

How Agents Empower Health Insurance Shoppers

A Vimo Research Group™ White Paper
Expert, independent and objective health care industry analysis

Vimo Research Group
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Introduction

If you've seen Michael Moore's "Sicko," you're probably familiar with the story of Jim Kenefick. Jim runs the anti-Moore site MooreWatch.com, and last year ran into financial trouble over his wife's health. As Moore puts it in "Sicko": "He was faced with a choice of either keep attacking me, or pay for his wife's health. Fortunately, he chose his wife."

Kenefick had posted requests for donations to help cover skyrocketing health-care expenditures for his wife, who had been turned down for insurance because of a pre-existing condition. Then, an anonymous donor gave him \$12,000. It turns out the donor was Moore, who used Kenefick's site as an example of the health care crisis that's gripping America.



What wasn't covered in Moore's documentary was the end of Kenefick's health insurance odyssey. Kenefick did eventually get insurance for himself and his wife - and his success had nothing to do with Moore's donation. Although he had been unable to get it on his own, he secured the help of a licensed health insurance agent, and was able to qualify his wife for a plan.

"A year later, I went to a broker to find out what the legal requirements were to do the [insurance] plan the right and legal way," he said. Eventually, he secured a health plan. "And we're still with that plan, and pretty happy with it," he told Vimo.

Kenefick isn't alone with his experience. Evidence suggests that purchasing insurance without the help of the right agent places a huge burden on the buyer and increases the likelihood that he or she will be rejected by an insurer or run into claims problems.

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The Insurer-Agent-Client Dynamic

Some people view health insurance agents as "salespeople," which is only a small part of their role. As members of a profession that requires a license and has stringent educational guidelines, agents serve more as advocates for clients than simple sales people. Many health insurance buyers continue to use their agents long after they've purchased insurance.

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For insurance companies, agents are clearly important because they attract clients. In the highly competitive market for small group health insurance, agents accounted for 90 percent of business referrals in Orange County, Calif. and Seattle, Wash., according to a 2001-2002 Community Tracking Study by the Center for Studying Health System Change. (1)

That 90 percent figure demonstrates the power of agents. In fact, insurers looking to increase market share typically increase the commissions they pay to agents. According to the CSHSC study, commissions vary by as much as 2 to 8 percent nationwide.



Some buyers mistakenly assume that buying insurance without the help of an agent will save them money by cutting out the commission. In fact, health insurers typically charge the same rate to customers, regardless of whether a plan was purchased through an agent or directly through the company.(2) Essentially, when you buy insurance directly through an insurer, the insurer becomes the agent and pockets the commission you would otherwise pay to the agent.

An agent continues to receive commissions as a plan is renewed, so it's in his or her financial interest to keep the client happy. Typically, agents will work with clients on issues like filing claims, long after the policy was initially purchased. As a licensed professional, the agent has been educated and tested by the state on how to help the client navigate the claims process and successfully appeal a claim that has been denied. Most importantly, the agent does not lose anything if a major claim is filed.

"Another agent talked me through my family's insurance needs and suggested that my children and I be covered under separate policies. That would allow me to get a cut-rate plan while the kids would get more comprehensive coverage with lower deductibles."

Using an Agent to Win



Operating without a good agent, Michael Moore's nemesis Jim Kenefick had doors slammed in his face. That ended when he finally contacted the right agent. He isn't alone with the experience: Health insurance customers that use agents report being satisfied not just with their insurance, but also with the work performed by their agents - especially when it comes to the agent's role in finding the right policy.

L.A. Times personal finance columnist Kathy Kristof received excellent guidance after she spoke with insurance agents affiliated with Vimo.com. For Kristof, speaking with multiple agents proved to be especially helpful.

"For instance, one agent raised the possibility of getting a policy through a small-business group plan that he sold, which would eliminate the need for a physical exam. (If you aren't in good health, that's a good option that didn't show up on the websites.) (3)

"Another agent talked me through my family's insurance needs and suggested that my children and I be covered under separate policies. That would allow me to get a cut-rate plan while the kids would get more comprehensive coverage with lower deductibles."

Survey: Satisfaction with Agents

One half of the companies that used agents said it was unlikely they would ever stop using them, "citing the agent's knowledge as the biggest reason why."

A satisfying relationship with an agent does not end with the successful purchase of insurance. A new survey of 1,000 American consumers commissioned by IBM found that only 15 percent would consider dropping an agent to save \$150 per year on a policy. Fifty-four percent said no amount of money would be enough for them to drop their agent. (4)

In 2001, the National Association of Health Underwriters published the results of a study that involved 300 telephone interviews of small businesses nationwide. The study found positive attitudes about agents.

Most small businesses that offered insurance to their employees used an agent (75%). More than half of the companies that had used an agent described the relationship with the agent as close or friendly (53%). One half of the companies that used agents said it was unlikely they would ever stop using them, "citing the agent's knowledge as the biggest reason why."

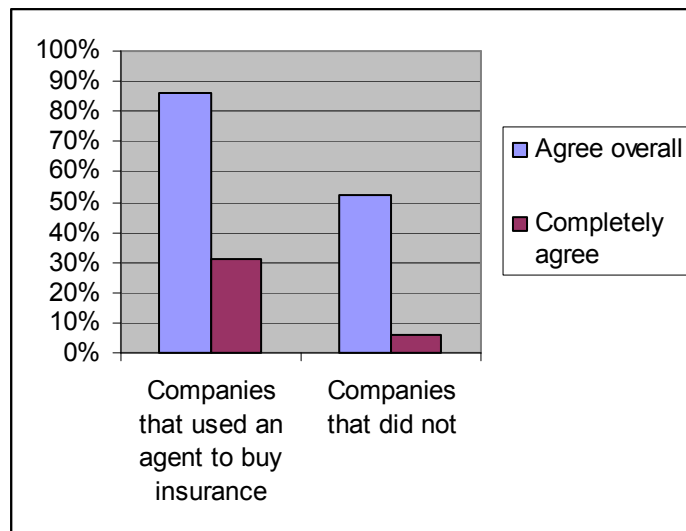
According to 72% of the companies, agents helped them deal with claims and other insurance-related problems long after insurance had been purchased. More than half (54%) said that agents took calls directly from employees or met directly with employees (57%).

Nearly six in 10 (58%) reported that health insurance agents operated independently from health insurance companies. (5)

**Figure 1:
Small Businesses That Use
Agents Understand
The Value They Provide**

Small businesses with health insurance benefits were asked how much they agree with the following statement:

Health insurance agents and brokers provide important services and additional value to the health insurance coverage they are able to provide their employees.



Source: National Association of Health Insurance Underwriters

Ongoing Support From an Agent

Many small companies report that they don't hire personnel to deal with insurance issues related to their employees and instead fall back on the agent, who is essentially viewed as the company's sole benefits staff.

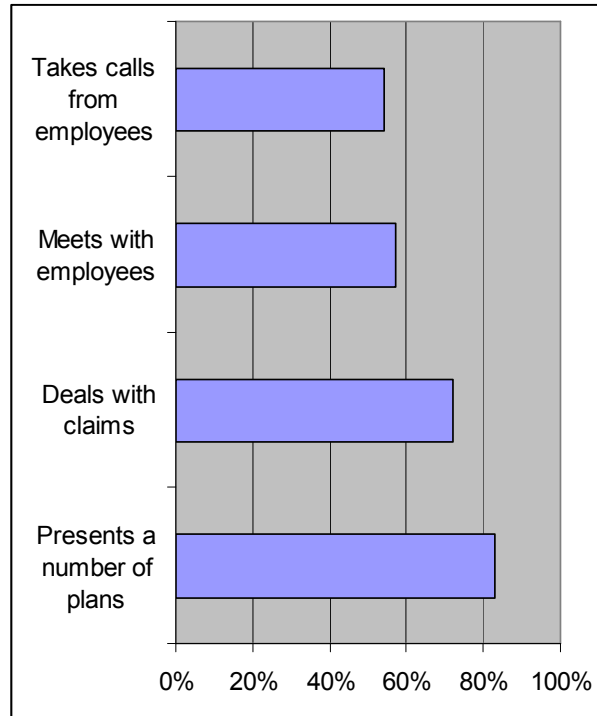
Agents also provide plenty of support on the time-consuming tasks related to filing claims. Many small companies report that they don't hire personnel to deal with insurance issues related to their employees, and instead fall back on the agent, who is essentially viewed as the company's sole benefits staff. (6)

Clients should be able to depend upon agents to:

- Evaluate their needs before purchasing insurance, compare plan features and prices, and help them fill out forms to qualify for a plan
- Serve as financial advisors with regard to health plans and Health Savings Accounts (HSAs), which offer clients tax advantages similar to those found in Individual Retirement Accounts, but are designed to help pay for health care
- Help clients act in a timely fashion to ensure that the right coverage is in place at the right time. For instance, young women frequently need maternity coverage to pay for unexpected pregnancies, something that many plans don't offer. Selecting the wrong plan could result in a hospital bill of \$20,000 or more -- and it's too late to switch plans less than a year before a woman gives birth
- Serve as ombudsmen between the client and insurance company, often helping clients collect the correct documentation for claims
- Regularly review the effectiveness of a health plan and help a client switch plans if necessary (7)

Figure 2: How Agents Help Small Businesses

Small businesses were asked what services their agent commonly performs



Source: National Association of Health Insurance Underwriters

Conclusion

Buying health insurance is not like purchasing music or a movie. Health plans are complicated products and choosing the wrong one can have life-or-death consequences. An agent serves as both an advisor for selecting the right plan and as an advocate for the client after a plan is purchased. The free service an agent provides will, at the very least, save a client time and money. But it may also determine whether someone qualifies for a plan or not. A health insurance shopper should therefore not "go it alone" and attempt to purchase a plan without consulting at least one agent.

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About Vimo

Vimo is the nation's first integrated comparison-shopping portal for health care products and services. On January 24, 2006 we launched a website that allows businesses and consumers to research, rate and purchase health insurance plans and Health Savings Accounts (HSAs), and choose doctors from across the country. Vimo brings together a variety of private and public data sources so that shoppers can find a physician and compare hospital prices for medical procedures. Vimo users can read and post reviews about any of the services or products available.