Field Marketing Organizations Economic Analysis for The White House Office of Management & Budget

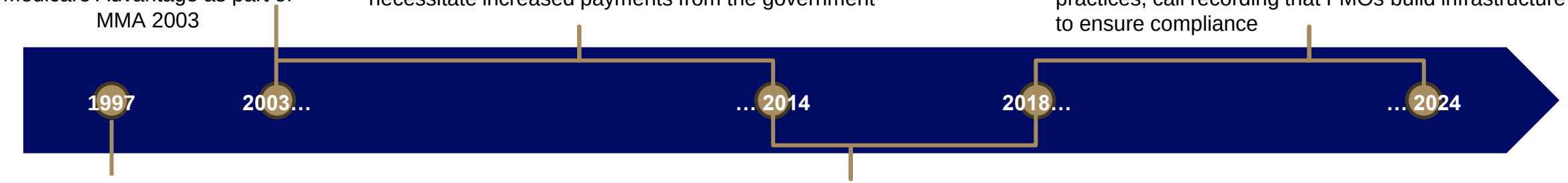
March 7th, 2024

Field Marketing Organizations (FMOs) have played an important role in the insurance industry for decades; they emerged more prominently with Medicare Advantage

- Medicare is primarily distributed through “Captive Agents” who are employed or contracted with a single carrier
- Medicare Advantage popularity grows and enrollment triples from 5.0M to 16.0M, but consumers are forced to meet with agents from multiple carriers to understand their options
- As plans build distribution networks, they create fixed costs that necessitate increased payments from the government

The FMO model gains popularity as it enables training around new plans that are more tailored to consumer needs and enforcement of government regulations

- The number of MA plans increases from 21 to 43 to meet specific group needs
- CMS issues a variety of rules regarding marketing practices, call recording that FMOs build infrastructure to ensure compliance

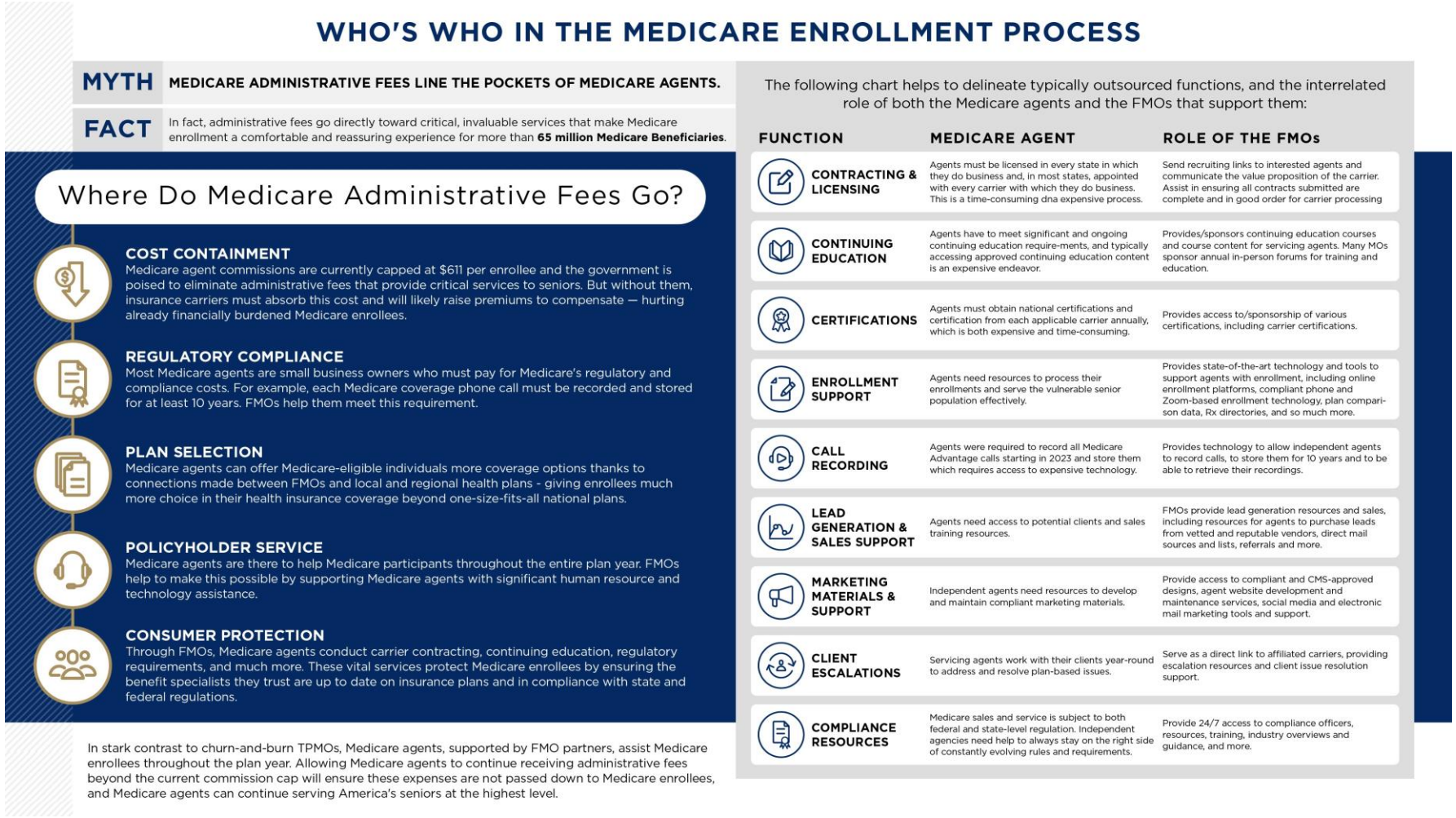


FMOs had always existed, but their use grows because they:

1. Enable an agent to sell plans from multiple carriers, reducing the number of agents needed in the system, and …
2. … transition the previous fixed cost of a carrier sales force into variable cost, further removing cost from the system
3. Allowing a senior to meet with one agent to compare and select plan options

Source: *CMS reported enrollment*

Field Marketing Organizations (FMOs) are necessary for independent agents to effectively serve consumers with objective advice across plans from multiple carriers



WHO'S WHO IN THE MEDICARE ENROLLMENT PROCESS

MYTH MEDICARE ADMINISTRATIVE FEES LINE THE POCKETS OF MEDICARE AGENTS.

FACT In fact, administrative fees go directly toward critical, invaluable services that make Medicare enrollment a comfortable and reassuring experience for more than **65 million Medicare Beneficiaries**.

Where Do Medicare Administrative Fees Go?

COST CONTAINMENT
Medicare agent commissions are currently capped at $611 per enrollee and the government is poised to eliminate administrative fees that provide critical services to seniors. But without them, insurance carriers must absorb this cost and will likely raise premiums to compensate — hurting already financially burdened Medicare enrollees.

REGULATORY COMPLIANCE
Most Medicare agents are small business owners who must pay for Medicare's regulatory and compliance costs. For example, each Medicare coverage phone call must be recorded and stored for at least 10 years. FMOs help them meet this requirement.

PLAN SELECTION
Medicare agents can offer Medicare-eligible individuals more coverage options thanks to connections made between FMOs and local and regional health plans - giving enrollees much more choice in their health insurance coverage beyond one-size-fits-all national plans.

POLICYHOLDER SERVICE
Medicare agents are there to help Medicare participants throughout the entire plan year. FMOs help to make this possible by supporting Medicare agents with significant human resource and technology assistance.

CONSUMER PROTECTION
Through FMOs, Medicare agents conduct carrier contracting, continuing education, regulatory requirements, and much more. These vital services protect Medicare enrollees by ensuring the benefit specialists they trust are up to date on insurance plans and in compliance with state and federal regulations.

In stark contrast to churn-and-burn TPMOs, Medicare agents, supported by FMO partners, assist Medicare enrollees throughout the plan year. Allowing Medicare agents to continue receiving administrative fees beyond the current commission cap will ensure these expenses are not passed down to Medicare enrollees, and Medicare agents can continue serving America's seniors at the highest level.

The following chart helps to delineate typically outsourced functions, and the interrelated role of both the Medicare agents and the FMOs that support them:

FUNCTION	MEDICARE AGENT	ROLE OF THE FMOs
CONTRACTING & LICENSING	Agents must be licensed in every state in which they do business and, in most states, appointed with every carrier with which they do business. This is a time-consuming dna expensive process.	Send recruiting links to interested agents and communicate the value proposition of the carrier. Assist in ensuring all contracts submitted are complete and in good order for carrier processing
CONTINUING EDUCATION	Agents have to meet significant and ongoing continuing education require-ments, and typically accessing approved continuing education content is an expensive endeavor.	Provides/sponsors continuing education courses and course content for servicing agents. Many MOs sponsor annual in-person forums for training and education.
CERTIFICATIONS	Agents must obtain national certifications and certification from each applicable carrier annually, which is both expensive and time-consuming.	Provides access to/sponsorship of various certifications, including carrier certifications.
ENROLLMENT SUPPORT	Agents need resources to process their enrollments and serve the vulnerable senior population effectively.	Provides state-of-the-art technology and tools to support agents with enrollment, including online enrollment platforms, compliant phone and Zoom-based enrollment technology, plan compari-son data, Rx directories, and so much more.
CALL RECORDING	Agents were required to record all Medicare Advantage calls starting in 2023 and store them which requires access to expensive technology.	Provides technology to allow independent agents to record calls, to store them for 10 years and to be able to retrieve their recordings.
LEAD GENERATION & SALES SUPPORT	Agents need access to potential clients and sales training resources.	FMOs provide lead generation resources and sales, including resources for agents to purchase leads from vetted and reputable vendors, direct mail sources and lists, referrals and more.
MARKETING MATERIALS & SUPPORT	Independent agents need resources to develop and maintain compliant marketing materials.	Provide access to compliant and CMS-approved designs, agent website development and maintenance services, social media and electronic mail marketing tools and support.
CLIENT ESCALATIONS	Servicing agents work with their clients year-round to address and resolve plan-based issues.	Serve as a direct link to affiliated carriers, providing escalation resources and client issue resolution support.
COMPLIANCE RESOURCES	Medicare sales and service is subject to both federal and state-level regulation. Independent agencies need help to always stay on the right side of constantly evolving rules and requirements.	Provide 24/7 access to compliance officers, resources, training, industry overviews and guidance, and more.

Source: *NAPIB (National Association of Benefits & Insurance Professionals)*

Proposed CMS rule (CMS-4205-P) would curtail or eliminate value added services from FMOs, causing adverse consumer effects and increased system costs

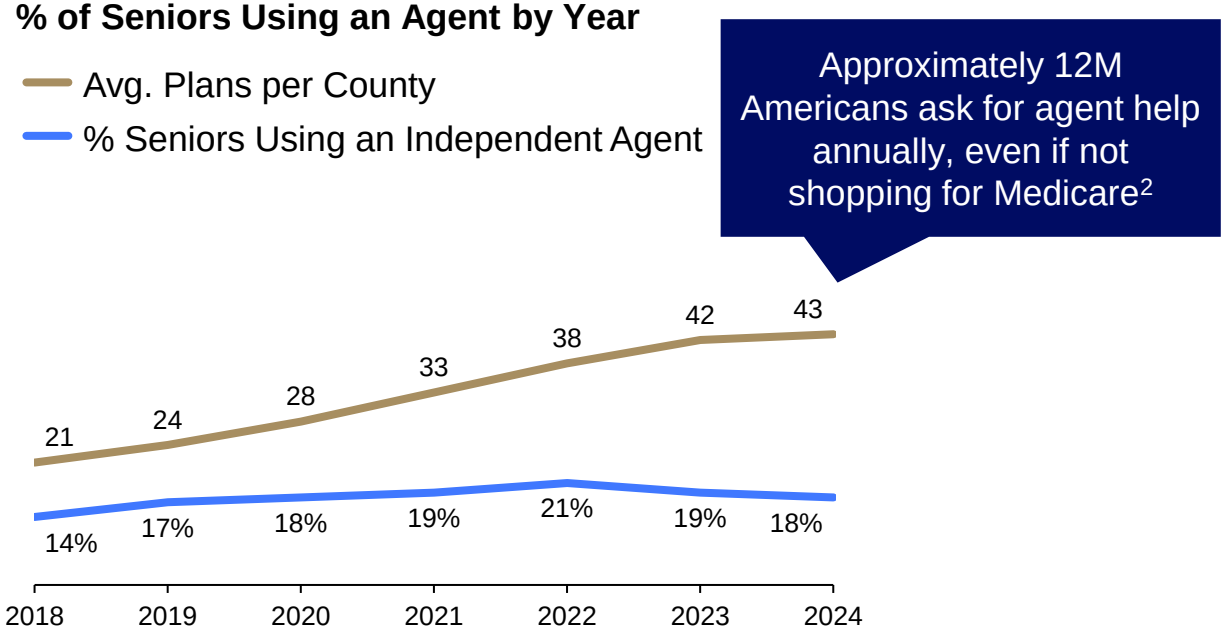
- FMOs are necessary for independent agents to effectively serve consumers. The CMS rule eliminates administrative payments. If that applies to FMOs, it will be impossible for FMOs to provide the compliance, training, back-office support, and technology agents require
- Without FMOs, consumer choice will be adversely impacted as consumers want educated agents' help to navigate increasingly complex Medicare options
- Without FMOs, fewer consumers will be placed in their "best match" plan on the first try, resulting in increased switching and injecting cost into the system
- Without FMOs, each carrier will be forced to recreate FMO infrastructure or rebuild captive distribution networks. Either scenario will:
  a) be inherently biased and "steer" consumers to a carrier plan
  b) require consumers to meet with multiple agents to understand their plan options
  c) be redundant across carriers, injecting cost into the system
  d) be unlikely to reach into under-served geographies where demand is insufficient to support the cost of agents for a single carrier

CMS should engage experts regarding the above implications, consider data from their MARx system regarding dual-eligible enrollments, and collect additional data to analyze these impacts

Selecting a Medicare Advantage plan is complicated

The number of plans available to a senior has increased to **<u>~43 plans per county</u>, making it harder for seniors to match to their "best plan" without help from an expert independent agent supported by an FMO**

Average # Plans Available per County and % of Seniors Using an Agent by Year



Approximately 12M Americans ask for agent help annually, even if not shopping for Medicare[2]

Plan are more complex, and 79% of seniors say the **carriers' websites had less information** about plans than the non-carrier websites they visited

Plan Attribute
Premium, Part B premium rebate
Diagnostic imaging costs
Inpatient care costs, outpatient care facilities and costs (e.g., OP hospital vs ASC)
Coverage of preventative services
Ambulance trips (air vs. ground), Telehealth costs
5-6 tier formulas
Non-medically necessary benefits, e.g., OTC, fitness, transportation
Other SSBCI benefits, including allowances / amounts, flex cards, flex card networks, flex card purses
… and much more

4 out of 5 of seniors indicate they want to work with an agent when shopping for MA[1]

FMOs provide comparison resources so seniors can easily evaluate all aspects of a plan between carriers

Without these resources, seniors must navigate a complex maze of different carrier websites to find the info they need

Source: *2023 AEP Gut Check Survey, Medicare 2024 Shopping and Switching Survey, MSS MA Deft Analysis*
Notes: 1) based on percentage who indicate they do not want to work with an agent, 2) estimate based on over 65 population of 58M in 2022

Seniors prefer to get support from Independent Agents

Seniors value the relationship with Independent Agents and that relationship endures beyond the point-of-sale

93% of seniors say they felt their agent **prioritized putting the senior in the right plan** over "making a sale"

86% of seniors believe their agent had **their best interest at heart**

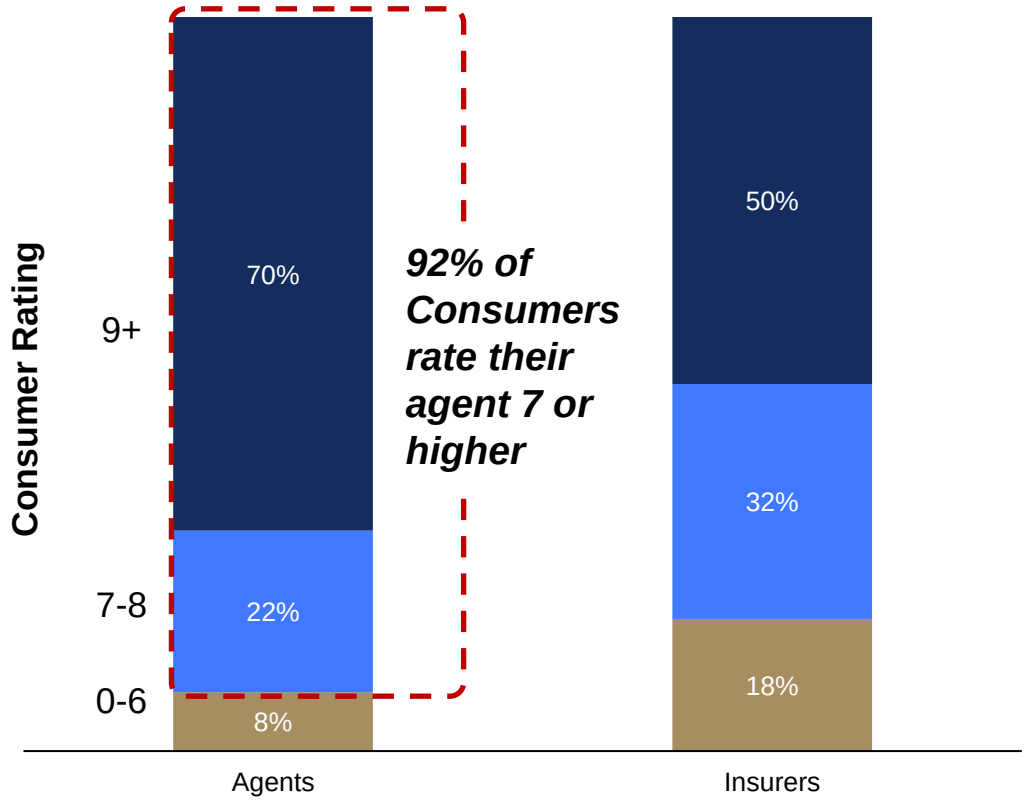
82% of seniors **did not think their agent was too connected** to one or two issuers

63% of senior enrollees who use an agent are **"Loyal and Happy"**

56% of seniors say they felt a **personal connection** with their agent

Seniors are more satisfied with the support they receive from Independent Agents

% of Seniors "Extremely Satisfied" with Support they Received to Understand their Coverage Options



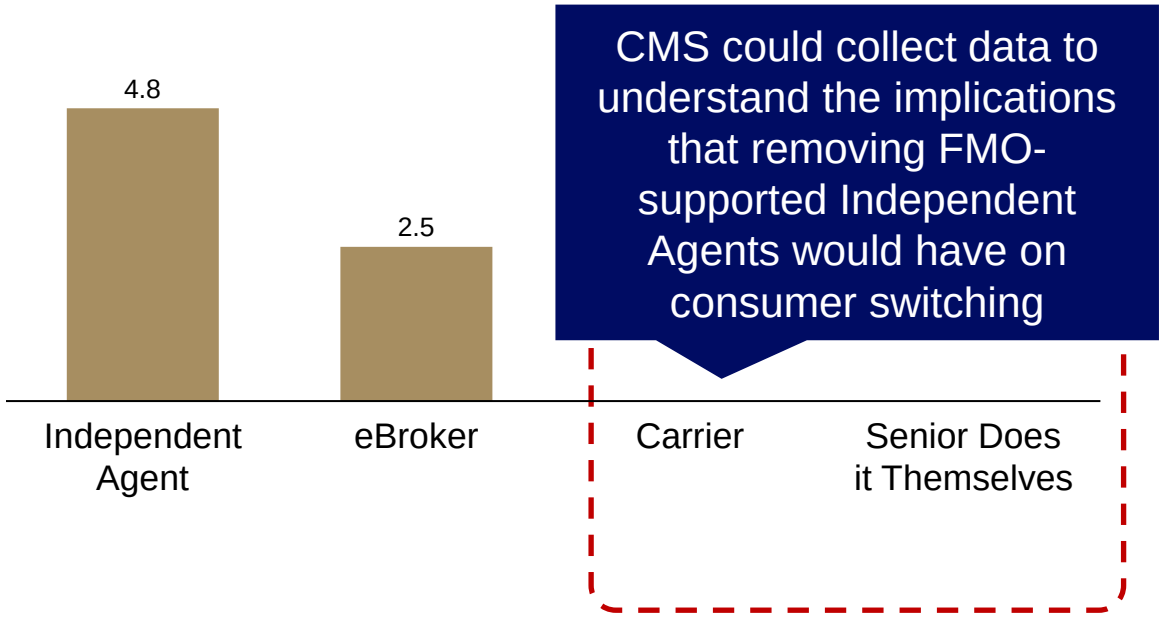
Source: *2024 Medicare Shopping and Switching Study, 2023 AEP Gut Check Survey*

FMO-supported Independent Agents deliver better outcomes for seniors and reduce switching

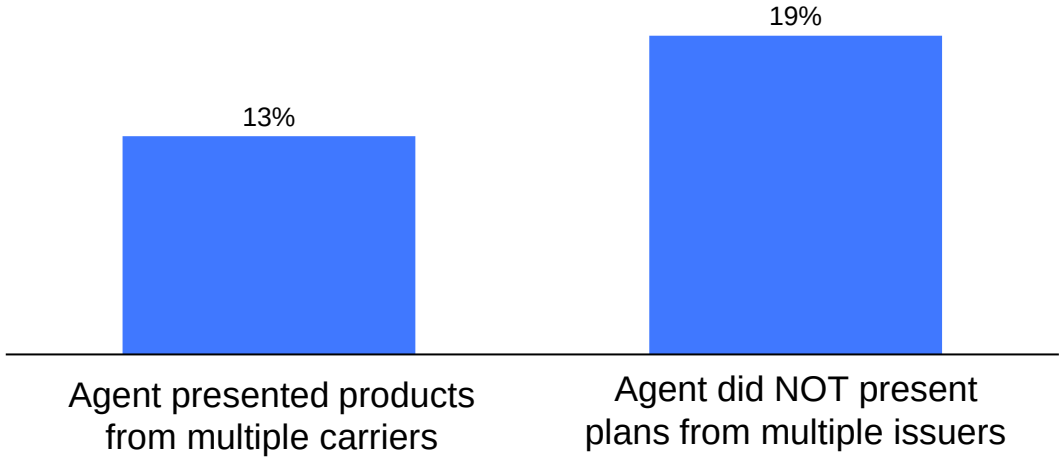
Seniors that use Independent agents stay in their plans longer – these agents are dependent on FMO-provided technology to match seniors with the right plan based on their specific needs (in-network doctors, prescription coverage) and stay compliant

Plan switching is lower when independent agents presents plans from multiple carriers – independent agents rely on FMOs for training, contracting, licensing, compliance, technology and support services to offer multiple carriers to ensure beneficiary best plan selection

Average duration (in years) in MA plan



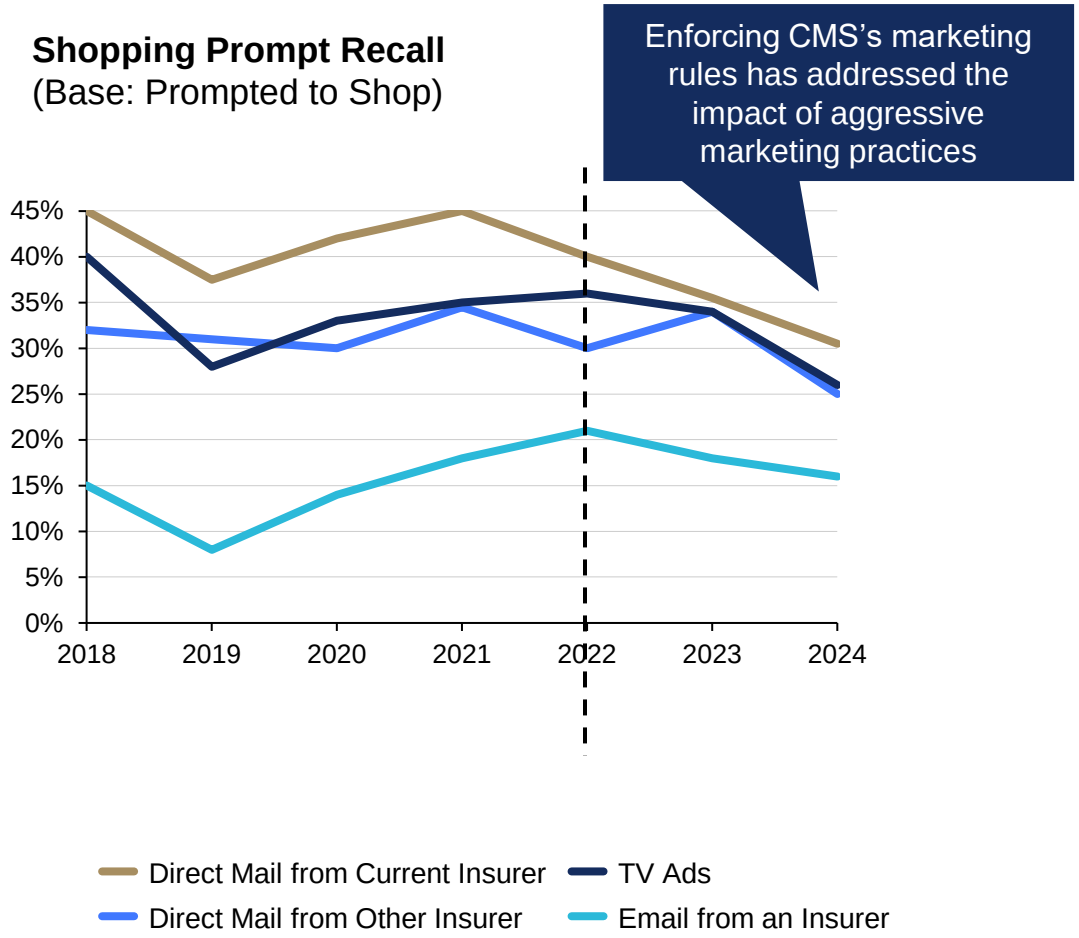
% Seniors 'At Risk' of Switching Plans



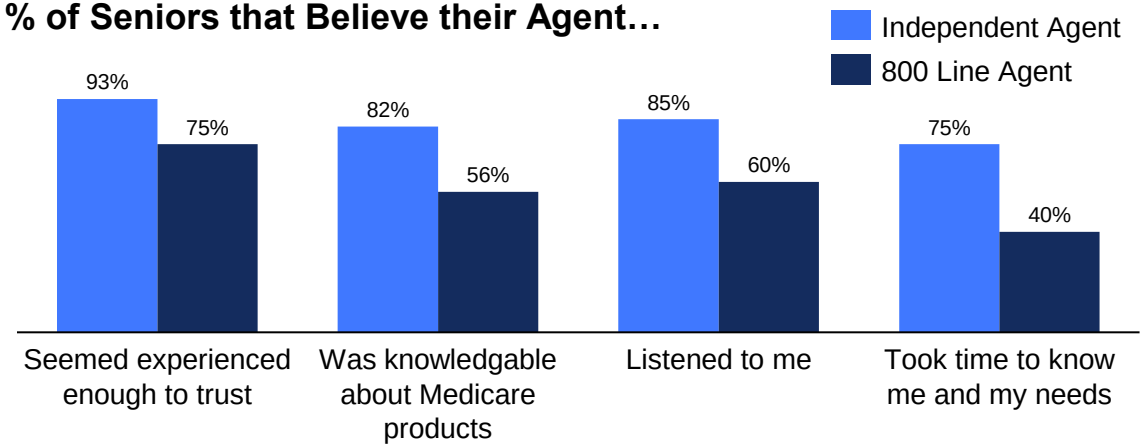
Source: *2024 Medicare Shopping and Switching Study, 2023 AEP Gut Check Survey*

FMOs help ensure agents are trained, marketing is compliant, and seniors are presented with multiple plan options to offer best fit for their needs

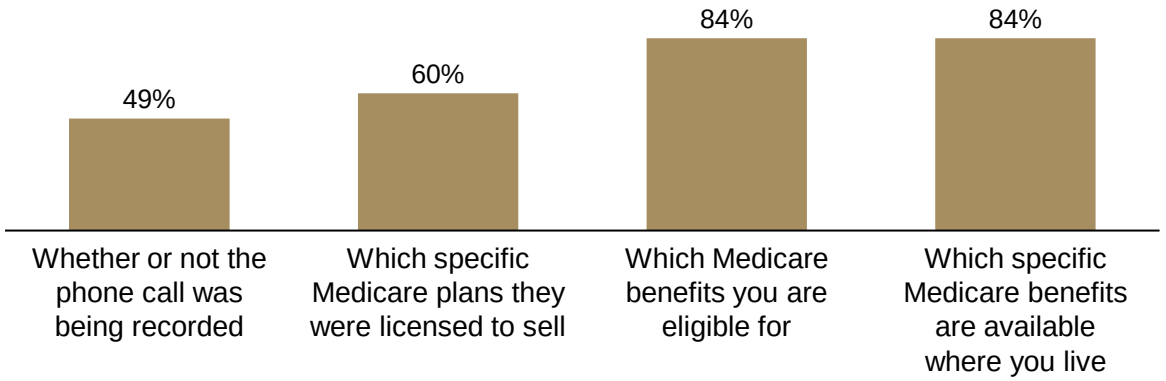
Shopping Prompt Recall
(Base: Prompted to Shop)



% of Seniors that Believe their Agent…



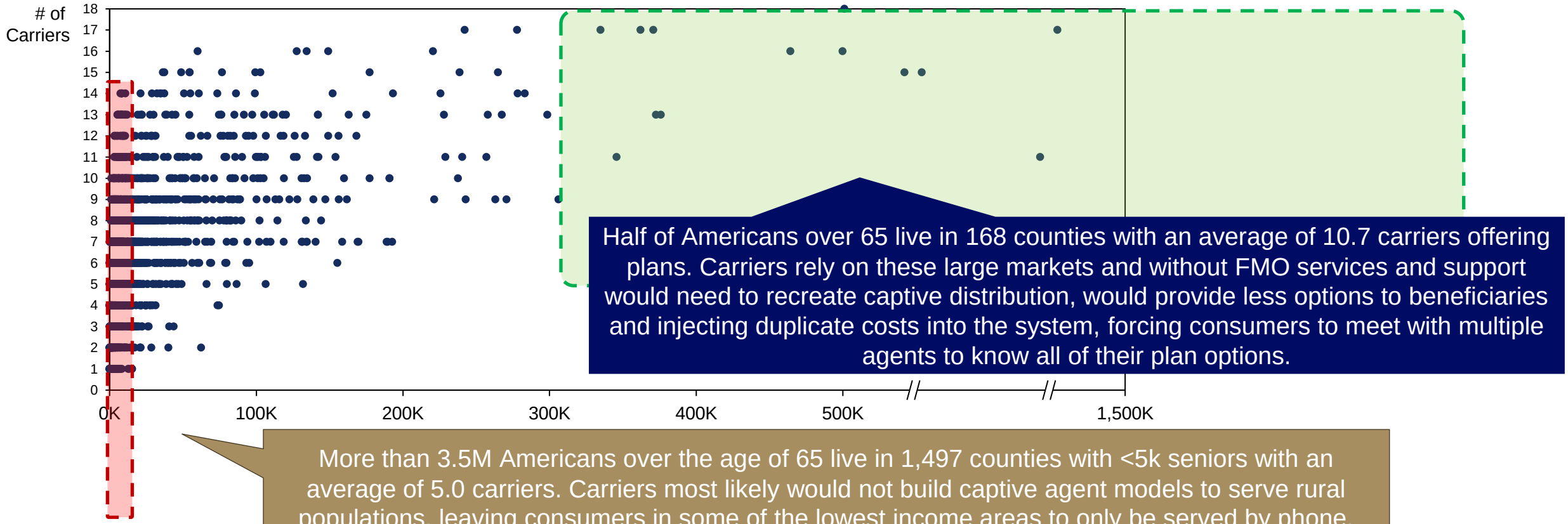
Consumer Reported Compliance with CMS Rules



Source: *2024 Medicare Shopping and Switching Study, 2023 Medicare Shopping and Switching Study, 2022 Medicare Shopping and Switching Study*

Without FMOs, carriers would likely revert to captive distribution model, leaving rural and underserved populations limited support

US Counties by 65+ Population and # Carriers Available



Source: *Carriers by County Deft Analysis, Exploring Age Groups in the 2020 Census (US Census Bureau)*

Aspects of the CMS rule require further analysis to avoid unintended consequences for the consumer and system

Ambiguity of Proposed Rule	*Needed Analysis*
FMOs are categorized under the CMS definition of Third-Party Marketing Organizations (§ 422.2260)	1. Impact on consumer engagement of removing “general awareness” notifications during AEP and OEP that are managed by FMOs 2. Compare FMO to other TPMO practices and categorize consumer complaints by these practices 3. Redefine the definition of TPMO to not include FMOs due to the stark difference in services and support
Administrative payments to agents and marketing organizations are treated the same	1. Implications on switching and “cost of switching” of removing FMO support and infrastructure for independent agents 2. Cost for carriers to recreate independent agent network and/or the full complement of FMO services and technology, including call recording & storage services 3. Impact on under-served populations where captive agent networks would be uneconomical 4. Impact on consumer choice, experience and cost impact of building multiple captive agent networks
D-SNP limitations and CMS claim that no “accessible central data source on who has already used the quarterly dual SEP” exists	Impact on dual-eligible enrollees which could come from CMS' MARx system that contains present and future enrollment data in a centralized location that could be used to verify this eligibility as it already is in carrier eligibility tools
Fair market value of conducting a Health Risk Assessment (HRA) by non-medical personnel is set at $12.50/hour and anticipated to take no more than 20 minutes	HRA time requirements and related quality for a 20-minute assessment, given many states’ minimum wage is above the $12.50 threshold

Multiple data sources are available to assess the implications of the rule (CMS-4205-P)

- **AEP Gut Check Survey, 2023[1]**. Respondents were recruited from online panels. Surveys were administered from June 16 to June 23, 2023. 2,465 total responses: 1,441 seniors with a Medicare Advantage plan. 727 seniors with a MedSupp plan. 297 in Original Medicare only
- **Medicare OEP and Disenrollment Prevention Study, 2023[1]**. Respondents were recruited from online panels. Surveys were administered from March 22 to March 29, 2023. 2,419 total Medicare Advantage responses: 728 2023 Medicare Shopping and Switching Study re-contacts. 1,691 newly sampled respondents
- **Medicare Member Experience Survey, December 2023[1]**. Respondents were recruited from online panels. Surveys were administered from Sept 23 to Oct 2, 2023. 3,400 responses were obtained. 1,931 Medicare Advantage members. 1,106 MedSupp members. 363 Original Medicare Only members
- **Medicare Shopping and Switching Survey, December 2022[1].** Respondents were recruited from online panels. Surveys were administered from Dec 9 to Dec 22, 2021. 3,074 total capstone survey responses: 1,702 seniors with a 2022 Medicare Advantage plan. 1,029 seniors with a 2022 MedSupp plan. 343 seniors in Original Medicare Only for 2022. 1,882 total longitudinal survey participants: 933 who completed each of the four survey waves
- **Medicare Shopping and Switching Survey, December 2023[1]**. Respondents were recruited from online panels. Surveys were administered from Dec 15 to Dec 27, 2023. 4,939 total survey responses were collected: 2,942 “Main” survey respondents. 1,661 Medicare Advantage. 950 MedSupp. 331 Original Medicare Only. 1,997 Part D Module respondents
- **Medicare Advantage Industry Voluntary Lapse Rates & Total Termination Rates for Call Center Distribution Models – 2023[2]** and Telos Actuarial internal data
- **A Relatively Small Share of Medicare Beneficiaries Compared Plans During a Recent Open Enrollment Period[3]**, November 2022
- **Exploring Age Groups in the 2020 Census**

Source Organizations: 1. Deft Research. 2. Telos Actuarial. 3. Kaiser Family Foundation. 4. United States Census Bureau.