

NAR Frequently Asked Questions

Health Insurance Reform

NEED FOR REFORM – A REALTOR® PERSPECTIVE

Q-1: Why is health insurance reform being discussed in Congress?

A: Health insurance has become increasingly too costly and difficult to get for individuals, the self-employed, as well as small **and** large employers. Health insurance premiums have risen steadily and more rapidly than wages over the past decade, making it difficult for many to afford health coverage. At the same time, insurance companies often deny coverage to individuals who need it most. In some states, one or two health insurance companies have near-monopoly status, adding to the inefficiency and high costs of health insurance. The reform debate has sought to resolve these challenges.

Q-2: Even if there is a need for reform, why did NAR – a real estate association - get involved in the health reform debate?

A: NAR is a real estate association, but part of its portfolio is to work for the benefit of its members, as well. NAR has heard loud and clear from Realtor associations and the membership for more than seven years that the current healthcare system puts REALTORS® at a particular disadvantage. The overwhelming majority of NAR's 1.2 million members are self-employed. As independent contractors, their only access to medical insurance is through the individual insurance market--the most costly, selective and inefficient segment of the private insurance industry. This situation has left 28% of NAR's membership, as well as many of their dependents, uninsured; many others are underinsured.

Q-3: Why doesn't NAR just offer its members a group plan? With 1.2 million members certainly we're big enough to do so.

A: For most of NAR's existence, health insurance was something most members were able to purchase inexpensively in the individual market or obtain through a spouse's employer, a retirement benefit or a veteran's benefit program. Only in the last decade has demand for more accessible, affordable health insurance outstripped the insurance industry's capacity to provide it. While NAR's Member

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Benefits program has continued to explore the options available, a viable comprehensive health insurance option has not been found.

In today's current health insurance markets, premium costs have been a sizeable obstacle for a fully-insured Realtor health insurance program:

1. Demographics of the REALTORS® population: REALTORS® as a group tend to skew older; today, the average age of a NAR member is 54 years. Since older individuals tend to have more health needs, NAR has not found an insurer willing to offer an insurance program at a price that the membership would be willing or able to pay.
2. The structure of an association plan is also, by definition, very different than an employer provided plan. These differences have made insurers reluctant to offer a true group plan (guaranteed issue, uniform premiums, no health underwriting, etc.) to associations of independent individuals.

Employees enrolled in plans at work (a) pay only a small portion of the premium, (b) have the premium withdrawn by their employer from their paycheck, and (c) cannot enter and exit the plan freely. The sizable subsidy encourages very high rates of participation by young and healthy employees who enroll and stay enrolled.

Insurers argue that actuarial data demonstrates that independent individuals who personally pay the full premiums tend to move in and out of the insurance market based on their personal financial circumstances and, most importantly, their health status and/or perceived need for health services. This is especially true when a plan is a guaranteed issue policy, i.e. you can't be turned down. As a result, those most likely to enroll in a voluntary, unsubsidized group plan tend to be those individuals who are unhealthy (and most need coverage) and/or those who know that they need or want an elective procedure i.e. knee replacement, pregnancy, etc. Consequently, enrollees in this type of plan make claims at a much higher rate than is the case in an employer pool of a similar size. And as a result, insurers shy away from creating such plans.

3. 50 States and 50 Different Sets of State Insurance Regulations: Current law impedes associations from offering a plan that satisfies the requirements of all 50 States. We are aware of no insurance provider with sufficient geographic scope to cover the entire membership. The complexity of the fifty different sets of state insurance laws has encouraged many insurers to abandon many

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markets. As a result, there is not enough competition to help keep prices low for a group like our membership.

The alternative to a privately-insured product would be for NAR itself to get into the insurance business and devise its own self-insured plan. NAR has been unwilling to undertake such an enterprise due to the very significant financial risks that such a program would impose on the organization. In the past, a number of state associations - both large and small - have tried to offer their own self-insured products to their members. All of these enterprises have failed. These efforts have imposed significant financial burdens that have compromised core member services. For the present, NAR believes that, as an organization with no experience or expertise in the insurance business, it will not create its own self-insured program. If insurance professionals are unwilling to take on the risk associated with a national plan for Realtors, then NAR will not attempt to enter the marketplace.

Q-4: What has NAR done to help REALTORS® get affordable, effective health insurance coverage?

A: For at least seven years, and through periods of both Republican and Democratic congressional control, NAR has worked on four major pieces of health insurance reform legislation. The goal has been to devise bills that would allow small businesses and the self-employed to negotiate for improved health insurance products and have access to more affordable “group coverage.” NAR has been a leading player involved in the drafting and advocacy of both bipartisan and majority-only legislation including the Small Business Health Option Program (SHOP), Small Business Health Cooperatives (CHOICE), Small Business Health Plans (SBHPs), Association Health Plans (AHPs), as well as a number of health-related tax measures. The SHOP bill’s underwriting and rating reforms served as the basis for many of the underwriting and rating provisions contained in the final bill signed into law.

Throughout the comprehensive reform debate, NAR engaged in the legislative process by meeting regularly with Members of Congress and their staffs as well as the Obama Administration to voice our concerns about different aspects of proposed legislation. Additionally NAR testified and submitted statements at a number of congressional hearings, and sent letters to Congress outlining our position on various proposals.

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The healthcare issue has also been one of the top four issues that REALTORS® discussed with their Representatives and Senators during each NAR Midyear (Washington, DC) Meeting since 2003.

NAR's leadership has testified before both the House and Senate on the need for reform to address the problems faced by the Realtor community. The issue has also been the focus of Calls for Action urging Congress to enact the various bills that NAR has supported. In addition, our Issue Advocacy program has regularly put out both print and radio ads in the DC media market and in some Congressional districts, as well. These ads have called attention to the health insurance challenges that REALTORS® and other self-employed individuals face.

Copies of NAR's testimony and letters to Congress throughout the process can be found at www.realtor.org/healthreform under "NAR Takes Action."

In addition, NAR's Member Benefits program has continued to explore the policy options available in today's insurance markets. To date, a viable comprehensive health insurance option has not been found.

NAR has been able to put together a guaranteed issued, limited health insurance plan for members. The REALTORS® Core Health Insurance (RCHI) offers coverage for basic medical services. RCHI is available to NAR members aged 18-65. The program does not offer a comprehensive benefit package. More information on the program can be found at http://www.realtor.org/realtor_benefits/benefits_partners/core_health_insurance.