



June 27, 2012

Peter V. Lee
Executive Director
California Health Benefit Exchange
2535 Capitol Oaks Drive, Suite 120
Sacramento, CA 95833

**SUBJECT: CALIFORNIA HEALTH BENEFIT EXCHANGE:
CUSTOMER SERVICE CENTER DESIGN**

Dear Mr. Lee:

The California Association of Health Underwriters (CAHU), Insurance Brokers and Agents of the West (IBA West) and the National Association of Insurance and Financial Advisors-California (NAIFA-CA) are pleased to have the opportunity to provide comments to the California Health Benefit Exchange Board regarding the Customer Service Center Design.

Our three organizations represent California's licensed health insurance agents. Our licensed insurance agent members provide reliable insurance advice, act as the consumer's advocate when dealing with carriers and provide a number of essential services relating to the individual and group insurance coverage and obligations post enrollment. Our organizations continue to work together to help ensure the success of the Exchanges in California.

As the Board knows, health insurance is an easily misunderstood financial and healthcare product with serious consequences for making the wrong decision. As such, licensed agents believe that the Exchange's customer service center need to be staffed with individuals that have the needed education in health insurance issues and can be held accountable for their actions in order to properly service health care consumers.

Basis for Recommendation:

Since the focus of the Exchange will be on individuals and small businesses who qualify for tax credits and subsidies, many customer service issues will be related to plan selection. Many consumers are not familiar with terms like "coinsurance" and need help to understand cost-sharing scenarios after their deductible. Rural consumers without internet access or those with disabilities need benefit descriptions from various carriers explained over the phone in person instead of comparing them online. Explaining benefits, health insurance terminology, and how each plan works requires a health insurance license.

Our organizations believe that the California Health Benefit Exchange must work with licensed agents in order to be responsive to consumers and provide a first-class consumer experience – one that offers the same regulatory safeguards that exist in the private market outside of the Exchange.

Requirements to Become a Licensed Agent

As specified in California Insurance Code Sections 1749 through 1749.9, licensed insurance agents must meet pre-licensing education standards including a minimum of 20 hours of pre-licensing study as a prerequisite for qualification for an accident and health insurance agent license. In addition to the 20 pre-licensing study hours, the Department of Insurance also requires 12 hours of study on ethics and the California Insurance Code.

After completion of the required pre-licensing study, an applicant must schedule the state examination, pay a fee and successfully pass the insurance license examination. They must also pass a background check and submit fingerprints.

Even after passing the examination, there are additional requirements for agents to represent an insurance company and its plans. According to Insurance Code Section 1704, an agent may not act as an agent of an insurer unless the insurer has filed with the commissioner a notice of appointment, executed by the insurer. This certifies that the agent has the authority to represent the insurer's plans.

As an ongoing requirement, agents are required to complete annual continuing education and submit a certification of its completion and pay any applicable fees to the Department of Insurance. If continuing education is not completed, the agent's license will be terminated.

Licensed agents activities are also overseen by a strong regulator and agency. Consumers with complaints about licensed health insurance agent actions have the ability to turn to DOI for help and redress--up to and including license revocation, fines and penalties

A Licensed Agent Call Center

There are many benefits to leveraging call center expertise in the private marketplace. Along with permitting independent health insurance agents to place business in both Exchanges, the Exchange can likely benefit from utilizing companies that specialize in recruiting, training and managing licensed agents. These companies manage pre-licensing coursework, scheduling of examinations, appointment paperwork, fingerprinting and ongoing continuing education requirements.

Keep in mind that every independent insurance agency must use licensed agents, even if they never sell a policy during their career, to handle all inquiries and servicing of their clients due to the broad coverage of the statutory definition of "transacting" insurance. (See attached opinion). According to our members, a usual ratio of licensed agents servicing clients to those actively selling is in the neighborhood of five to one.

Due to the overhead burden associated on hiring licensed agents, recruiting and candidate selection must be a core competency when considering call center servicing needs. Licensed health insurance agents possess a bachelor's degree or higher, are skilled in communication and mathematics – which differentiates them from other call center employees. That is why we

believe that licensed agents will provide a higher skill set – and a better health care purchasing experience --for those consumers that contact HBEX and been screened for eligibility into a commercial plan and would like to discuss plan benefits or how a plan works.

Recommendation:

Absent a staff of licensed agents in the Exchange, there is a critical gap in the customer service experience. We believe this prevents the Exchange from providing a comprehensive, integrated and streamlined service. Unlicensed staff will be unable to perform all the service tasks related to plan selection due to the definition of what it means to transact insurance in California. Use of licensed agents will avoid that problem. An optimal service experience anticipates situations where specific customer requests are moved towards customer service representatives with the appropriate skill sets to service the request.

It is for this reason that a skill level that includes licensed agents must be a part of HBEX's customer service solution. Of the proposed solutions, options 2 and 3 seem to be the only realistic options to achieve the goals and stated values as outlined in the Board Options Brief. Using state staff to service the Exchange, as suggested in Options 1 and 4, will still require the State to build its own licensed agent call center in order to comply with California law.

It is more cost effect and feasible to move to a statewide contracted services option or state central distributed option where specialized call centers can be integrated into the Customer Service solution, allowing the state to leverage proven expertise and infrastructure that exist in private sector solutions today.

Please feel free to contact us for clarification or more information. You can reach Juli Broyles (CAHU) at 916-441-5050, Shari McHugh (NAIFA California) at (916) 930-1993 or John Norwood (IBA West) at 916-447-5053

Sincerely,



Julianne Broyles
CAHU



Shari McHugh
NAIFA-CA



John A. Norwood
IBA West

cc: The Honorable Dave Jones, California Insurance Commissioner
Members, California Health Benefit Exchange Board
Herb K. Schultz, Regional Director, U.S. Health and Human Services, Region IX