

# Health Care Reform: HealthFlex Strategy and Response

HealthFlex Summit

March 22, 2012



GENERAL BOARD OF PENSION AND HEALTH BENEFITS  
OF THE UNITED METHODIST CHURCH

Caring For Those Who Serve

# Agenda

---

- Key Objectives
- UMC Data and Impact Analysis
- Exchange Plans Overview
- Conference Impact Illustration
- Conference Solutions
- HealthFlex 2014 and Beyond—Possible Scenarios
- Conclusions and Next Steps
- Q & A

# Health Care Reform and Impact on UMC

## Key Objectives

---

### Patient Protection and Affordable Care Act (PPACA or “ACA”)

- Analyze impact of ACA’s “2014 Exchanges” across UMC
  - For small employer world (under 50 employees)
- Compare UMC clergy household income to federal poverty level (FPL) thresholds for Exchanges
  - Quantify “subsidy-eligible” population (approximate)
- Regional analysis
  - Identify where the Exchanges/General Board may be more or less meaningful
- Foundation for further conference-specific analysis, including:
  - Geography (household income variation and states’ Exchange “readiness”)
  - Conference/church contributions vs. individual contributions by coverage tier
  - Plans offered now and under various potential Exchanges options
  - Retiree coverage

# **UMC Data and Impact Analysis**

# Clergy Participant Information

## Percent of Participants by Federal Poverty Level (FPL)

2014 Est. Family Income	Health Flex						
	Enrolled						
	Single	1 Dep	2 Deps	3 Deps	4+ Deps	Total	
≤100% FPL	0%	1%	0%	0%	1%	0%	} <b>2% Medicaid-Eligible</b>
100%-125% FPL	0%	0%	0%	1%	4%	1%	
125%-138% FPL	0%	0%	0%	1%	5%	1%	
138%-150% FPL	0%	0%	0%	3%	7%	1%	} <b>48% Subsidy-Eligible</b>
150%-200% FPL	1%	1%	10%	20%	21%	7%	
200%-250% FPL	1%	9%	17%	15%	13%	10%	
250%-300% FPL	3%	16%	14%	8%	6%	12%	
300%-350% FPL	18%	10%	8%	7%	2%	10%	
350%-375% FPL	10%	4%	2%	2%	0%	4%	
375%-400% FPL	11%	3%	2%	2%	0%	4%	} <b>7% Subsidy-Eligible with Income Adjustment</b>
400%-425% FPL	15%	2%	2%	0%	0%	4%	
425%-450% FPL	9%	3%	2%	0%	0%	3%	} <b>43% — <u>Not</u> Subsidy-Eligible</b>
<b>&gt;450% FPL</b>	<b>32%</b>	<b>49%</b>	<b>43%</b>	<b>41%</b>	<b>41%</b>	<b>43%</b>	
<b>% of Population</b>	<b>15%</b>	<b>50%</b>	<b>12%</b>	<b>15%</b>	<b>8%</b>	<b>100%</b>	

# Assumptions—Mercer Model

Federal Poverty Level (FPL) Assumptions:

	2012 FPL %		2014 FPL %		% of HF Participants
	100%	400%	100%	400%	
Single	\$11,170	\$44,680	\$11,850	\$47,401	15%
Family of 2	\$15,130	\$60,520	\$16,051	\$64,206	50%
Family of 3	\$19,090	\$76,360	\$20,253	\$81,010	12%
Family of 4	\$23,050	\$92,200	\$24,454	\$97,815	15%
Family of 5+	\$27,010	\$108,040	\$28,655	\$114,620	8% <sup>1</sup>

<sup>1</sup> Percentage for family of 5 or more.

- **% of HealthFlex participants includes:**
  - Clergy enrolled in HealthFlex active plans
  - Post-65 actives enrolled in Medicare plans and Extend Health (Small Employer Exception)
  - Does *not* include waived/ineligible participants
- **Salary assumptions:**
  - Housing *not* included
  - Household income represents lower household income multiples than national averages (confirmed by previous UMC household income surveys)

# UMC Clergy Participant Salary Regional Analysis

Geography	States	HealthFlex	Non-HealthFlex	Total
East North Central	IL/IN/MI/OH/WI	\$44,540	\$41,652	\$42,713
East South Central	AL/KY/MS/TN	\$39,346	\$41,128	\$40,792
Mid Atlantic	NJ/NY/PA	\$40,301	\$40,399	\$40,333
Mountain	AZ/CO/ID/MT/ UT/NM/NV/WY	\$39,651	Insufficient Data	\$40,147
New England	CT/MA/ME/ NH/RI/VT	\$38,151	Insufficient Data	\$38,372
Pacific	AK/CA/HI/OR/WA + GUAM	\$39,727	\$41,262	\$40,765
South Atlantic	DC/DE/FL/GA/MD/ NC/SC/VA/WV +PR	\$46,852	\$44,257	\$45,220
West North Central	IA/KS/MN/MO/ ND/NE/SD	\$41,352	\$42,260	\$41,772
West South Central	AR/LA/OK/TX	\$47,463	\$47,081	\$47,186
Average		\$43,144	\$43,197	\$43,175
Median		\$41,338	\$41,000	\$41,135

# Geography

---

## **South Central and Southeast Jurisdictions**

- Expected MAGI\* is significantly higher
- Implies fewer clergy will qualify for Exchange subsidies
- Increased need for ongoing conference health plan (HealthFlex or other option) or other funding solutions
- State Exchange “readiness” is lowest
- Potential delay in savings provided by subsidies

## **Northeast and Western Jurisdictions**

- State Exchange “readiness” is greatest
- Conferences may have greatest immediate opportunity to opt for savings through Exchange coverage

## **Annual conferences that cross state lines may have particular difficulties with Exchanges**

- Exchange plans and pricing—or even Exchange availability—may vary significantly

## **HHS has promised a federal Exchange where states are not ready by 2014**

- Uncertainty remains

\* MAGI—Modified Adjusted Gross Income



# Key UMC Clergy Findings

## Income Distribution

---

### Income Distribution

- Almost **50% of participants** would be eligible for some federal subsidy
- Approximately **7% more** are considered “reasonable, marginal distance from the cliff” of subsidy eligibility (400% FPL)
  - Income could fall below 400% FPL—with some adjustment
- **43%** are significantly above 400% FPL and unlikely to be subsidy-eligible
  - Would need a solution outside of Exchanges (continuing group health plan or substantially increased pay)
  - Not likely to adjust salary to fall below 400% FPL
    - Though some part-time working spouses could quit working
  - These clergy will pay “full freight”—full premiums—on the Exchanges
  - They need an alternative health plan or much more compensation
- Mercer results affirmed by sample data from Pacific Northwest and Northern Illinois

# Key UMC Clergy Findings

---

- **Family Tier**
  - Participants have smaller-sized families
    - ❖ 50% of population has one dependent only
- **Geographical**
  - HealthFlex and non-HealthFlex groups are similar in salary distribution among regions, with a few higher-salaried regions
  - Solutions may need to be different by geography based on:
    - ❖ Conference median income
    - ❖ Conference culture
    - ❖ Conference practice with respect to participant contributions
    - ❖ Availability/adequacy of state-based Exchanges

# 2014: Exchange Overview

# Health Insurance Exchange (HIE) Structure Overview

---

- State-established
  - Federal HHS\* Exchange will operate if no state Exchange
  - Subsidy levels: standard across states, but plan coverage may vary
- Exchanges: mainly for individuals, single risk pool
- Only “insurance companies” may offer coverage
  - Church Alliance efforts continue; grant church plans access to Exchange
  - HHS requested comments from church plans and union plans
    - ❖ Final Exchange rule (March 12)
    - ❖ “Future guidance about church plans”
- Platinum (90%), gold (80%), silver (70%) and bronze (60%) plans
  - Choose from array of qualified health plans (QHPs)
  - Comparison shopping in online portal

\* HHS: U.S. Department of Health and Human Services

# Health Insurance Exchange Coverage and Subsidy Eligibility

---

## Exchange Coverage Eligibility

- Anyone not covered by Medicare, Medicaid or eligible for an **affordable** employer plan
  - Affordable coverage rule is counterpart to employer responsibility rule (“mandate”)

## Exchange Subsidy Eligibility

- *Income-based*: Exchange plan premiums subsidized for individuals and families earning less than **400% of FPL**
- *Cost of Coverage (affordability)*: Premium for subsidy-eligible individual/family is limited to **2% to 9.5% of income**—regardless of plan cost
  - Cost-sharing (out-of-pocket from deductibles, etc.) limited by additional federal subsidies for individuals and families earning less than 250% of FPL

# Health Insurance Exchange Coverage and Subsidy Eligibility

---

- **Subsidy Mechanism**—Subsidies are a “Premium Tax Credit”
  - Assignable
    - ❖ Paid by HHS/IRS directly to Exchange plans—removes cash flow problems for individuals
  - Advanceable
    - ❖ Paid at beginning of tax year—16 months before individual submits tax return

# Health Insurance Exchange Coverage and Subsidy Eligibility

---

- Example: January 2014
  - Clergy person enrolls in “silver” Exchange plan
  - Based on 2012 tax return, the Exchange charges clergy person \$199/month (clergy may pay monthly, e.g., via EFT or credit card)
  - Remaining \$451/month: paid directly by HHS to Exchange plan
  - April 2015: clergy submits tax return, calculates actual tax credit
  - Possible outcomes: receive more refund *or* owe the IRS

# 2014: Products Offered in Public Exchanges

	Exchanges				HealthFlex
	Bronze	Silver	Gold	Platinum	PPO B750
<b>Actuarial value</b>	60%	70%	80%	90%	~80%
<b>Covered services</b>	Essential & preventive benefits	Essential & preventive benefits	Essential & preventive benefits	Essential & preventive benefits	Essential & preventive benefits
<b>Essential benefits</b>	No dollar limits	No dollar limits	No dollar limits	No dollar limits	No dollar limits
<b>2014 deductible maximums</b>	HSA rules	HSA rules	HSA rules	HSA rules	\$750 (I) \$1,500 (F) (in-network)
<b>2010 cost sharing maximums</b> Will be indexed to 2014 levels	Up to \$5,950 (I) \$11,900(F)	Up to \$5,950 (I) \$11,900(F)	Up to \$5,950 (I) \$11,900(F)	Up to \$5,950 (I) \$11,900(F)	Up to \$3,500 (I) \$7,000(F) (in-network)

- Silver plan is used to determine any government subsidies through the Exchange

<sup>1</sup> Some provisions apply differently for grandfathered and non-grandfathered plans



# Illustrative Premium Scenarios Through Public Exchanges

The table below shows the cost/value of government-subsidized coverage purchased on the Public Exchange

% FPL	Adjusted Household Income (AHI)			Illustrative 2014 Exchange Coverage				
				Plan Value	Maximum Monthly Contribution			Family of 4
	Single	Family of 2	% of AHI		Single	Family of 2		
138%	\$16,353	\$22,151	\$33,746	94%	3.00%	\$41	\$55	\$84
150%	\$17,775	\$24,077	\$36,681	87%	4.00%	\$59	\$80	\$122
200%	\$23,701	\$32,103	\$48,907	73%	6.30%	\$124	\$169	\$257
250%	\$29,626	\$40,129	\$61,134	70%	8.05%	\$199	\$269	\$410
300%	\$35,551	\$48,154	\$73,361		9.50%	\$281	\$381	\$581
400%	\$47,401	\$64,206	\$97,815		9.50%	\$375	\$508	\$774
>400%	>\$47,401	>\$64,206	>\$97,815	No Max	Full Cost			
						\$650	\$1,300	\$1,950

\* Note: All numbers based on Mercer forecasts for 2014 based on current contributions; illustrative only

# Premium Tax Credit Eligibility Is the Driving Factor

---

- Individual Comparison
  - 401% of FPL: monthly premium = \$650 (est.) (\$7,800 annual)
  - 400% of FPL (subsidy-eligible): monthly premium = \$375 (\$4,500 annual)
- Family of 2 Comparison
  - 401% of FPL: monthly premium = \$1,300 (est.) (\$15,600 annual)
  - 400% of FPL (subsidy-eligible): monthly premium = \$508 (\$6,096 annual)
- Family of 4 Comparison
  - 401% of FPL: monthly premium = \$1,950 (est.) (\$23,400 annual)
  - 400% of FPL (subsidy-eligible): monthly premium = \$774 (\$9,288 annual)

# Individual Annual Conference Impact Illustration Assumptions

---

## Enrollment Assumptions

- 2% in Medicaid (Under 138% of FPL)
- 48-55% Exchange subsidy-eligible (between 138 and 400% of FPL)
- 43-50% not Exchange subsidy-eligible (greater than 400% of FPL)

## Other Assumptions

- No “total compensation” changes/reductions for participants over 400% of FPL
- None or low share of the premium is paid by participants
  - Assumes employer-paid solution can be implemented
- Similar benefits between HealthFlex and Exchange plans (Silver/Gold)

# Individual Annual Conference Impact

% FPL Range	Avg AHI (Single)	Exchange Coverage (Monthly) <sup>1</sup>		% Enrollment	% Savings
		Subsidy	Participant Cost		
< 138%	<\$16,353	\$650	\$0	0%	100%
138%-150%	\$17,064	\$600	\$50	0%	92%
150%-200%	\$20,738	\$558	\$92	1%	86%
200%-250%	\$26,663	\$488	\$162	1%	75%
250%-300%	\$32,588	\$410	\$240	3%	63%
300%-400%	\$41,476	\$322	\$328	39%	49%
>400%	>\$47,401	\$0	\$650	56%	0%
<b>Total</b>				<b>100%</b>	<b>23%</b>

% FPL Range	Avg AHI (Family of 2)	Exchange Coverage (Monthly) <sup>1</sup>		% Enrollment	% Savings
		Subsidy	Participant Cost		
< 138%	<\$22,151	\$1,300	\$0	1%	100%
138%-150%	\$23,114	\$1,232	\$68	0%	95%
150%-200%	\$28,090	\$1,176	\$124	1%	90%
200%-250%	\$36,116	\$1,081	\$219	9%	83%
250%-300%	\$44,141	\$975	\$325	16%	75%
300%-400%	\$56,180	\$855	\$445	18%	66%
>400%	>\$64,206	\$0	\$1,300	54%	0%
<b>Total</b>				<b>100%</b>	<b>34%</b>

% FPL Range	Avg AHI (Family of 4)	Exchange Coverage (Monthly) <sup>1</sup>		% Enrollment	% Savings
		Subsidy	Participant Cost		
< 138%	<\$33,746	\$1,950	\$0	2%	100%
138%-150%	\$35,213	\$1,847	\$103	3%	95%
150%-200%	\$42,794	\$1,760	\$190	20%	90%
200%-250%	\$55,021	\$1,617	\$333	15%	83%
250%-300%	\$67,248	\$1,455	\$495	8%	75%
300%-400%	\$85,588	\$1,272	\$678	10%	65%
>400%	>\$97,815	\$0	\$1,950	41%	0%
<b>Total</b>				<b>100%</b>	<b>48%</b>

- Savings could be the subsidy amounts shown in each FPL range
- Premium savings equal to:
  - 23% of premium costs under single-only assumption
  - 34% for two-person family
  - 48% for four-person family

<sup>1</sup> Based on the average of the maximum contributions at the bottom of the range and the top of the range.

# Transition to Exchange

## Financial Considerations

---

- Conference funding (premium) for subsidy-eligible and non-subsidy-eligible
  - Health Reimbursement Account (HRA)—funding vehicle for conference commitment (albeit reduced for subsidy-eligible)
    - ❖ Discrimination in Funding: Code §105(h)
    - ❖ Federal government position—uncertain
      - Annual limits issues for stand-alone HRAs
      - Tax-exempt status of HRAs and other employer-provided account-based plans—arguably counter to purposes of ACA
- Increase participant responsibility
  - Year-by-year building block prior to Exchange transition
  - Increase participants' premium cost share
  - Move to less rich plan—more parallel to those on Exchange

# HealthFlex 2014 and Beyond

## Possible Scenarios

---

### Plan Options

- I. HealthFlex offered in the Exchanges—if church plans obtain federal relief
  - Denominational-specific plan
  - Plan/plan sponsors receive subsidy (Premium Tax Credit) for participants who would be eligible for Exchange subsidy
- II. Barring that, continue to provide HealthFlex group coverage for certain plan sponsor groups
  - Plan sponsors reluctant to transition to the Exchanges
  - Large employers wanting to avoid penalties
  - Plan sponsors still needing group coverage support for “non-subsidy-eligible” participants
    - Also may be increasingly relevant to non-HealthFlex plan sponsors, and potentially other denominations

# HealthFlex 2014 and Beyond

## Possible Scenarios

---

- III. Dissolution of HealthFlex completely (due to losing critical mass)
  - Purposeful wind-down strategy to targeted future date
  - Policy for appropriate handling of plan reserves, including appropriate potential payout of remaining plan reserves

### **Other Support Options**

- “Exchange transition/navigation” assistance for participants—similar to Extend Health model for retirees
- Account-based plans administration and service
- Ancillary and supplemental benefits (vision, dental, EAP, gap coverage)

### **Wellness Program Options**

- Regardless of “plans business model,” Center for Health will remain positioned as denominational center of excellence for health and wellness supports and programs

# Health Care Reform and UMC Analysis Conclusions and Next Steps

---

- Conduct similar analysis for each conference; refining assumptions and painting their unique “picture”
- Conduct deeper analysis of “43% non-subsidy-eligible” at denominational level
- Explore administrative considerations should church/SPU now need to be “sponsor”



# Health Care Reform and UMC Analysis Conclusions and Next Steps

---

- Examine HRA/account-based funding regulations and options to bring equity within conference and across conferences
  - Mitigate potential appointment issues for conferences with half their clergy in Exchanges and half out of the Exchanges
- Church Benefits Alliance discussions/opportunities
  - Continue to lead discussion of impacts/considerations with other denominations
  - Explore opportunities for smaller denominations to “sponsor” HealthFlex

# Data Requirements

## Plan Sponsor Analysis

---

Detailed census listing with following information for each employee

<b>Income</b> <ul style="list-style-type: none"><li>• Household salary (modified AGI)</li><li>• Note: excludes housing allowance or parsonage value</li></ul>	<b>Plan Contribution</b> <ul style="list-style-type: none"><li>• Current contribution by plan for medical, dental, vision plans</li><li>• Medical FSA contribution amount</li></ul>
<b>Demographic</b> <ul style="list-style-type: none"><li>• Number of IRS dependents</li><li>• Primary state of residence (federal taxes)</li></ul>	<b>Employment Information</b> <ul style="list-style-type: none"><li>• Health plan eligibility</li><li>• Employment type</li><li>• Employment percent</li></ul>



**1-800-851-2201**  
**[www.gbophb.org](http://www.gbophb.org)**