

There are two types of consumer directed products:

HSA

- The Health Savings Account is employee owned.
- Offered only with a High Deductible benefit plan.
- Can be funded by the employer and the employee.
- Deposits are tax free.
- Remaining funds rollover at the end of the plan year.
- Funds can earn interest or be invested.
- Funds can be disbursed for qualified medical expenses without tax implications.
- HSA is portable.

HRA

- Employer funds and controls financial disbursement arrangements.
- Can be used for qualified medical expenses.
- Employees don't contribute funds to the HRA Account.
- Remaining funds rollover at the end of the plan year at the employers discretion.
- Usually linked to a high deductible benefit plan, but the link to the benefit design is flexible.
- Funding can be designed to match insurance coverage.
- FSA compatible.

LIA Health AllianceSM
New York's Health Insurance ExchangeSM

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2010 BROKER'S SELLING GUIDE

CONSUMER DIRECTED BENEFIT PLANS



Get the freedom of choice with your health insurance



New York's Health Insurance Exchange

The LIA Health Alliance is available in New York City,
Long Island, Westchester and Rockland

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Introduction

Consumer Directed Health Insurance Products have captured the increasing attention of businesses because of the bottom line impacts of high cost Traditional Health Insurance. This is a Consumer Directed Product selling guide for brokers.

What is the current status of the small group health insurance marketplace?

- Health insurance costs have become an increasing financial burden for small businesses and their employees... especially true in difficult economic times.
- The health insurance market is mature with very little movement.
- The commercial health insurance market is shrinking:
 - 69% of businesses were offering health insurance in 2000... and now it's approximately 60%.
 - Small businesses are reducing or terminating coverage.
 - Employees are refusing coverage because their contribution costs are high.
 - Small business employees are moving to spousal coverage with larger employers.
 - Small business employees are enrolling into New York State safety net programs... like Child Health Plus and Family Health Plus.
- Employee contributions have been increasing every year; the national average is approximately 30%.
- The uninsured population is approximately 16% of the total New York population.

Why should a broker sell Consumer Driven Products?

- They offer the best possibility for winning new sales in a mature market that is heading towards "reform."
- The market is demanding low price points...especially with uncertain economic times.
- If you don't sell them, other brokers will and gain a significant advantage.
- You will be able to increase your commission with high volume sales... especially as the market begins to move away from traditional coverage.
- A market that is about to undergo significant reform is an enormous selling opportunity for brokers... such an opportunity does not come along very often.
- If you develop consumer driven product selling expertise, you will build a competitive edge that will last through the reform period... and beyond.

How should a broker sell Consumer Driven Products?

- Talk about changing marketplace reform and the trend towards consumerism.
- Explain that **employees** replace PCP's as gatekeepers and become empowered consumers. Employees get control over their health care expenses.
- Explain that the driving force behind the introduction of consumer driven products is the high cost of traditional health insurance.
- Talk about tax free HSA money and investing. Talk about HRA financial advantages.
- Explain that the savings in total premium dollars for a small business must be significant enough for the employer to fund employee HSA's and employer HRA's.
- Point out that the financial advantages for HSA products get better year after year. Focus on the HSA investment earnings potential in your sales pitch.
- Make more than one visit to the client and follow-up with emails and telephone calls. Remember these products are new and require more time to finalize a sale.
- Target both employers and employees with your sales pitch. It's a two-part sale.
- Offer consumer directed products to, both, your existing client base and new prospects. This will maximize your potential to KEEP your current business and get new business.

The LIA Health Alliance Advantage!

- The Alliance is already employee oriented and is already known as a consumer directed product. The consumer platform is already there for you to build on.
- The Alliance offers more choices of consumer driven products than any single insurer.
- You can sell traditional products alongside consumer driven products. There is still one simple enrollment form for employees and one simple bill for employers.
- The Alliance provides easy to read Consumer Product Information.
- The Alliance provides easy to read Traditional Product Information.
- The Alliance is one-stop shopping for small businesses and one-stop selling for brokers.
- The Alliance is a market based health insurance reform product.
- **The Alliance is broker friendly and is a safe harbor in a marketplace that will experience significant reform.**

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