New York Health Benefit Exchange

Blueprint Summary for
Section 2.0 Consumer and Stakeholder Engagement and Support
October 26, 2012

Item Number	Topic
2.8	Agents and Brokers
2.9	Web Brokers

The Role of Agents and Brokers in the New York Health Benefit Exchange

In New York State, agents and brokers (producers) play a vital role in facilitating the purchase of coverage in the small group health insurance market. Statewide, on average, eighty-eight percent of small group sales are assisted by producers. ["The Role of Producers and Other Third Party Assistors in New York's Individual and SHOP Exchanges," Wakely Consulting Group, June 2012].

Producers (which New York defines to include both insurance agents and brokers) are regulated by New York's Department of Financial Services (DFS) and they are held to rigorous licensure and continuing education standards. New York's producer compensation requirements support the Affordable Care Act's (ACA) goal of promoting competition based on quality and efficiency, rather than risk selection.

New York's producers have well developed relationships with employers, insurers, chambers of commerce and business associations. Additionally, an extensive network of general agents is in place to support producers and insurers in servicing employers.

Producers are well poised to assist employers and employees in navigating the new range of options that will become available in 2014 through New York Health Benefit Exchange (NY-HIX). New York intends to partner with producers and leverage their experience in assisting employers with enrolling in New York's Small Employer Options Program (SHOP).

2.8 Brief Description of the Strategy, including Compensation Policy for Producers

New York intends to Leverage Producers

Producers will be invited to enter into agreements with NY-HIX to enroll and service employers. As a condition of participation with the Exchange, the producers will be required to have an active producer's license and a certification that they have completed necessary educational requirements relating to SHOP.

Compensation Requirements:

- **New York Requires Community Rating and Open Enrollment**.
  New York currently requires community rating and open enrollment in its small group markets. Insurers must accept all small employers and they must charge them the same premium without regard to age, sex, health status or occupation. New York actively regulates producer compensation levels to ensure they do not incentivize producers to "cherry pick" healthy small employees or avoid enrolling relatively smaller groups where individual selection plays a greater role.

- **Producer Commission Levels Will be the Same Inside and Outside of the Exchange**
  In New York, insurers that extend producer commissions on any small group products must apply the same commission level to all their small group products.

  Insurers may not apply higher compensation levels to products designed to attract relatively younger, healthier purchasers. Similarly, insurers may not compensate producers at higher levels for enrolling relatively larger small groups.

  These protections will be applied to SHOP Exchange products in 2014.

  Insurers will be required to apply the same commissions to small group products offered either inside or outside of the Exchange.

- **At the Outset, the Exchange will not Fix Producer Compensation Levels**
  New York currently caps commissions on Health Maintenance Organization (HMO) products at four percent. Commissions on other insurance products approved in New York range from two to six percent. The New York Health Benefit Exchange does not intend to set producer compensation levels for products sold through the Exchange. However, compensation of producers is a changing landscape. Working in collaboration with the DFS as regulator of licensed producers, the Exchange will closely monitor and align its policies with the changing landscape.

Training and Process to Verify Compliance with State and Federal Law:

- **New York will Leverage its Existing Infrastructure for Licensure and Training.**
  DFS currently licenses producers and maintains records regarding their licensure. Producers must pass an exam and obtain extensive initial and continuing education. New York uses private organizations to educate producers. Courses and their content are subject to the approval of DFS.

  New York will rely on this infrastructure to provide SHOP specific education to new or existing licensed producers that wish to sell coverage through the Exchange.
  The Exchange will require producers that enroll and service SHOP Exchange employers to obtain initial and ongoing SHOP specific education. This will be required as part of the SHOP's agreement with producers. The DFS currently certifies organizations to provide training and continuing education to producers licensed in New York. The Exchange and the DFS are collaborating on the development of a curriculum for the

Exchange that leverages this existing education and licensure structure. Should it be determined that producers will also distribute products on the individual Exchange, a specific training module would be developed for individual eligibility rules, tax and cost-sharing credits. The SHOP Exchange will have an online directory to help small employers locate a trained, certified agent/broker participating in the Exchange. Call Center staff will be able to direct small employers to such listings for Broker/Agent assistance if it is desired.

2.9 Web-brokers:

Web-brokers will not be used in the SHOP Exchange in 2014. However, New York will continue to examine the potential use of web-brokers to distribute Exchange products.