

To: COHBE Board

From: Jim Sugden

Subject: Broker Appointments

Date: February 1, 2013

Background:

On August 27, 2012 the COHBE Board unanimously adopted the following policy position regarding the relationship between COHBE and brokers and agents:

1. COHBE should partner with brokers and agents
2. Broker and agent compensation should be comparable inside and outside the Exchange
3. Brokers and agents will participate in both the Individual and SHOP Exchanges
4. Individuals and small businesses should NOT be required to use a broker or agent

Operational Implementation:

Over the period of 7/1/2012 through 12/31/2012 COHBE staff consulted with carriers, brokers, advisory groups and outside consultants regarding broker/agent appointment and compensation models and their potential effect on COHBE's operations and sustainability. Based on that research COHBE will move to operationalize the Board's policy in the following ways:

- Producers who become certified to sell through COHBE will be **required to function in a broker capacity representing all health plan carriers** and all products offered on the Exchange that market through brokers. This approach is consistent with COHBE's board adopted policy of minimizing "steerage" and encouraging certified brokers and licensed customer service staff to present health plan options to prospective clients in the most unbiased way possible.
- Participating **brokers will receive training and certification in both Individual and SHOP exchange** operations in an effort to offer prospective exchange clients the broadest possible array of plan options for which they may be eligible.
- **Health plan carriers that use brokers will be required to appoint** brokers that have met all certification requirements of the Exchange. Brokers will be required to work with carriers to ensure that they have obtained the required appointments. Where necessary, COHBE will work with brokers and carriers mediate carrier actions to deny or terminate a certified producer's appointment.
- **COHBE will develop other operation rules as required** to create an efficient market that operates in the best interests of consumers with due regard to the interests of brokers and carriers.

Contractual Specifications for Carriers and Brokers:

Operational Implementation of the Board's 8/27/2012 policy decision depends on efficient and orderly appointment and retention of certified brokers. To achieve this, the following provisions should be included in contractual agreements with carriers and brokers:

1. As a condition of certification and continued Exchange participation, carriers that elect to market their products through brokers will be required to appointment all COHBE certified brokers. COHBE will reserve the right to audit broker appointment status with carriers at any time.
2. As a condition for certifications, brokers will agree to become appointed through all exchange carriers that elect to market their products through brokers.
3. In the event that a carrier that markets their exchange products through brokers wishes to reject a certified broker's request for appointment, they will agree to review reasons for such rejection with COHBE and will work with COHBE to find appropriate alternatives to rejecting the appointment wherever possible.
4. Carriers will agree to review the termination of any COHBE certified brokers with COHBE prior to final termination of such certified broker. The carrier will work in good faith with COHBE to implement appropriate remedial action (such as a probationary period or retraining) to avoid the termination whenever possible.