesses with one to fifty employees and nearly half are written through a subsidiary entity we have established with the Orange County Chamber of Commerce called Orange Benefits Partners, LLC. I speak from the perspective of an agency that has seen firsthand the direct impact of federal health care reform and New York's health exchange on small business.

I will address today in my testimony the following areas:

- Our agency's experience dealing with the exchange
- The ACA's impact on consumers, in particular sole proprietors
- The adequacy of networks both within and outside the exchange

Experience with the Exchange.

We recognize the demands placed on each of the states by the Patient Protection and Affordable Care Act (PPACA) and commend Governor Cuomo for his decision to create a state-run exchange (New York State of Health) and the leadership and staff of NYSOH for the yeoman's work they did to meet the Federal deadlines. We also appreciate the willingness of the NYSOH staff to consider the input and views of agents during the process of developing New York's exchange,

However, while New York did a much better job at rolling out its state exchange than the federal government did with the federal exchange, the short deadlines established by the ACA did cause some problems for our agency and others. Training for agents to become certified with NYSOH for the SHOP was available only weeks prior to the October 1 rollout date (in our case August 20th), and access to the exchange portal was not provided until the middle of October. Once we were able to access the web portal, our agency experienced difficulties in navigating the exchange website. While the Exchange did provide webinars for agents on website navigation, we think it makes more sense to have training included as part of the agent certification course. The Exchange has been sending FAQ's to certified providers since the rollout, and this has been helpful.

There have also been delays in the transmission of data from NYSOH to the carriers which caused some problems for some customers. Their new insurance cards weren't ready and carriers were unable to respond to questions about their coverage.

Once our agency began helping our customers find coverage, we found that in our service area, the plans offered through the Exchange were simply not a viable option for most of our customers. In fact, we have only enrolled one small business through the SHOP exchange. We have obtained coverage for nearly all our small business customers with plans offered outside the exchange. There are many reasons why off exchange plans are preferable.

First, the plans offered in the SHOP in our service area are mainly HMO plans. EPOS and PPOs are not typically available (only 1 carrier offering). The same is true for the Exchange individual market. We have found that many of our customers have not purchased a policy through the exchange because they want to keep their EPO networks. The individuals have no choice.

Also the tax credits have not been an incentive for our customers to enroll through the exchange. For our business customers, the small business tax credit was not worth

what they would be losing through increased premiums or they found that they would be better to write off the expense on their taxes. For individuals, many had incomes higher than the level required to obtain a premium credit.

Another problem we encountered when looking at Exchange plans for our small business clients was the absence of comparative rating on the Exchange. Comparative rating allows agents to compare plans, including prices, so their customers can make an informed choice with all the data laid out in front of them. The SHOP does not have this capability so it is much more difficult to compare plans for our clients.

We suggest that the SHOP develop a comparative rating tool to show businesses all of their options through the exchange, allowing an objective look at the plans that will meet their individual needs.

Impact of ACA on individuals, sole proprietors, and businesses

Overall, the ACA has resulted in fewer options for consumers. The metal level plans required by the ACA simply do not provide very good coverage with the exception of the platinum plan, which is very expensive. While the essential benefits provided by the ACA are good, the higher deductibles, higher cost sharing, and loss of out of network coverage has diminished the coverage actually provided to consumers.

With respect to sole proprietors and partnerships, the effects of the ACA have been especially detrimental. We write insurance for many sole proprietors who are now required by federal law to purchase policies from the individual market. Prior to the federal law sole proprietors could purchase small group health products and many of them did so through regional chambers of commerce that offered a wide variety of options. The offerings available to sole proprietors' are now limited and generally the overall cost of coverage higher. Those in Partnerships with their spouses have also been hurt as now they must buy coverage as an individual on the exchange instead of small group coverage. Previously, a husband and wife where both worked in the

business, or both owned stock/control were allowed to purchase coverage as a group of two. Now they must buy as an individual which is more expensive and has a less expansive network. Not only is the pure premium higher, but as is the case for all policies, deductibles are also higher in many cases and additional co-pays are coupled with the higher deductibles resulting in greater out-of-pocket expenses. For example, before the ACA, a typical out-of-pocket maximum for a family plan was \$3,000 per individual and \$5,000 per family. Now those out-of-pocket maximums are \$6,350 for an individual and \$12,700 for a family. This increase has been difficult for many people to understand in light of the promises they have heard that coverage would be better and more affordable.

Adequacy of networks

Not only is the cost more, but the coverage is not as comprehensive. Individuals obtaining coverage through NYSOH have access only to HMO plans that offer no out-of-network coverage. The inability to access out of network coverage is an important factor for many families, especially those with children that attend college out of the plan coverage area. If these children become ill while away at college, they would have to travel back to the covered plan service area to obtain coverage. Additionally, our agency has found that one of the prominent hospitals in our area, Sloan Kettering, is not a participating provider under any plan in the NYSOH. It is a participating provider in some cases outside the exchange.

Additionally, while pediatric dental coverage was added as an essential benefit to be provided under the ACA, for businesses which already provide dental there is now confusion as to which plans meet the requirement, and quite a bit of paperwork to prove you have qualifying coverage. So, they end up having to buy it twice, either through the Exchange products, outside exchange products or it's already embedded in the new health insurance plan they are purchasing.

Thank you for the opportunity to testify before you today. As always, we are happy to work with the Legislature as it considers ways to improve New York's health insurance marketplace.