



# State Coverage Initiatives Marketing State Insurance Coverage Programs: Experiences from Four States

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### Executive Summary

In many states, both legislators and executive branch officials are facing increased pressure from constituents to address the lack of affordable health insurance and the growing number of uninsured. In response, states are implementing a variety of state coverage initiatives, including Medicaid expansions, tax credits, and employer and employee subsidies that support the purchase of employer-sponsored insurance (ESI). States that establish health insurance coverage initiatives, however, are finding it difficult to reach enrollment targets. A diverse eligible population, misconceptions about eligibility criteria, and a resource-intensive education and enrollment process are just some of the challenges states must overcome.

This issue brief examines marketing and enrollment strategies in four states that have implemented coverage initiatives. It attempts to draw some conclusions on “best practices.” The University of Maryland, Baltimore County’s Center for Health Program Development and Management (Center) conducted telephone interviews with state officials and health insurance agents and brokers from Arizona, Montana, New Mexico, and Oklahoma to elicit information about the relative success of various marketing strategies. This work builds on a more in-depth assessment of insurance coverage programs that the Center completed in March 2007 for the federal Health Resources and Services Administration (HRSA) and AcademyHealth.<sup>1</sup> That assessment compared program design, financing, affordability, and program administration for six state coverage initiatives.

It was clear from this round of interviews that marketing state coverage expansion programs is a challenging undertaking. Furthermore, the

success of certain marketing strategies depends largely on the structure of each state’s individual coverage program, including whether there is a role for brokers and agents in marketing the product, whether the target population includes only uninsured individuals, and whether the initiative is built on ESI. Despite these variations, the following conclusions were evident and may provide useful information to help states more effectively market their programs.

### Lessons Learned

- 1) **Marketing and public awareness requires a multi-faceted approach** – There is no simple answer to addressing the challenge of creating public awareness. Spreading the word to a diverse and dispersed target population requires states to use a number of creative strategies. State officials, agents, and brokers reported that word of mouth, working with local chambers of commerce, and news coverage of elected officials discussing the programs generated the greatest amount of public awareness of the coverage initiative.
- 2) **The application and enrollment process requires support and multiple entry points** – States should provide applicants with multiple entry points into the program, such as through participating health plans, agents or brokers, and state offices. States must then provide ample technical assistance to retain those who have applied as the application process may be cumbersome and confusing to applicants. Furthermore, small group employers are unlikely to have human resources staff who are experienced in evaluating health insurance options.
- 3) **Plan design encourages, but does not assure, enrollment** – Programs that offer premium subsidies can make the purchase of coverage much less costly to employers and employees. Officials observed, however, that some employers and employees still considered their share of the subsidized premiums to be too costly. States should be mindful that heavily subsidizing a product does not assure enrollment. Some in the target population still may be priced out of the market and others may be unwilling to pay their share of the premiums to obtain coverage. The latter may be especially true for younger, healthy populations—precisely those needed to offset adverse selection from sicker enrollees who benefit most from premium subsidies.
- 4) **Agents and brokers should be involved in the program** – Agents and brokers should be viewed as valuable assets with expertise in both the health insurance industry and the preferences of small group employers. States can use brokers to provide input into the design and administration of coverage initiatives. Compensating brokers at market rates is an effective strategy for encouraging them to market the product. Where statutes or regulations prevent competitive compensation, continuing education credits and use of the state program as a “foot in the door” to new clients may encourage agent and broker participation. In addition, states should capitalize on the distribution networks of the commercial carriers that agents represent as an efficient means to reach target populations. Brokers can also be invaluable to small group employers and individuals by acting as a liaison to the state, assisting in plan selection, and facilitating program enrollment and renewal.

## Introduction

In March 2007, the Center completed a report<sup>2</sup> for the Health Resources and Services Administration (HRSA), an agency of the U.S. Department of Health and Human Services, and AcademyHealth on the practical experiences of a select group of states that have implemented private and public insurance coverage products intended to be more affordable for low-income workers. The study included an in-depth assessment of insurance coverage programs in six states and compared state approaches in four key areas: program design, program financing, methods to keep the program affordable, and program administration. The six states included in that study were Arizona, Michigan, New Mexico, New York, Oklahoma, and Utah.

This issue brief builds on that initial report by examining in more detail two aspects of state coverage initiatives: marketing and enrollment. The analysis addresses two important questions:

- 1) what lessons can be learned from states that have pursued coverage expansions about how to successfully market the product to eligible employer groups and employees; and
- 2) what strategies can states pursue to bring enrollment closer to projected targets?

For this issue brief, we conducted telephone interviews with state officials and health insurance agents and brokers in four states to elicit information about the relative success of various marketing strategies. The information presented in this brief is based on those telephone interviews, as well as information presented in the initial report. No additional data collection was done. The states included in this study were Arizona, Montana, New Mexico, and Oklahoma.

One of the challenges of preparing a brief on this topic is the variability in program design across states. The success of certain marketing efforts, such as the role of brokers and agents, will depend heavily upon the structure of the insurance product and whether there is a role for brokers and agents in marketing and enrollment. General information about how variations in program design affect marketing and enrollment strategies is presented in the brief.

Only one state included in this analysis indicated that it had a data management system that would allow the state to track the source of referrals to determine which marketing efforts were most

successful. Most of the data presented here, therefore, are impressions based on experience by state officials, brokers, and agents. That said, the enrollment numbers in most states are relatively low and the number of program staff within each state is generally small. So, for many states, a sophisticated tracking system may not yield significantly more data than general impressions from administering the program on a daily basis.

The issue brief begins with an overview of each state program. This is followed by a discussion of the primary challenges that states face in marketing insurance coverage programs and an analysis of marketing and enrollment strategies that states have used in an attempt to overcome those challenges. The brief concludes with a discussion of the role of agents and brokers and a summary of lessons learned.

## State Program Descriptions

**Arizona.** The Healthcare Group of Arizona (HCG) was created in 1985 to provide affordable and accessible health care coverage to sole proprietors, small businesses with 50 or fewer employees, and political subdivisions (cities and towns). The program was initially funded by a grant from the Robert Wood Johnson Foundation. It was expanded statewide in 1993. Full-time employees and dependents at qualifying firms are eligible to participate in the program. There is no means testing. As of April 2007, there were 26,498 individuals covered by HCG, which was below the January 2007 target of 43,381. HCG is a state-sponsored public-private partnership that is operated under the Arizona Health Care Cost Containment System (AHCCCS) and is totally separate from the state's Medicaid and SCHIP (State Children's Health Insurance Program) programs. The state contracts with private managed care organizations (MCOs) and a statewide preferred provider organization (PPO) for insurance plans. For the 2005/2006 budget year, the program was self-funded with premium dollars. In April 2007, HCG announced its intention to request additional funding from the state legislature to cover a reported deficit.

**Montana.** Insure Montana, authorized under the Small Business Health Care Affordability Act, was signed into law with bipartisan support in May 2005. Insure Montana comprises two programs: a tax credit program for small businesses in danger of losing health insurance coverage, and a purchasing pool for small businesses that do not offer insurance coverage

and have not offered coverage for at least 24 months. This issue brief focuses primarily on the purchasing pool. The target population for Insure Montana is small businesses with between two and nine employees whose salaries are below \$75,000 (excluding the owner of the company). Premium assistance is offered to both employers and employees to purchase coverage through one of two plans offered by a commercial carrier. The program is funded by a cigarette tax. Enrollment began in January 2006 and, as of May 2007, the purchasing pool had enrolled 735 small employers with 5,100 covered individuals. Insure Montana has a waiting list of interested businesses, but does not currently have adequate funding to expand enrollment.

**New Mexico.** The New Mexico State Coverage Insurance (NMSCI) program began enrolling small employers (those with 50 or fewer employees) and individuals on July 1, 2005. The program provides access to a statewide managed care system primarily targeted to employers and low-wage employees, although low-income unemployed individuals are also allowed to participate. Individuals must have family incomes below 200 percent of the federal poverty level (FPL) to qualify for the program. NMSCI is a Medicaid and SCHIP expansion program. It is funded via New Mexico's unspent SCHIP funds (including the required state match) as well as with employer and employee contributions. The managed care coverage is provided by MCOs that are selected through a competitive bidding process in the Medicaid managed care program; NMSCI is administratively an extension of that program. Because of its low rate of ESI coverage among small businesses, New Mexico opted not to use an ESI model. Although the benefit package for NMSCI is similar to a comprehensive commercial plan, it has a \$100,000 annual benefit limit. As of December 2006, the New Mexico State Coverage Insurance Program had enrolled 4,623 covered individuals.

**Oklahoma.** The Oklahoma Employer/Employee Partnership for Insurance Coverage (O-EPIC) consists of two programs: the Premium Assistance Partnership Program (ESI) and the Premium Assistance Public Program (Individual Plan). The focus for this issue brief is ESI, a program directed at small group employers. The target population is adults with incomes under 200 percent FPL who work for small employers (an employer with 50 or fewer employees). A Health Insurance Flexibility and Accountability (HIFA) waiver program,

O-EPIC is funded via federal matching Medicaid funds, state tobacco tax funds, and individual and employer premiums. ESI utilizes the private insurance market and subsidizes the cost of health insurance premiums for employees. The state's goal is to allow market forces to determine the benefit package and to integrate eligible employees with the private insurance marketplace rather than have them depend on state health programs. Premium Assistance began enrolling beneficiaries in November 2005 and had enrolled 2,500 individuals as of May 2007. An additional 200 businesses have been approved to participate, but have not yet enrolled anyone.

### State Coverage Program Marketing Challenges

States with insurance coverage expansion programs face a number of challenges in reaching uninsured populations. These problems include, but are not limited to: designing products that will target populations not already eligible for existing program expansions under Medicaid or SCHIP; identifying limitations in the existing insurance market; and designing programs that will expand coverage rather than crowd out an existing public or private market. With regard to outreach, marketing, and enrollment, an additional set of challenges were consistently referenced by those interviewed for this brief:

- A diffuse target population
- A lack of dedicated human resources staff
- Influencing program design and product appeal
- Shaping public perception

**A diffuse target population.** By design, most state coverage expansion programs target small group employers (often defined as those with 50 or fewer employees). States are challenged, therefore, with identifying venues that will reach a concentration of small group employers. Even if the state successfully does sign up an employer group, enrollment in the coverage expansion will be limited by the fact that it is a small group employer. In fact, although employers with 50 or fewer employees are allowed to participate in most of the programs, the experience of the states interviewed for this brief suggests that the average number of covered individuals per enrolled employer group is less than five. A significant amount of effort is necessary to educate an eligible employer and sign it up for the program, only to enroll a handful of its employees. The states interviewed faced the additional challenge that their populations were predominantly rural and therefore more geographically dispersed.

#### **A lack of dedicated human resources staff.**

Many small employers do not have human resources departments with staff who are knowledgeable about the intricacies of the health insurance marketplace. As a result, state program staff, agents, and brokers reported that they spend considerable time educating employers and employees about health insurance programs and assisting them with the necessary paperwork; in effect, acting as the small employer's human resources department. This additional time spent educating each individual employer group comes at the cost of spending additional time and effort marketing to potential new enrollees. This also requires a level of understanding on the part of program officials regarding the intricacies of the small group market and the needs of small employers.

#### **Influencing program design and product appeal.**

The strongest marketing strategies may not succeed if the product being offered is not appealing. Program and product design issues that affect successful enrollment include competitiveness with commercial products (in price as well as benefit design), broker incentives (to encourage marketing and product promotion), ease of enrollment, and whether the product design is attractive to all employees in a group or is targeted or priced to assist only those for whom commercial products are not available or affordable. That said, decisions regarding program design and product appeal are often outside of the control of the state agency administering the program. Legislation and regulations at both the federal and state levels may impact the design of the program. States need to consider how to highlight the program's benefits when developing an outreach strategy.

**Shaping public perception.** The key to any advertising and marketing campaign is shaping the public's perception of the product. State coverage expansion programs must address several issues related to public perception, including questions about funding and the long-term viability of the program, misconceptions about eligibility, reluctance to get involved in a government program, and a belief among some young, single, or otherwise healthy workers that the cost of health insurance outweighs any benefits.

One of the questions we posed in each of our interviews was whether employers or employees were reluctant to participate in a state-funded insurance program due to concerns that the program might not continue to receive funding in future years or a perception that participation would result in increased government involvement in an employer's business. The responses to this

question varied. Some respondents suggested that, rather than expressing concern, people (especially employers) were grateful that "the government" recognized the problems that small businesses face and was doing something to make health insurance more affordable. Other respondents acknowledged that some employers were reluctant to offer a benefit to their employees through this program because they were concerned that funding would not last long-term and their employees would expect them to continue providing the benefit once the state subsidy had ended. Nearly all of those we interviewed suggested that if they heard such concerns, they worked hard to convince the potential enrollees to take advantage of the program while it was available.

Some of the agents and brokers suggested that enrollment may be lower than projected because employers do not realize that their employees meet the income guidelines set by the various state programs. Several respondents remarked that income disregards, in particular, are hard to explain in marketing materials. Employers also may not be aware of their employees' personal circumstances that may impact eligibility (e.g., number of children, other sources of income). States need to make extra efforts to explain income and asset guidelines in ways that encourage potential enrollees to discuss their specific situations with a knowledgeable official or broker who can address eligibility intricacies.

Brokers and agents, in particular, reported that some employers were reluctant to "take a government handout" or have the "government involved in my business." They reported reluctance on the part of some employers to share information with state agencies necessary for the administration of the program. Coverage programs that maximize the use of commercial products and rely heavily on agents and brokers may encounter less resistance with those concerns as much of the paperwork is handled by agents whom businesses know and trust, and not by a government employee.

Finally, some state officials mentioned that they spent considerable time educating the public about the importance of health insurance and explaining why an individual should build health insurance premiums into his or her monthly budget. This barrier appeared to be greatest among those with the lowest risk: the young, healthy, and mostly single individuals, who often see little value in purchasing health insurance. Yet this population may be the most critical population to include in a state coverage initiative in order to counteract potential adverse selection.



## Marketing and Enrollment Strategies

This section of the brief addresses several of the marketing, outreach, and enrollment strategies that have been used by states and includes suggestions from both brokers and state officials for maximizing their effectiveness. It discusses marketing and enrollment in three phases:

- Creating awareness of the program
- Marketing the product
- Enrolling eligible individuals

### Creating Awareness of the Program

A first step in marketing state coverage initiatives is creating awareness of the program. As mentioned earlier, one of the greatest challenges with marketing state coverage programs is identifying methods for reaching a diffuse population of potentially eligible employer groups and enrollees. Both brokers and state officials can play important roles in this area.

**Identify your target population.** One of the questions that a state must answer is whether to focus marketing efforts on eligible employers, eligible employees, or both. Because most state coverage initiatives define the eligible population by the size of the employer group, targeting employers is a natural first step. Employers decide whether or not to spend fringe benefit dollars on health insurance coverage. Furthermore, depending on the structure of a state's program, the only pathway to eligibility may be through ESI.

Most of the states focused their marketing efforts on employers, but recognized that public awareness of the program could also play an important role in generating interest among eligible employees who may ask their employers to participate. States were hopeful, and some brokers suggested, that in a tight labor market employers would recognize that offering health insurance coverage could improve employee retention. In states where the coverage initiative does not require employer participation, public awareness plays an even greater role. At least one state reported that 40-60 percent of referrals to its program come from "word of mouth," suggesting that people are talking about the program in that state and highlighting the importance of public awareness as a marketing tool.

**Find your target population.** Once a state has defined the target population, the next step is to find that group. Most of the states interviewed employed marketing efforts that were directly targeted to potentially eligible populations. These efforts included direct mail campaigns to small

businesses, educational sessions offered through area chambers of commerce or business and trade associations, and advertisements in community and economic development newspapers. States pursued these efforts because they believed that these venues provided a more concentrated focus on potentially eligible employer groups and most states reported success with such programs.

Agents and brokers also supported these strategies. One broker, in particular, very successfully used direct mail targeted at small employers at the inception of the state's program to identify new clients and build considerable business. Another broker was eager to partner with the state to offer educational sessions to trade associations to increase awareness of the product and gain referrals for potential enrollees. One state offered to share the cost of advertising with brokers who developed advertisements that promoted the coverage program.

Success with traditional, more broad-based commercial advertising strategies, such as television, radio, and billboards, was difficult to quantify. One state had only recently pursued this strategy and another was about to launch such a campaign in an effort to increase interest, awareness, and enrollment. Traditional advertising campaigns that focus on television, radio, billboards, and advertisements in major metropolitan newspapers require a considerable investment and the one state that previously pursued this option suggested that the return on investment was not worth the cost. It is important to remember, however, that this represents the experience of only one state and a detailed examination of the design of the state's marketing campaign was beyond the scope of this brief.

Most states reported that they did not have enough money for advertising or ran into restrictions on how state funds could be used for marketing. Two states reported that the publicity generated during the Robert Wood Johnson Foundation's "Cover the Uninsured Week" each year increased awareness of their programs, but that they did not have enough resources to capitalize on that additional publicity.

### Capitalize on "free" marketing opportunities.

Officials in more than one state reported that news coverage of elected officials (especially governors) mentioning the program generated inquiries about the program. One state did not even have to spend money on direct advertising because the insurance commissioner and the governor had spent considerable time visiting areas of the state to promote the program, resulting in "free" advertising

through local news outlets. One state cautioned, however, that so many issues compete for a place on a governor's agenda that such executive level advocacy cannot be relied on as a regular marketing tool. Another state suggested that its most successful outreach efforts had been through press releases that had generated news stories on television, radio, and in print.

Agents and brokers offer "free" advertising for states as well, once they have learned about the state coverage initiative. Agents and brokers are often the ones talking with potential employers or individuals who are seeking to purchase insurance. This provides a perfect venue for creating awareness of the coverage initiative with a captive target population who is interested in purchasing insurance. States should not ignore the opportunity to spread the word through agents and brokers using creative methods such as sharing advertising costs.

### Marketing the Product

Many of the states used their marketing campaigns to create awareness of the program in general and to encourage interested individuals to call a central state office or ask their agents or brokers about the program. The next phase of marketing a state coverage initiative is to educate potential enrollees about the program's benefits and the actual product being offered.

**Educate potential enrollees.** State officials, agents, and brokers agreed that the process of explaining the advantages of the coverage product is time consuming but critical to the success of the initiative. As previously mentioned, very few small businesses have access to human resources experts who understand the intricacies of evaluating health insurance coverage options. The issues are similar in states where individuals can apply without employer involvement. State officials found a general lack of understanding about health insurance,

### Tips for Successful Marketing:

- Maximize the use of brokers to generate awareness of the program.
- Capitalize on free marketing opportunities such as Cover the Uninsured Week and publicity from political figures.
- Utilize the distribution networks of private carriers who participate in the program to reach targeted groups.
- Avoid using the term "Federal Poverty Level."

especially among those who have not recently had access to coverage—the very population being targeted by these programs. The education process requires someone to evaluate the circumstances of each employer group (or individual) to determine who meets the eligibility requirements, what the premium costs would be, and what benefit package, if alternatives are available, would be most appropriate.

**Take advantage of agents and brokers.** Agents and brokers, in particular, stressed their contribution to the success of the coverage initiative in this area. They believe that their understanding of the health insurance market, their experience evaluating different health insurance mechanisms for dealing with the unique needs of clients (especially small employers), and their familiarity with health questionnaires was invaluable. Agents and brokers interviewed for this brief also observed that state program offices had limited staffing and that agents and brokers served as extensions for that staff. In states where the coverage program is only available through ESI sold by agents and brokers, their role is obviously critical. In these states, agents and state officials have access to insurance carriers' existing distribution networks in order to market the program. Working with agents and carriers, therefore, offers states the opportunity to reach targeted employers effectively and efficiently. For example, one agent reported that a participating insurance carrier provided agent training sessions and produced marketing materials, at no cost to the state, for the state coverage program.

### Enrolling Eligible Individuals

The final step is to enroll eligible individuals in the program. In all of the states we examined, state officials maintained a key role in evaluating eligibility criteria (e.g., income, citizenship, and residency). Agents and brokers may also be involved in enrollment, depending on the structure of the coverage initiative and how the individual was referred.

**Streamline the enrollment process.** Strategies for making enrollment as easy as possible are important. It is possible that once you have convinced someone to take advantage of the health insurance product offered through the state initiative, they will tolerate a burdensome enrollment process; however, a state may lose prospective enrollees if the perception forms that the enrollment process is cumbersome. Furthermore, agents and brokers who find the process frustrating and time consuming will quickly lose interest in promoting the coverage initiative as an option for their clients, especially if the agents and brokers do not get

compensated at competitive rates.

Agents and brokers from many of the states complained about the enrollment process, citing cumbersome paperwork, duplicative forms, and lengthy contracts. They also expressed concerns about the inaccessibility of state staff to answer their questions and their belief that employers and employees would not be able to navigate the enrollment process without assistance from a trained professional. Some brokers suggested that the state did not recognize the importance of meeting deadlines through a health insurance enrollment process. States that are unable to make eligibility and premium cost estimates quickly do not give agents and individuals sufficient time to evaluate the costs and benefits of state programs versus private plans. If states cannot provide and process enrollment information in a timely manner, employers and agents may simply choose a private plan with a known cost rather than gamble on the state-subsidized premiums being lower. While this problem was not universal, the key message was clear: states should do everything possible to make it easy on agents, brokers, employers, and employees to enroll in these programs.

States were mindful of these concerns and state officials reported working on many levels to address perceived duplication and administrative burden in order to facilitate the enrollment process. In many cases, states must balance the fair implementation of regulations with administrative simplicity. States that built their coverage expansions from their Medicaid programs faced the additional burden of having to verify citizenship.

**Facilitate renewal.** Many of the agents and brokers raised issues related to the annual renewal of enrollment in the state coverage initiative program. In some states, agents and brokers get paid the same commission as they do when initially enrolling an individual or group. In other states, agents and brokers are paid nothing on renewal. With agents and brokers often filling the role of human resources staff, the effort required to enroll a small employer in a state coverage initiative may exceed that of enrolling an employer in a private market alternative. States that offer a public coverage product are frequently prohibited from paying agents and brokers anything other than a one-time fee upon initial enrollment. The absence of a traditional commission and an annual renewal commission (all standard in the commercial market) serves to dissuade agents and brokers from investing the time required to enroll individuals in state coverage initiatives. Agents and brokers in states that did not offer commercial-equivalent

fees indicated that they typically marketed the state program as an insurer of last resort to individuals who simply could not obtain a commercial product—a practice that results in adverse selection for the state coverage initiative.

Agents and brokers provided varying accounts of the actual renewal requirements imposed on program participants. A broker in one state expressed concern that the state was too lenient during annual renewal and seemingly allowed enrollment to continue with minimal verification of an individual's continued eligibility. This broker also observed that initial eligibility verification was very easy. Another broker, in the same state, reported that the process of initial eligibility verification was very difficult and described state officials as treating all applicants as ineligible and requiring that they prove otherwise. This broker described the annual renewal process as equally difficult. These starkly different assessments of the same state initiative may be indicative of inconsistent program administration or may simply reflect the general impressions of two unique brokers. Agents and brokers in most states described the annual renewal process as either less difficult or no more difficult than the initial eligibility verification process.

States considering a coverage initiative must be mindful of the renewal process when designing a program. As with the initial eligibility verification, the renewal process should not be so cumbersome or time consuming as to dissuade continued participation, but neither should it be so minimal that individuals no longer eligible for coverage continue to receive publicly subsidized coverage. This is especially true in states with limited program funding and enrollment caps, where continued enrollment of ineligible individuals likely would result in the exclusion of newly eligible individuals.

### More Tips for Successful Marketing:

- Offer continuing education credits to brokers that attend training sessions on the state coverage program.
- Offer to list brokers' names on the program website if they participate in a minimum number of training sessions.
- Ask brokers who sell the product to agree to attend one training session each year.
- Share broker marketing costs for materials that promote the coverage initiative.

## The Role of Insurance Agents and Brokers

States that pursue coverage initiatives should consider carefully the role that agents and brokers will play in the design and marketing of the product. Agents and brokers understand the health insurance market and have experience working with employers to evaluate health insurance options given the unique characteristics of the employer group. Agents and brokers also have experience marketing to small employers and may be better equipped than state officials and agency staff to deal with the unique needs and concerns of small employers. Furthermore, agents and brokers understand the practical realities of enrolling employer groups and renewing insurance products and can offer important insights into the eligibility and administrative processes of state programs. All of these assets can help to increase awareness and understanding of the product, leading to increased enrollment.

Some of the states discussed in this issue brief involved agents early on in the design of the state coverage initiative, whereas other states incorporated them later in the process. It was clear from our interviews, however, that the role of insurance agents and brokers varies among the states, in part due to the structure of the individual state programs. Program design issues that may impact the role of agents and brokers include whether the coverage expansion is built on ESI, whether the product is competitive with commercially available products for uninsured populations, and what level of commission the agents and brokers receive for enrolling and re-enrolling individuals.

In states where coverage expansions build on ESI, agents and brokers play a key role in identifying eligible employers and employees and enrolling them in the program. Agents and brokers already are engaged in marketing to employer groups and many embraced the opportunity to market the state subsidy to businesses that previously had not been able to afford to purchase health insurance coverage.

One factor that may be driving increased involvement of agents and brokers in the two states that built on ESI is that broker commissions in those two programs are equivalent to selling a commercial product. In fact, the states are not involved in reimbursing the agents and brokers at all; commissions are paid by the health insurance companies. Agents and brokers in these states do not risk

The interviewees were asked to assess the role of brokers or agents in their respective programs. Their answers stressed just how important brokers/agents are:

- “Important”
- “Essential to getting the paperwork completed”
- “Very important”
- “Underutilized”
- “Extremely important”
- “Important to the success of the program”
- “Critical”
- “Paramount”
- “Typically necessary for the selection of a health plan”

losing income by linking an employer group or an employee to the state coverage program. While brokers in the states with ESI expansion programs admitted that the state subsidy required some additional paperwork, they did not report significant complaints. They realized that the subsidy is increasing the number of people who are able to purchase insurance and therefore increasing the broker's overall sales.

Officials in states with state-sponsored programs (i.e., coverage initiatives not built on ESI) reported a lower percentage of referrals from agents and brokers than states with expansions built on ESI. This may be the result of several factors. First, agent and broker involvement is not necessary in the states with state-sponsored programs. Individuals, sole proprietors, and employers may all work directly with state program staff to get enrolled. While state officials recognized that brokers and agents could play a key role in increasing enrollment, their experience suggested that only a handful of brokers were interested in marketing the program. In one state, officials suggested that expanding the number of brokers educated about the program probably would not have a large impact on enrollment numbers because a small number of brokers were responsible for the bulk of the broker-initiated enrollment, while others only brought in one or two cases a year. The effort of certifying each broker on an annual basis therefore “wasn't worth it” according to one informant, given the small number of cases they enrolled. There was some feeling, too, that these individual cases represented adverse selection. Another factor that may impact the number of referrals from brokers in states with state-sponsored programs is the fact that broker

commissions are much lower in these states for the coverage program than for commercial insurance, leaving brokers with less incentive to promote the product. Agents and brokers in those states reported dissatisfaction with commission levels when compared to the amount of work it took to enroll an employer group or employee.

As experienced professionals in the health insurance industry, agents and brokers can offer valuable insight into the design and administration of a program. In cases where the targeted population is small employer groups, agents and brokers may have the most experience with and knowledge of that population's health insurance needs. Many employer groups rely heavily on the expertise of agents and brokers to assist them in selecting a cost-effective health insurance package, as well as to help them fulfill the administrative requirements for eligibility and renewal of state and private programs. Overall, most of those interviewed regarded the contributions of agents and brokers as important to the success of the program.

## Lessons Learned

The first lesson learned through this process is that **marketing and public awareness requires a multi-faceted approach**. Marketing and raising public awareness of coverage initiatives are continual challenges for states. The fact that the target population is both diverse and dispersed requires states to implement several creative strategies to generate interest in the program. There was little consensus with regard to the best marketing approach and states certainly need to tailor their outreach approach to address the unique aspects of their target population and program design. State officials, agents, and brokers reported that word of mouth, working with local chambers of commerce, and news coverage of elected officials (especially governors) discussing the programs generated the greatest amount of public awareness of the coverage initiative.

The second lesson is that **the application and enrollment process requires support and multiple entry points**. Agents, brokers, and state officials in all but one state described their respective eligibility and application processes favorably. Respondents emphasized the need for multiple points of entry, such as through participating health plans, agents or brokers, and state offices. Agents and brokers, in particular, emphasized that employers and employees need a great deal of assistance throughout the enrollment process. Small group employers may not have a



dedicated human resources professional, requiring the agent, broker, or state officials to spend considerable time evaluating eligibility, completing paperwork, and facilitating the enrollment process. This resource-intensive process may only yield a handful of enrolled covered lives.

### The third lesson is that **plan design encourages, but does not assure, enrollment.**

In states that offered a subsidy, whether for a commercial product or for a state-designed product delivered by a commercial carrier, the total unsubsidized premiums, as well as the benefit package, were described as competitive or consistent with comparable commercial products. As such, the addition of the public subsidy made the programs much less costly to the employer and employee than a comparable commercial product. However, even in states with relatively high subsidies, officials observed that some employers and employees still considered their share of the premiums to be unaffordable. This suggests that even a heavily subsidized product still may leave some in the target population priced out of the market or unwilling to pay their share of the premium to obtain coverage. Agents and brokers also reported that some employers were unwilling to start offering a benefit with no guarantee that the subsidy would continue in future years.

The final lesson is that **involving agents and brokers in the program is beneficial on many levels.** All states but one recognized a significant role for agents and brokers. It is worth noting that the one state to not explicitly embrace the contribution of agents and brokers relies less on the commercial insurance market in its coverage initiative and has hired its own sales representatives. The legislature in this state also prohibited the program's administrators from paying agents and brokers a traditional commission, limiting their payment to a one-time fee. Coverage initiatives in the other states make greater use of the commercial market to deliver care, especially in those states that subsidize existing commercial products. As such, one might expect an enhanced role for agents and brokers. In these states, the agents and brokers are viewed as "important factors" in program success. One state official remarked that "agent involvement is typically necessary for health plan selection and enrollment" by small businesses. Another official observed that "the complexity of the small group market necessitates broker participation." Given the important role of agents and brokers, several states have implemented strategies to encourage

their participation, including offering education and certification programs and continuing education credits, maintaining a list of program certified brokers on the program website, and sharing advertising costs with agents for marketing materials that are specific to the coverage initiative. Said one state official, "it has been extremely helpful to have agents involved in our program."

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### Key Informants From Each State

#### Arizona

Jeff Hoopes  
Michael Malasnik  
Mary Steigerwald (Healthcare Group of Arizona)

#### Montana

Lisa Crowley (Insure Montana)  
Jim Edwards  
Tim Garden

#### New Mexico

Shelley Burt  
Howard Shaver  
Mari Spaulding-Bynon (New Mexico Human Services Department)

#### Oklahoma

Nicole Altobello (Oklahoma Health Care Authority)  
Jim Hampton  
Tyler LaReau  
Matt Lucas (Oklahoma Health Care Authority)

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### Endnotes

1 This report is available at [www.statecoverage.net/pdf/HRSARreport0307.pdf](http://www.statecoverage.net/pdf/HRSARreport0307.pdf).

2 Efforts to Expand Coverage to the Uninsured: Program Design Challenges and Tradeoffs in Six States available at [www.statecoverage.net/pdf/HRSARreport0307.pdf](http://www.statecoverage.net/pdf/HRSARreport0307.pdf).