

Proposed Best Practice Standard: Vendor Compensation Transparency

One of the most important tasks facing school districts and other entities sponsoring health plans for Ohio's public school employees and their families involves the choice of vendors such as an agent, broker or consultant, a third party administrator, pharmacy benefit manager or preferred provider organization. These individuals and companies work closely with the plan sponsor to analyze benefit products and options and assist in the creation of value-driven healthcare plans. Health plan sponsors rely upon the expertise and knowledge of their vendors to help assure that their healthcare dollars are well-spent.

The National Association of Insurance Commissioners' (NAIC) has endorsed the full disclosure and transparency of commercial insurance brokers' compensation arrangements, as has the Council of Insurance Agents & Brokers, which represents commercial insurance brokers who annually write and administer billions of dollars in employee benefit accounts. The Independent Insurance Agents & Brokers of America, the nation's largest agents and brokers group, also supports mandatory disclosure by brokers of meaningful information concerning the sources and nature of their compensation.

Other professional organizations which have endorsed the concept of full disclosure and compensation transparency include:

- *America's Health Insurance Plans, the national association representing nearly 1,300 health insurance plans providing coverage to more than 200 million Americans;*
- *the Self Insurance Institute of America, a national association dedicated to promoting the self-insurance and alternative risk transfer industry;*
- *the American Benefits Council, a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees;*
- *the U.S. Chamber of Commerce, which represents more than three million businesses and organizations of every size, sector, and region.*

The Board accordingly believes that requiring health plan sponsors receive complete and accurate information from all vendors with respect to the sources and nature of their compensation represents a "best practice" as envisioned by Section 9.901. Our commitment to transparency requires all revenue streams be fully disclosed and health plan sponsors given the information necessary to make sound decisions and choices while minimizing the risk of vendor self-dealing or conflicts of interest.

Proposed Rules

1. Any person or entity placing coverage for or providing any other service to a health plan sponsor should use reasonable care, skill, and diligence in performing those services and owes the health plan sponsor the duties of good faith, honesty, loyalty, and integrity.

2. Any person or entity placing coverage for or providing any other service to a health plan sponsor must fully disclose to the health plan sponsor all sources of compensation arising out of that business relationship including but not limited to fees, commissions, rebates, or any other payments of any kind.

3. Compensation subject to disclosure under this rule includes payments made to a person or entity as well as payments made to any affiliate thereof.

4. All sources of compensation are subject to disclosure under this rule include but not limited to payments from the health plan sponsor, insurers, stop loss carriers, managing general agencies or underwriters, third party administrators, pharmacy benefit managers and any other persons or entities providing any product or service to, and receiving payment from, the health care plan.

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