

UUA Health Plan/Office of Church Staff Finances 25 Beacon Street, Boston, MA 02108

Topic: Affordable Care Act Outlook – Health Reform Alert #1 (March 2013)

Executive Summary: Since enactment in 2010, provisions of the Affordable Care Act (ACA) have been gradually phased in. No more credible legal or legislative challenges are pending. Beginning January 2014, the heart of the law will be implemented:

- Most individuals **MUST** be covered by health insurance. If not through their employer, individuals and their families must secure their own insurance either through the state exchanges or another source. Premiums will be subsidized by the federal government on a sliding scale, but only for individuals/families with incomes below 400 percent of the federal poverty level (FPL). For 2013, the individual FPL range is \$11,490 (100%) to \$45,960 (400%).
- Health insurance exchanges will be operational in each state and managed by the state, or the federal government, or in state/federal partnership. State Exchange Plans are unlikely to provide family coverage to same-sex couples or to offer any of the other “values-based” benefits the UUA Health Plan now offers.
- Employers with more than fifty employees must provide a minimum level of health insurance (the so-called “bronze” level) or pay a federal tax penalty. “Bronze” benefits will be high-deductible plans that most employees will find unacceptable compared to current options.

Congregations and other UUA-related employers will face decisions regarding their employer-provided health insurance. They may:

- continue providing health insurance through their existing insurer, including the UUA Health Plan. (As the largest provider of health insurance to UU congregations, the UUA Health Plan is committed to continuing our current plans and benefits. In addition, new options will be offered in 2014. As a wholly-owned, self-insured plan, our resources are fully dedicated to the benefit of our members) ; or
- continue providing health insurance, but through a plan offered on the state-based insurance exchange; or
- discontinue providing insurance coverage, thereby forcing employees to purchase insurance through the state-based exchange or to pay the federal penalty for not having insurance.

There are significant unknowns, as we wait for the Internal Revenue Service (IRS), Department of Labor (DOL), and Health and Human Services (HHS) to issue regulations.

- Federal budget cuts could delay Exchange implementation.
- The list of insurance companies that will offer policies on the exchanges is unknown.
- The Exchange rates are unknown, but projected to be as much as 25 percent higher than the current market.
- The status of plans like ours, sponsored by religious denominations, could change significantly over the next six months.
- There are 25,000 pages of regulations still to be written.

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What changes will occur under the Affordable Care Act (ACA) in January 2014, and what will they mean for my congregation/UUA-related employer and our staff?

Introduction: Health Insurance, as we know it, is about to undergo significant changes in the coming year. The federal and state governments are gearing up to start accepting enrollments from individuals, families, and small businesses in various competing health insurance plans offered through state-based Insurance Exchanges. However, many details have yet to be resolved by government regulators, and the consequences of the federal budget sequester on Exchange-related staffing is unknown. Meanwhile, health insurance providers, including the UUA Health Plan, are busily planning for not only the most likely scenarios, but also for unexpected contingencies that might arise. Given the political uncertainties and regulatory challenges, implementation of the state-based exchanges, individual mandates, and employer sanctions may go smoothly, or we may be facing an implementation perfect storm in 2014.

How will the ACA affect congregational budgets and the health insurance provided to congregational staff? Will congregational employees be eligible for federally-subsidized insurance? Can congregations purchase insurance through their state-based exchange? To help provide answers to these and many other questions, the UUA Health Plan/Office of Church Staff Finances is launching a Constant Contact email list to provide the latest information to interested congregational leaders. You don't need to be a participating congregation in our health plan to receive updates. To sign-up, email your name, congregation or UUA affiliate, job title, and preferred email address to Patti Angelina, Insurance Plans Coordinator insurance_plans@uua.org.

This inaugural alert summarizes what we know, what we don't know, and how we think it will impact your congregation. Our information comes from the official releases of the DOL, the IRS, and the HHS – who together will produce another 25,000 or so pages of regulations over the next eight months – with analytical support from our legal team, actuaries, and insurance advisors.

What We Know: There are no more legal or legislative challenges to the ACA – that appear to have any chance of success. The ACA provisions that create Insurance Exchanges in every state, that require virtually everyone to have health insurance, and that provide financial support in the form of tax subsidies for those unable to afford coverage are going to take effect in 2014, barring the emergence of fiscal or regulatory disasters. There are provisions such as “play or pay” that require employers with fifty or more full-time equivalent employees to provide health insurance or pay a substantial penalty that also go into effect but have no impact on any of our congregations. And there are many, many reporting requirements that we will elaborate on in future alerts, but that do not impact your budget planning.

We know what has been proposed as “minimum essential coverage”, state by state, and we know how to calculate the relative value of plans; that is, how they meet the “bronze”, “silver”, and “gold” standards stipulated in the ACA. Based on that, we know that the UUA PPO Plan is currently in the “gold” category, and from that we can infer that our coverage will be superior to virtually any plan offered on the various State-based Exchanges. We also know that the UUA Health Plan will need to offer a less-generous benefit plan more in line with “silver” benefits that will be more price-competitive. The standard plans on the Exchanges are likely to have individual deductibles of at least \$2,000 compared to our current \$600 in-plan deductible. “Minimum Essential Coverage” will not include birth control, abortion, hearing aids, supplemental benefits for children with learning disabilities, or coverage for same-sex spouses/partners – benefits all included in the UUA Health Plan.

We know that individuals will be eligible for federally-subsidized coverage on a sliding scale if they meet all of the following conditions:

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- total household income is less than 400 percent of the Federal Poverty Level (FPL);
- they are not eligible for Medicare, Medicaid, or Children's Health Insurance Plan (CHIP);
- they are not eligible for an employer-sponsored plan, unless the net cost to them after the employer contribution exceeds 9.5 percent of the cost of employee coverage for the least expensive plan offered by the employer. (There is also a benefits value test that would not apply to any plan we sponsor). For most congregations, these tests mean that only a small percentage of employees will qualify for the federal premium subsidies.

We know that planning for the State-based Exchanges is woefully behind schedule: only seventeen states and the District of Columbia have indicated a willingness to build their own program, and of those, most experts think that fewer than half can actually be ready on time. Twenty-six states have let the work default to the federal government, and seven have formed a state-federal partnership to build their Exchange. The original mandate for large employers to tell their employees about Exchange options has already been pushed back from March 1, 2013 to "late summer or early fall", an indication that all is not well in the regulatory world.

We know that congregations will have options for 2014, the same options as other small businesses, and we know that exercising those options will require thoughtful planning and discussion in every congregation, whether they currently use the UUA Health Plan, another health plan, or have some other strategy for making sure that all of their employees have health insurance.

We also know that some congregations will continue to be eligible for the Small Business Health Care Tax Credit (outside link <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>). The calculations can be a bit daunting, but it can save your congregation money.

What We Don't Know: The challenge here, of course, is that we can only report on what we *know* we don't know. We are constantly trying to improve our knowledge base, and our legal, actuarial, insurance, and legislative resources are all first-rate, but there will continue to be gaps.

We don't know if all of the State-based Exchanges will be ready to begin marketing in October. Many states are already behind schedule, the federal government is charged with building many more Exchanges than they originally anticipated, and the impact of the federal budget sequestration makes things even more unclear. Whether DOL, HHS, and the IRS are prepared to move ahead with an individual mandate and employer penalties state-by-state is unknown.

A big part of the overall plan to extend health insurance to everyone is the expansion of state Medicaid programs. There are states that are not buying into that expansion, and how the variability among states impacts Exchange implementation is unclear. It is also unclear how state bureaucracy that determines eligibility for Medicaid will interface with Exchange procedures for determining eligibility for tax credits. This bureaucratic battling will impact congregations that are asked to report employee household income to state agencies.

We don't know which insurers will elect to participate in the Exchanges or the range of plans they will offer. It's a safe bet that the big players (Blue Cross, Cigna, Aetna, United Healthcare, etc.) will be there, but there are no guarantees. We also don't know what the rates will look like compared to the rest of the small group market or the individual market or the UUA Health Plan. There are also no guarantees that the rates in the Exchange plans will be stable, since they will be the plans of last resort, after employer plans and after any individual policies that people currently hold and like.

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Finally, and this is the real wild-card in the regulatory process, we don't know if church plans, including the UUA Health Plan, will be allowed to offer government subsidies comparable to those available on the Exchanges. As of early March, 2013, self-insured plans – which include church plans, union trust plans, and other large plans – have not been addressed at all by regulators; we have not been included or excluded, simply not addressed. This has occurred because Congress didn't address these plans in the Affordable Care Act itself, leaving the task entirely to regulators. As you might imagine, this lack of action on the part of regulators makes planning difficult. Should it turn out that plans like ours can offer subsidies, then the lowest-paid employees of your congregation might be able to remain in our Plan, rather than having to buy coverage on the state exchange in order to qualify for federal subsidies.

What Options Will Congregations Have for 2014?: Because we believe that all of our congregations have fewer than fifty full-time equivalent employees, none will be required to offer health insurance or pay a penalty – the “play or pay” provision. Instead the discussion will likely focus on whether to continue to provide employer-paid health insurance, and if so, the richness of the benefit package(s) that should be offered to congregational staff. Informing this conversation will be our UU Values including our commitment to economic justice for staff, UUA Fair Compensation practices, congregational finances, and the realities of the local labor market.

Most congregations will keep their current insurance arrangements for 2014, until the functionality, pricing, and stability of the Exchanges are firmly established. Here at the UUA Health Plan, we want to continue to earn and keep your trust in us as the plan that offers benefits that reflect UU values, as a plan that is financially stable and completely dedicated to using the assets of the plan for the benefit of members, and that offers you the backing of the Office of Church Staff Finances as your ally when something goes awry in your dealings with Highmark Blue Cross, our “back office” for benefits processing.

Some congregations may consider taking the approach that some small businesses will take – dropping health insurance entirely and letting their staff buy coverage on the Exchange. While this may make short term economic sense, there are some significant disadvantages to the strategy. First, employees who are currently receiving an employer contribution toward the cost of their coverage will correctly expect to have their pay increased to cover the additional expense. A recent analysis shared with the UUA Health Plan Office by Highmark Blue Cross (the insurer we use to process our claims) estimates that it will cost 20-25 percent more to purchase equivalent coverage as an individual on the Exchanges. The additional pay is taxable income; all of the tax advantages of employer-paid care are lost. Second, a congregation that dropped health insurance would lose its Fair Compensation status, which can be a critical recruiting tool. Third, the Exchange plans are likely to feel inferior compared to the UUA Plan or other reasonably generous plans.

Some congregations may consider buying their health insurance on the small business Exchange. This could be financially advantageous, but there are currently too many unknowns about benefit details, rates, and medium-to-long term rate stability to make an informed decision. In addition, Exchange-offered plans are likely NOT to provide family coverage to individuals with a same-sex spouse or partner.

The UUA Health Plan: Not long after its 2007 launch, the UUA Health Plan formally adopted a set of values to guide the management of the plan. Those values include fiscal responsibility, integrity in our relationships, and adherence to legality in our operations. The number one value, though, is not one typically adopted by insurance companies. It is:

- Justice, Fairness, and Equity:

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- Determine benefits and pricing based on fairness to present and future enrollees and ensure access to benefits without regard to race, culture, affectional or sexual orientation, gender identity and/or expression, health status, ability, or job title/rank
- Administer the plan with fairness and equity to participating UU congregations and organizations which sponsor enrollment
- Maintain and improve affordability; an unaffordable plan is inherently inaccessible

The UUA Health Plan has been faithful to this charge from the beginning. As a result, 452 congregations -- at least two-thirds of UUA congregations believed to have eligible staff -- are subscribing employers to the UUA Health Plan. We have structured the benefits in the plan to be consistent with UU values -- something that simply will not happen in the Exchanges. We have used our superior financial performance to keep rates as low as possible; over the first six years, our premiums have increased at a compound rate of only 3.2 percent per year. Over the years, the plan has been upgraded to include:

- full parity of mental health benefits ;
- coverage for dependents to age twenty-six;
- full preventive care and women's health services -- all well ahead of the dates that insurers were required to adopt the changes;
- a hearing aid benefit; and
- a \$2,500 annual supplemental benefit for children with learning disabilities.

The UUA Health Plan is the embodiment of our collective UU Values. Our plan provides coverage (e.g. the hearing aid benefit or the childhood learning disability benefit) rarely seen in commercial insurance policies. And from the beginning, we have recognized same sex partnerships and other domestic partnership arrangements. Our plan is able to minimize expenses since there are no high salaries for our staff, no extensive advertising, and no profit-sharing with shareholders. Perhaps most important of all, Jim Sargent and Patti Angelina, our Health Plan staff, are available to solve the inevitable billing problems or benefit questions when they arise. We are committed to ensuring our congregations and their participating staff an affordable plan, quality benefits, and problem-free administration.

What Happens Next?: The Federal Government - DOL, HHS, and IRS - will continue to issue regulations -- 25,000 pages worth -- and we, along with our plan advisers will continue to review them all, clarify their impact on self-insured church plans, and develop compliance strategies. Many of the church plans, working together through the multi-denominational Church Benefits Association and Church Alliance, will continue to push for regulations that allow us more flexibility in how we fit into the overall regulatory schemes of the Exchanges. We are actively planning for benefit options for 2014 that will be able to compete with the scaled-back plans that insurance companies will bring to the Exchanges, while remaining faithful to UU values.

By late summer 2013, it will be clear whether or not the Exchanges will be able to go live with marketing, and whether or not their startup will have regional gaps, and we will keep you abreast of those developments. We will continue to analyze the reporting requirements under ACA, and to the extent they affect you as small employers, we will alert you to the compliance requirements. And as always, we in the Office of Church Staff Finances will be available to you for consultation as your congregation wrestles with determining the right approach in the face of conflicting and incomplete information.

The above information is provided to assist congregational leaders, religious professionals, and other staff in their decision-making. However, the staff members of the UUA Office of Church Staff Finances

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are not attorneys or accounting professionals, and we encourage congregations to seek the services of their own advisers in dealing with unusual cases or individual circumstances.

For follow-up questions, email: HealthInsurance@uua.org, or phone:

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