NAR INSURANCE TASK FORCE
HEALTH INSURANCE POLICY RECOMMENDATIONS

I. Executive Summary

The 2007 NAR Insurance Task Force ("Task Force") met on two occasions to discuss NAR's small business health plan advocacy policy. During the course of the three and a half days of discussion, the Task Force heard from NAR staff and outside speakers about the current status of NAR's association health plan/small business health plan legislative efforts, the political and structural obstacles to both incremental and broad health insurance reform, the complex nature of health insurance risk underwriting and rating and the special challenges that underwriters must deal with when underwriting health insurance for the self-employed and micro-businesses.

The Task Force reviewed the leading reform proposals under consideration, as well as the results of a NAR-sponsored public opinion poll of the American public and Realtors® nationwide to gauge the group's respective opinions of these reform proposals. On the basis of these discussions, the Task Force developed the following set of findings and recommendations:

Findings:

- Concerns with health insurance and health care are the number one domestic policy concern for both voters and Realtors®.
- An overwhelming majority (78%) of Realtors® believe the existing health care system is failing millions of Americans and needs to be "fixed".
- Association health plan (AHP) and/or small business health plan (SBHP) legislation has little or no political viability in the new Congress.
- Despite the diminished likelihood that AHP/SBHP legislation could be approved in the 110th Congress, NAR should continue to participate in the health reform debate given the importance of the issue for NAR's membership.
- NAR's existing AHP/SBHP policy focus no longer provides sufficient direction for the association health insurance advocacy efforts and should be supplemented by a set of health care reform principles, much like the Tax Reform principles which now guide the association's tax advocacy efforts.

Recommended Health Reform Principles:

- The nation and its health care system are best served by having all citizens covered by health insurance.
- Health care coverage and/or insurance should be made available to all.

- Individuals should have health care coverage that is continuous, i.e. allows for no gaps in coverage.

- Individuals should have the ability to choose their preferred health insurance plan from an array of policy options that offer choices in the scope of covered services and policy costs.

- Health care coverage should enhance health and well-being by providing preventive health services and chronic disease management services.

- The health care delivery system must provide cost effective, quality care in an efficient and timely manner in order to be affordable and sustainable for society. Cost containment, therefore, must be a component of any reform effort.

- A "single payer" health care system in which the government pays for and allocates health care services should be opposed.

- Employers should not be required to offer employee health insurance program.

Additional Recommendations:

- NAR should continue to look for opportunities for association participation in any small business health reform proposals considered.

- NAR should begin to educate the membership on the issues that are inherent in the health care reform debate so that they will understand and become engaged in the larger national health care debate – or state level debates - that will take place in the coming years.

II. <u>Meetings Summary</u>

Washington, DC. The Insurance Task Force met June 25 and 26, 2007 in Washington, DC. Task Force members present at the meeting included: Chair Sharon Millett (ME), Nick D'Ambrosia (MD), Gail Duke (NY), Robert Fleck (PA), Nick French (NM), Jo Jenkins (IA), Bob Kulick (CA), Vincent Malta (CA), Michael McGrew (KS), Henry Ray (AL), Kenneth Warden (KY) and Malcolm Young (LA). Also in attendance were NAR Liaison, Gary Thomas (CA), John Buskirk (FL), attending on behalf of Frank Kowalski (FL) who was unable to attend the meeting, Sarah Walter of Walter Consulting, and NAR staff members Marcia Salkin, Jamie Gregory, and Linda Goold.

NAR staff briefed the Task Force on the history of NAR's involvement in the association health plan (AHP) and small business health plan (SBHP) legislation and the current status of efforts to advance the small business health plan bill, in light of the change in leadership of both chambers of the Congress. The Task Force was briefed on NAR's efforts over the course of the last eight months since the change in leadership to work with a number of key Senate offices – Enzi (Wy),

Nelson (NE), Durbin (IL), Lincoln (AR), Bahy (IN), Salazar (CO), Reid (NV) - to develop an alternative legislative approach to dealing with the problems of the small business community.

Following this introductory presentation, Brett Palmer, Managing Director of Government Relations, for the National Association of Insurance Commissioners (NAIC), briefed the Task Force on the NAIC health insurance reform efforts, provided NAIC perspectives on past and pending legislation in Congress addressing health insurance availability and affordability concerns, and discussed what state have been doing to reform health insurance markets.

Brian Webb, the NAIC health insurance expert, then explained how health insurers underwrite and rate insurance in the individual, small group and large group markets and the reasons for the markedly different practices in each submarket. It was pointed out that in the individual market, the ability of individuals to enter and exit the market at will creates an opportunity for individuals to rationally decide to "game the system" by entering the market only when they anticipate the need for medical care and exiting when the perceived need for health services is low.

Since insurance markets work when risk is pooled and shared across a large number of individuals who include the young and old, health and sick, etc, this ease of entry creates risks that insurers routinely take into account in their underwriting and rating practices. In the case of an employer provided group policy, employees of all types are likely to take up and maintain coverage since employers subsidize the premium costs. This results in a stable pool of young and old, healthy and sick, workers across which to spread the risk of claims.

Jeff Lemieux, Senior Vice President of the Center for Health Policy Research with the leading health insurance trade group, America's Health Insurance Plans, met with the Task Force to present the health insurance industry's perspectives on the same topics that the group had discussed with the NAIC staff.

It was interesting to note that despite representing two very different interest groups, Mr. Lemieux's and the NAIC's representatives conclusions, when asked to what are necessary components of any successful reform effort, were not dissimilar. In both cases, these experts indicated that an individual mandate (i.e. a requirement that <u>all</u> citizens have health care coverage of some sort) would offer the greatest hope for addressing the problems that face health insurance markets and the health care system. Both acknowledged, though, that before such a mandate could be effective, the shortcomings of the individual market must be addressed so that those who do not have employer or other group coverage can find health insurance or coverage.

The last speaker on the first day was Brian Hickey. Brian is senior health counsel to the Assistant Senate Majority Leader, Senator Richard Durbin (D-IL). He is also one of the three Democratic staffers with whom NAR staff has been working to identify amendments to last year's Durbin-Lincoln Democratic alternative small employer health benefits plan (SEHBP) bill that could result in an acceptable and workable compromise measure.

Brian outlined Senator Durbin's commitment to introducing a small business health bill this Congress as well as the terms of this year's modified approach. Among the changes made are the explicit inclusion of the self-employed as possible participants, a move away from a pure community rating approach to one that would allow for variation based on age, and an advisory and marketing role for associations and other voluntary groups.

On the second day of the group's meeting, Bill McInturff and Nicole McClesky of Public Opinion Strategies briefed the Task Force on the results of an NAR-sponsored national survey of registered voters and Realtors® regarding health insurance issues. The survey identified likely-voters' insurance availability and affordability concerns and their opinions about potential solutions currently being debated. The survey identified concerns with health insurance and health care as the number one domestic policy concern for both voters and Realtors®. In terms of the total policy agenda, likely-voters ranked health care concerns second only to the war in Iraq; Realtors® ranked health care concerns as their number one issue with Iraq ranking number two.

The poll results also indicated that voters and Realtors® hold similar and dissimilar opinions on the eleven leading health care reform proposals presented. Voters and Realtors® each supported the following proposals: allowing individuals to deduct the cost of health insurance premiums for income tax purposes; creating a small business health insurance program modeled after the federal employees health insurance program; expanding the federal State Children's Health Insurance Program (SCHIP) to make sure all American children have health coverage; and creating a federal reinsurance program for health insurers to cover catastrophic health care claims. In general, both voters and Realtors® were skeptical and/or divided on proposals to create a government run single-payer health system, require individuals to have health insurance (i.e. an individual mandate), or to require employers to contribute to the cost of an employee's health insurance (i.e. an employer mandate). A copy of the Executive Summary of the survey results is attached to this document.

The Task Force had planned to meet also with Stephen Northrup, Vice President of Government Affairs for WellPoint, and, until recently, the Director of Health Policy for Senator Mike Enzi (R-WY) at the Senate Health, Education, Labor and Pensions Committee. Scheduling conflicts made that impossible.

The Task Force spent considerable time reviewing and discussing the concepts (many, but not all of which are included in existing legislation) that Congress is or may consider as part of a comprehensive solution to the problem of insurance availability and affordability. While the Task Force did provide comments or recommendations on each of the current reform concepts, the group decided that developing a set of principles, much as the Tax Working Group has done to guide the association's efforts on tax reform, would be the most productive avenue.

Chicago Meeting. Developing a set of recommended principles was the focus of the group's second summer meeting held in August in Chicago. At this meeting the Task Force also reviewed the health policy principle statements of an array of associations and advocacy groups.

Attending the Chicago meeting were: Chair Sharon Millett (ME), Nick D'Ambrosia (MD), Gail Duke (NY), Jo Jenkins (IA), Bob Kulick (CA), Vincent Malta (CA), Michael McGrew (KS), Kenneth Warden (KY), Frank Kowalski (FL), Jill Stone (ID), Stan Sieron (IL), John Buskirk (FL) and Malcolm Young (LA). Also in attendance were NAR Liaison, Gary Thomas (CA), Sarah Walter of Walter Consulting, and NAR staff members Marcia Salkin, Jamie Gregory, and Linda Goold.

To summarize, the Task Force agreed that NAR should continue to participate in the health reform debate given the importance of the issue to NAR's members. The results of the polling project underscored how dissatisfied Realtors® and the public were with the current health delivery system. Equally important was the strong degree of support among the Realtor® ranks for major health reform.

The Task Force members did note, however, that it was clear that the Realtors® polled – and therefore very likely the Realtor® population in general - were not supportive of the concept of an "individual mandate," i.e. the idea that all individuals should be required to obtain health coverage through either private insurance or a public program. This outcome was not a surprise but was seen as somewhat problematic given the general consensus of Task Force members was that they had been convinced by the expert's earlier beliefs that a necessary component of any successful reform of the health system is an individual mandate.

The Task Force concluded the association's existing AHP/SBHP policy has little or no political viability in the new Congress. The group did agree, however, that NAR's existing SBHP policy should be allowed to stand and staff should continue to look for opportunities for association participation in any small business health reform proposals considered.

The Task Force spent most of its last day of deliberations developing the set of health policy principles outlined earlier to guide NAR's advocacy efforts. The proposed health principles could provide NAR staff with direction needed to participate in efforts underway this Congress to craft a small business health bill. These same policy principles could also be used to react to any future legislative reform proposals.

The group also agreed that a final solution to the nation and the industry's health care problems will most likely require major health care reform either at the national, state or regional levels. The association, therefore, should begin to begin to educate the membership so that they will understand and become engaged in the larger national or state health care debates that are or will take place during the Presidential campaign and throughout the next Congress and Administration.

Appendix

2007 Insurance Task Force Members

Sharon Millett, Chair Coldwell Banker Millett Realty 155 Center Street Auburn, ME 04210 207-782-8311 Tel 207-782-2232 Fax smillett@millettrealty.com	Mary Frances Burleson Ebby Halliday, REALTORS 4455 Sigma Road Dallas, TX 75244 972-980-6600 Ext. 0 Tel 972-991-9142 Fax maryfrances@ebby.com	Mark Cumbest Cumbest Realty, Inc. 17725 Highway 63 Moss Point, MS 39562 228-588-6213 Tel 228-588-6225 Fax mcumbest@cumbestrealty.com
Nick D'Ambrosia Coldwell Banker Residential 1525 Pointer Ridge Pl., Ste 101 Bowie, MD 20716 301-627-7766 Tel 301-627-1942 Fax ndambrosia@coldwellbankermove.com	Gail Duke New York Life Insurance Co. 51 Madison Avenue, Ste. 907 New York, NY 10010 212-576-3956 Tel 646-348-7664 Fax Gail_Duke@nylim.com	Robert Fleck Coldwell Banker Fleck Agency 1520 Bloom Road Danville, PA 17821 570-275-3773 Tel 570-271-0124 Fax bobfleck@verizon.net
Nick French Prudential Santa Fe RE/DG 505 Don Gasper Santa Fe, NM 87505 505-988-3700 Ext. 511 Tel 505-988-7443 Fax nick@daringchange.com	Jo Jenkins Century 21/Mid Iowa Realty 119 W. 2nd Street North Newton, IA 50208 641-792-5071 Tel 641-791-2392 Fax jjenkins@pcpartner.net	Frank Kowalski Metro Dade Realty, Inc. 9875 SW 72nd St. Miami, FL 33173 305-595-2929 Tel 305-596-9780 Fax frankj@frank-approach.com
Bob Kulick Nova Investment Realty 106 W. Campbell Avenue Campbell, CA 95008 408-376-3450 Tel 408-376-3459 Fax bobkul@gmail.com	Vincent Malta Malta & Co., Inc. 4220 California St. San Francisco, CA 94118 415-386-6657 Tel 415-386-6662 Fax vincemalta@aol.com	Michael McGrew CB McGrew Real Estate Inc. 1501 Kasold Lawrence, KS 66044 785-843-2055 Tel 785-843-2466 Fax mikemcgrew@cbmcgrew.com
Henry Ray 3800 Forest Glen Drive Birmingham, AL 35213 205-563-8248 Tel 205-516-7676 Cell hbr@hsy.com	Cynthia Shelton Colliers Arnold 622 E. Washington, Ste. 300 Orlando, FL 32801 407-843-1723 Tel 407-843-4485 Fax cshelton@colliersarnold.com	Stan Sieron Stan Sieron & Company 2 Powder Mill Rd. Belleville, IL 62223 618-398-1800 618-398-8555 sjsieron@peaknet.net
Jill Stone Irwin Realty 800 Falls Ave., Suite #1 Twin Falls, ID 83301 208-734-6500 Tel 208-734-6557 Fax jill@willisandjillstone.com	Kenneth Warden Warden & Associates One S. Ft. Thomas Avenue Ft. Thomas, KY 41075 859-781-8696 859-781-8699 kwarden4@insightbb.com	Malcolm Young Louisiana Realtors Association 4639 Bennington Ave. Baton Rouge, LA 70808 225-923-2210 Tel 225-926-5922 Fax Malcolm@larealtors.org

National Association of REALTORS® Insurance Task Force Staff		
Marcia Salkin Managing Director, Public Policy 202-383-1092 Tel 202-434-9659 Fax msalkin@realtors.org	Russell Riggs Regulatory Representative 202-383-1159 Tel 202-383-1284 Fax rriggs@realtors.org	Tom Heinemann Policy Representative Commercial & Appraisal 202-383-1090 Tel 202-383-1204 Fax theinemann@realtors.org
Ken Trepeta Regulatory Policy Representative 202 383-1294 Tel 202 383-1204 Fax ktrepeta@realtors.org	Mark Washko Sr. Environment Policy Representative 202.383.7526 Tel 202.383.7580 Fax mwashko@realtors.org	