



Frequently Asked Questions about Health Insurance Proposal

1. What is the Connecting Council proposing?

The Connecting Council is recommending to the lay and clergy members of the Annual Conference that we discontinue our Conference health insurance plan for clergy appointed to local churches and enrolled lay employees. Those persons would receive a health insurance allowance and would then be required to purchase their own insurance in whatever way is best for them.

2. What was proposed by the Pension and Health Benefits Team?

The Great Plains Conference Pensions and Health Benefits Team considered five alternatives, and after lengthy discussion approved the following by unanimous vote:

- Double the traditional in-network deductible from \$1,000/\$2,000 to \$2,000/\$4,000.
- Double the traditional out-of-network deductible from \$2,000/\$4,000 to \$4,000/\$8,000.
- Double the HDHP in-network deductible from \$2,000/\$4,000 to \$4,000/\$8,000.
- Double the HDHP out-of-network deductible from \$4,000/\$8,000 to \$8,000/\$16,000.
- Cover 100% after deductible for HDHP.
- H.S.A. funding from Board reserves remain the same as 2014.
- H.S.A. funding from church remain the same as 2014.
- Move the 17 incapacitated members to One Exchange of a Medicare Supplement when possible.

The monthly cost of that policy to the conference would be the following:

Traditional PPO Plan	\$2000 individual/\$4000 family deductible - Maximum out of pocket cost \$12,000
Employee Only	\$830.05
Employee & Spouse	\$1,664.45
Employee & Child(ren)	\$1,581.01
Employee & Family	\$2,665.70
High Deductible Health Plan	\$4000 individual/\$8000 family deductible - Maximum out of pocket cost \$8,000
Employee Only	\$718.17
Employee & Spouse	\$1,438.79
Employee & Child(ren)	\$1,366.74
Employee & Family	\$2,303.56

However the conference has not billed each church the exact cost of their pastor's policy. Rather we have adopted a "blended" or average rate to pay a portion of the cost. In 2015 that amount would need to rise to \$17,196 annually. In addition clergy would contribute an amount equal to 3.5% of their base salary. The Pension and Health Benefits Team also agreed to subsidize the health insurance program with approximately \$1.25 million of their reserves (basically exhausting the health insurance reserves).

3. Why are these increases required of us?

Our insurance carrier (Cigna) has paid out more in claims than they have received in premiums so far this year. Our claims have been significantly higher than in the past. For many months claims have been 120% or more of premiums.

4. Did the Pension and Health Benefits Team have any expert assistance in researching insurance options?

The Conference Pension and Health Benefits Team used an insurance broker whose job it is to find the best alternatives for us. Because our claims record is so bad, they could find only one carrier willing to bid on our contract.

Continued on next page

5. Were any other options considered?

As news spread of the increased costs to the church and increased deductibles to the clergy persons, laity and clergy began contacting conference leadership strongly urging us to investigate a system whereby clergy could shop for their own insurance with the possibility of lower premiums and lower deductibles. After an investigation of this possibility (including contacting other Annual Conferences that have already moved in this direction) a second proposal was brought to the Connecting Council. After examining both alternatives at their meeting on October 3-4 that group brings the recommendation to end our group health insurance plan for all local church pastors. Local church pastors serving $\frac{3}{4}$ and full-time would receive a "health care allowance" of \$14,232 (freezing costs to the church at 2014 levels) and would be free to find their own health insurance through exchanges, private companies or spouse coverage. Should this recommendation be approved by Annual Conference members we will contract with the Lockton company to provide assistance to individuals in finding the best possible health insurance coverage either on or off the exchanges. This service is at no cost to the conference or the individual using the service. Lockton will receive a commission from whatever insurance company an individual chooses.

6. Aren't there penalties under the Affordable Care Act for corporations/businesses that end group insurance?

Yes, but the General Board of Pension and Health Benefits has received a ruling that, since local churches pay their pastors and provide the W-2 at year-end, they are free to be outside of group insurance without penalty as long as that church has 50 or fewer full-time equivalent employees. That does mean that conference staff including district superintendents must remain on group health insurance since the conference itself has more than 50 employees. Clergy serving any church with more than 50 full-time-equivalent employees must, by law, continue to be covered by group health insurance plans as well and are therefore not required to provide the health care allowance. We believe there is only one such church in the Great Plains Conference. If the recommendation of the Connecting Council is approved then the conference will bid and obtain health insurance for conference staff only.

7. What are the implications of our pastors going on the Affordable Care Act's insurance exchange?

- 1) It is not clear if they will qualify for ACA subsidies in 2015 because of a technicality in the law which may prohibit participants in states that do not have a state-run exchange from receiving federal subsidies. We expect the Supreme Court to rule next spring on that matter. The exchange may indicate a person qualifies but it is possible the Court will invalidate that portion of the law. No one should assume that to be available as they consider this option.
- 2) Further, if a local church gives the pastor \$14,232 to purchase health insurance that is taxable income. If the pastor pays FICA on that income at 13.3% and then 15% federal tax and then 4.5% state tax, she has about \$10,000 after-tax to purchase insurance. Pastors will no longer have 3.5% withheld from base salary for their portion of health premiums. That money also becomes available to assist with an increase in taxes and/or to pay for health insurance. (Obviously, clergy in different tax brackets will experience different results). It is possible to appropriately shelter a portion of the health allowance from tax. Pastors may offset Schedule C income (such things as wedding and funeral honoraria) with the amount paid for health insurance and any additional outlay for medical whether insurance premiums, co-pays, or deductibles can become an itemized deduction thus sheltering an additional portion of the allowance. It is important to also take into account that, should the pastor buy a health insurance plan with a deductible lower than \$8,000 for a family, those savings are also available to assist with these other costs.
- 3) Finally, the health care allowance increases the base compensation on which pension is figured according to rules in the Book of Discipline. Therefore, a health care allowance of \$14,232 will cause an increase in the pension bill of \$1,423 per year (still much less than a \$3,000 increase in health insurance should we stay with traditional group health insurance).

8. What happens to our sickest clergy who are experiencing high medical bills?

Under the Affordable Care Act no one can be denied insurance when purchasing through the exchange. Additionally, pre-existing conditions cannot be excluded in policies purchased there and a person's health condition cannot affect rates for policies purchased there.

Continued on next page

9. What happens to my Health Savings Account if we drop group health insurance?

The account belongs to you and will not go away if we drop group health insurance. However, if you are not on a high deductible health insurance plan in 2015 you cannot add more money to the account. You may continue to draw on to pay health bills until the balance is used up.

10. Will there be any High Deductible Plans offered on the exchange?

Lockton assures us there are such options on the exchange and that contributions to a health savings account can be done on an after tax basis and deducted on form 1040 if one purchases such a policy.

11. Can a person who is a citizen of another country working legally under a Religious Worker visa buy insurance on the exchange?

Yes they may.

12. What policies are offered on the exchange in our two states and what are the rates for those policies?

Policies and rates for 2015 are just now being loaded into the exchange websites. Two websites can be instructive for you. One is www.healthcare.gov which is the site where persons will ultimately shop for health insurance if they wish to buy through the exchange. You are free to explore that now. Additionally anyone can go to www.ehealthinsurance.com to explore rates and policies available on the exchange without having to go through the motions of starting an application process on the exchange itself. In addition, for Kansans, the Kansas Health Institute has done a great deal of research which can be found at <http://www.khi.org/news/2013/nov/12/health-insurance-costs-kansas-marketplace/>. Kansans may also go to <http://insureks.org/rates.php> for even greater detail. While the state of Nebraska has not had quite this level of detail available, we have been able to obtain a [document](#) that enables Nebraskans to view all policies and rates for their geographic area. That document is posted on our website along with this document.

13. Are we starting this discussion too late to purchase insurance on the exchange?

No, open enrollment on the exchange begins November 15 and goes through February 15, 2015.

14. Will other insurance policies beyond basic health insurance still be offered by the Conference?

Yes, the Pension and Health Benefits Team will still offer such things as vision, dental, and life insurance that clergy may choose to enroll in. If they do, clergy will pay the full cost of those policies (just as they do today). Additionally the Pension and Health Benefits Team will continue to offer to clergy at no cost access to the Virgin Pulse (formerly known as Virgin Health Miles) program.

15. Who are the members of the Connecting Council that brings this recommendation?

The Connecting Council is described in the Plan of Organization which can be found at www.greatplainsumc.org/plan. Its members are listed in the Nominating Committee report near the end of that document.

16. When will more information be available?

The Conference will present a webinar on Thursday, Oct. 9 at 7 p.m. CDT (6 p.m. MDT) at www.greatplainsumc.org/livestream. After presenting information, including the Connecting Council's final decision, leaders will answer email questions sent to info@greatplainsumc.org.

17. How will the health allowance effect retired clergy serving three-quarter or full-time?

Churches served by retired clergy serving three-quarter or full-time currently pay a blended rate for health insurance. The proposal for 2015 still requires such churches to continue paying the same amount in 2015 but now to the pastor as a health allowance. Such pastors can use it to pay premiums for Medicare parts A, B and D, as well as for a Medicare supplement policy. They, too, would have to pay additional taxes out of the allowance just like active clergy.

Continued on next page

18. What about health insurance for lay staff of local churches?

- 1) Those currently insured thru the GP Conference group health insurance:
 - a. If the vote results in a discontinuance of group health insurance for clergy then these lay staff will also need to find insurance elsewhere. Churches have at least two options.
 - i. Shop for group insurance for your church's lay staff. That can be thru an insurance agent or there is a small business section on the exchange that has been used successfully to obtain such insurance in 2014 by at least one of our congregations.
 - ii. Or a church may do as the conference is considering which is to provide an allowance to each lay staff member and allow them shop for insurance wherever they like.
- 2) Those currently not insured thru the GP Conference group health insurance:
 - a. These churches are free to establish such benefits for their lay staff any time they so choose. They can provide an allowance or shop for group insurance as described above.

19. What if I need a "Letter of creditable coverage" to obtain insurance for 2015?

If our group insurance is dropped effective Dec. 31, 2013 then our carrier will provide these letters to persons who have been covered thru our group insurance. Some choices that our folk might make for the purchasing of insurance may require such a letter to be provided. Carol Fusaro, Senior Benefits Officer, will work with our carrier to make sure this happens in a timely way. This should not be necessary if you buy a policy on the exchange or even privately. It will most likely be necessary if a clergy person decides to be added to their spouse's coverage thru that person's employment.

20. Are subsidies available when I purchase insurance on the exchange?

Currently the exchanges in Kansas and Nebraska will indicate that, based on family income, some clergy may qualify for subsidies as they purchase insurance on the exchange. However, there are a number of court cases pending, specifically around subsidies for persons in states (like Nebraska and Kansas) that use the federal exchange instead of creating their own state-run exchange. We understand that the Supreme Court may take up this issue this session with a possible hearing in February and a decision no earlier than next May or June. If they hold to the letter of the ACA then subsidies in states like Kansas and Nebraska may not hold up. If they believe the intent of Congress was to cover all 50 states regardless of the type of exchange the subsidies may be ruled legal and therefore continue. We do not know the outcome of that so persons should shop not expecting to receive the subsidy the exchange promises. If the court rules in our favor that, of course, would be welcome news to our lowest income clergy.

21. I understand that when I purchase insurance I will have to pay my first month's premium prior to first receiving a portion of the new health care allowance? What help is there if I struggle to afford that?

- 1) Some persons currently have an HSA account. At any time you can work with Benefit staff to lower or even end your contribution to that account to free up money to use to make that first premium payment.
- 2) Your current HSA account can be used to pay for premiums other than a group plan (so, they can be used for Cobra, Medicare and Exchange plans).
- 3) If that is not an option for you or acting on that does not free up sufficient money and you find it difficult or impossible to come up with the necessary funds talk with your DS.

22. Do people shopping for insurance off the Exchange have any protection afforded them by the Affordable Care Act?

Please note that Gary Beach answered this question differently in the Oct. 9 webcast. This is an updated response.

The short answer to the question, is yes, the "market reforms" in the Affordable Care Act (ACA) apply to individual insurance policies and plans sold by any commercial insurance company (issuer) whether the policy

Continued on next page

is sold through an ACA Exchange (Marketplace) or in the private individual insurance market (off-Exchange). The ACA Market Reforms, e.g., prohibition on pre-existing conditions, prohibition on rescissions, guaranteed issue and guaranteed renewal (i.e., no medical underwriting or cancellation for claims), nondiscrimination due to health status, and community premium rating (age rating restrictions), all apply fully to any individual policy of insurance issued on or after Jan. 1, 2014.

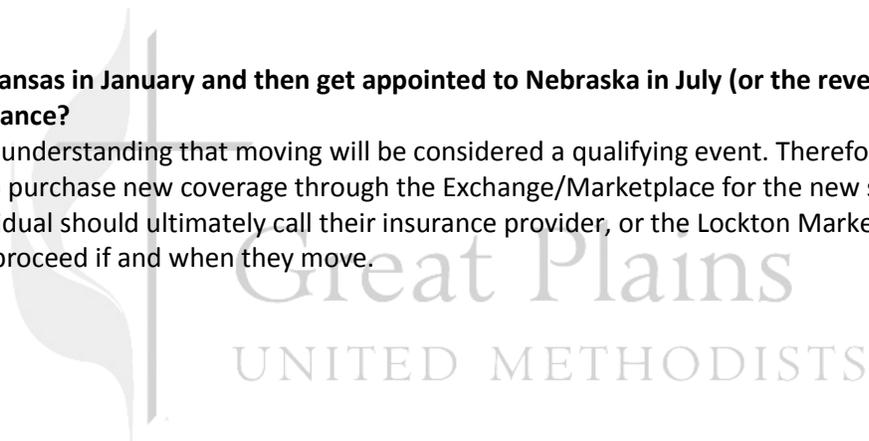
That goes for Marketplace qualified health plans as well as individual plans off-Exchange. Only “grandfathered” plans, that were in place (covering someone) on March 23, 2010, would be exempt from some of these requirements. There are very few of those left, and none can be issued to a new subscriber.

Moreover, the issuers who sell in both markets, on the Marketplace and in the off-Exchange individual market, have to combine those two populations as one risk pool for premium rating purposes. So, if an individual buys an off-Exchange plan from an issuer that also sells on the Marketplace, he or she benefits from that same large risk pool.

The other ACA reforms, like coverage of essential health benefits, preventives services with cost-sharing and appeals protections also apply to individual insurance policies purchased off-Exchange.

23. What if I am in Kansas in January and then get appointed to Nebraska in July (or the reverse)? What happens to my insurance?

It is our broker’s understanding that moving will be considered a qualifying event. Therefore, the individual will be eligible to purchase new coverage through the Exchange/Marketplace for the new state in which they reside. The individual should ultimately call their insurance provider, or the Lockton Marketplace to confirm the best way to proceed if and when they move.



October 16, 2014

