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# STOP WAITING FOR REFORM ANSWERS

## Strategies to Move You Forward in Uncertain Times



BY SAMUEL H. FLEET

**A**lthough the shape and implications of health care reform will be hazy for some time, one thing should be crystal clear: The Government—with a capital G—can at any time alter or even eliminate entirely the role that today's insurance brokers and agents play. The signs were in the proposals in ways both subtle and direct. For example, one can argue about whether a universal single-payer system will ever come to pass in this country, but there is no mistaking the congressional desire to squeeze the profitability out of the insurance industry.

So what should a broker be busy doing in this environment of uncertainty that threatens today's practices? The following are survival tactics for brokers, regardless of the eventual details of health care reform.

### **Surviving – and Thriving!**

There are four strategies brokers can focus on to do well now and in the future:

#### **1. Sell administrative services.**

In 2008, 89 percent of workers at firms with more than 5,000 employees were covered by self-insured plans. Overall, 55 percent of employees with employer-provided health care were in self-insured plans. The companies in this rapidly

growing segment of health insurance coverage need administrative services. While insurers are very good at evaluating and taking on risk, few are experts at marketing, sales, enrollment, billing, collection, claims adjudication and customer service—just some of the areas where brokers can step in and arrange economical and efficient administrative services with third-party administrators. Helping an employer customer find the best package that will lower costs and create a smooth, trouble-free process makes a broker a valuable team player who the customer will return to at renewal time.

#### **2. Develop new markets.**

A broker needs to stay on top of many sources of information to spot opportunities for new markets. For instance, when the federal government sets new rules that require first companies and then public agencies to carry retiree health care obligations as a current liability on their books, you can be sure that many will be looking for new ways to reduce the liability while still meeting the obligation. One possibility: helping retirees who have been dumped by their former employer become an affinity group with access to pooled health care rates. In addition, when the government

announces that trends indicate that high-growth industries are health care, hospitality and back-office outsourcing, these will be areas of exploration for new opportunities.

#### **3. Build more products.**

Think about the pain points for your customers and then work with companies to develop products that meet their needs. For example, limited medical plans can be crafted that bring health insurance for the first time to low-paid workers, or to a seasonal workforce or to laid-off employees who cannot afford COBRA payments. At the higher end, companies may be looking for specialized health care packages that will attract and retain the executives they have their eye on or help the companies that are looking for a way out of retiree benefits by creating an exit strategy that offers self-directed benefits at a stable cost. By finding a third-party administrator with expertise in these areas, brokers can offer creative products that customers are interested in.

#### **4. Be consultative.**

What the first three strategies are really about is becoming more consultative. In other words, a broker needs to stop thinking of himself as someone who



sells products and start acting like someone who delivers value. A broker must become the person customers call when they have a problem they want to solve. That means developing an expertise that you are known for so that customers call you when they have questions. It means offering free services, such as auditing coverage, to turn up potential areas of savings. Most of all, it means being a partner and not simply a salesperson.

Like everyone else, brokers are in the dark about exactly what health care reform means for them. During bill negotiations, details change too quickly to offer any certainty about the future. Once the bill becomes law, regulatory processes and consequences—both intended and unintended—will take time to play out. In the meantime, brokers need to stop waiting for the other shoe to drop and move ahead with strategies that can help them both survive and thrive today. [INN](#)

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## Part D Nuances Create Opportunity

As the finish line for health care reform draws closer, there is continuing confusion about how specific elements will affect decisions that businesses and individuals must make about health insurance choices in the future. One thing that is becoming increasingly clear, however, is that agents and brokers will have a strong role to play in bringing their customers up to speed, helping them understand the complexities of the final law and providing them effective alternatives.

One example is the way subsidies for Medicare Part D are treated going forward.

When Medicare's prescription drug coverage program was created, one of the cost-control measures was a subsidy to businesses to entice them to continue their existing private-plan drug coverage for retirees if coverage was already in place. Politicians knew that if businesses dropped this coverage on a wholesale basis, the cost of Part D to government would soar. A tax subsidy equal to 28 percent of the private-plan coverage was instituted.

In the current era, as politicians are scrambling to find money to pay for the expansion of health insurance to the uninsured, they are proposing that the subsidy be taxed at corporate tax rates. In addition, the expenses of qualifying for subsidies will no longer be deductible.

Critics have pointed out that covering an average retiree with Part D will cost about twice as much as the average individual subsidy. Nonetheless, politicians appear willing to take the chance that their actions will drive employers away from private coverage.

For agents, this opens up an opportunity to serve as an expert who can guide business customers through the decision-making process on retiree drug coverage. Here are the factors that you can help customers consider:

- The actual subsidy amount. At 28 percent of the total cost of a drug plan, this amount varies from customer to customer. But the Employee Benefit Research Institute has estimated the average cost of the subsidy to government is about \$665 per person.
- The new tax cost. If the health care reform law includes the proposed corporate tax on the subsidy, a business can figure on paying 35 percent on whatever its subsidy amount is. Working from averages (in lieu of knowing what a specific customer's subsidy is), the cost of retiree health benefits will increase about \$233, according to The Wall Street Journal.
- The impact on future liabilities. Under accounting standards, businesses and local governments are required to estimate the cost of paying for future retiree health benefits and then incorporating them into their annual reports as a current liability. The shift from a non-taxed subsidy to an ongoing tax cost will cause the liability to balloon.

Once an employer understands the impact, an agent can provide options, such as contracting with a prescription drug plan (PDP) for coverage. Another promising alternative is applying for an employer group waiver plan – a technique that allows the employer to become its own PDP and qualify for a capitation fee from the federal government.

Every employer will need to run its own numbers to understand the impact of whatever eventually emerges in the final health care reform law. By offering expertise and providing strong customer service, agents can use reform as an opportunity to demonstrate their value to customers.