

Church-Wide Healthcare Coverage Feasibility Study: Research Results Inform Development of Possible Denominational Plan

In the face of rapidly rising healthcare costs, as well as justice issues around healthcare benefits for active church employees, the 75th General Convention passed a resolution authorizing CPG to undertake a healthcare coverage feasibility study, and to report its findings and recommendation to General Convention in July 2009. Below are details about what we've accomplished so far, and the work that is currently in progress.

Among other things, we have evaluated other denominations' experiences of healthcare coverage provision, and are analyzing current healthcare industry economics, performing an in-depth evaluation of the Church's current approach to providing healthcare benefits, and analyzing past, current, and projected future costs.

That research data, in conjunction with direct feedback from church employers and employees, is being used to formulate a recommendation and analyze its probable impact on Church employers prior to the report-back to the 76th General Convention.

The charts and data in this section of *Perspective* are just part of the important information we have learned from this research.

Why is the Healthcare Coverage Feasibility Study Only Studying Active Employees?

An extensive study of healthcare benefits for retired employees was conducted by the Church Pension Group between 1998 and 2002, culminating in the modernization of post-65 healthcare coverage.

More information about this redesigned program can be found on the CPG website at www.cpg.org/retireehealth

Opportunities for Cost Savings and Increased Coverage

The cost of providing health benefits for active employees is high and rising rapidly, outpacing general inflation and wage increases and placing an increasingly difficult financial burden on many dioceses, congregations, and individuals. In fact, healthcare benefits costs are the fastest-growing expense item for many congregations, and revenues are not keeping pace with rising costs. Research indicates, for example, that revenue for the typical family-sized congregation, which makes up more than 50% of all Episcopal congregations, is already insufficient to meet operating expenses, and the shortfall will be nearly twice as large by 2015. It is estimated that, by 2015, healthcare benefit costs for the Church overall will rise from 7.5% of operating revenue to 10.7%, and The Episcopal Church will spend a total of over \$100 million more on healthcare benefits than we spend today.

More Participants Mean Lower Costs Overall

The economics of the U.S. healthcare environment are such that larger groups, with their greater purchasing power, are able to secure lower unit costs. Therefore, purchasing health benefits collectively rather than per-congregation or per-diocese could help slow cost growth. An example of the benefit of purchasing health coverage collectively is the cumulative savings to the Church of more than \$10 million over five years through the participation of The Episcopal Church Medical Trust ("Medical Trust") in a multi-denominational coalition for purchasing Medco pharmacy benefits. Participation in this Denominational Benefits Coalition, formed under the auspices of the Church Benefits Association, increased the leverage of The Episcopal Church from 15,000 participating households to the combined purchasing power of over 150,000 households, enabling the renegotiation of existing contracts at more favorable rates.

Justice Issues Around Healthcare Benefits for Lay Employees

In addition to cost savings, there are justice and equity issues around healthcare benefits for lay employees, many of whom do not participate in diocesan-endorsed health benefit programs because they must pay part or all of the cost of their participation themselves, and those costs are often prohibitive.

51% of Lay Employees Working 30+ Hours a Week Pay 80% to 100% of the Cost of Their Healthcare Benefits

Employee Cost-Sharing Percentage	Percentage of 30+ Lay Employees
100%	21%
80% - 99%	30%
50% - 79%	25%
20% - 49%	11%
0% - 19%	13%

In addition, although some lay employees have healthcare benefits through a spouse or partner, our research indicates that **there are several thousand full-time lay employees who are entirely uninsured.**

A number of other denominations have national church-endorsed health plans that may suggest more cost-effective and equitable solutions for us.

How Other Denominations Approach Healthcare

In the Episcopal Church today, each diocese functions independently in the purchasing, administration, and delivery of health benefits. This results in a duplication of effort, the inability to take advantage of economies of scale, and unequal costs and benefits across the Church. To determine whether a mandated denominational healthcare benefits program could be a viable option for our Church, and to help inform our thinking about plan design, financial, and organizational components, it was important to understand what other denominations are doing.

Therefore, we conducted a benchmark study of denominations that included the Presbyterian Church USA, the Evangelical Lutheran Church in America (ELCA), the Lutheran Church-Missouri Synod (LC-MS), the United Methodist Church, and the Southern Baptist Convention.

Among other things, we learned that The Presbyterian Church USA provides a denominational health plan that is mandated, albeit only for pastors and associate pastors. Other clergy such as hospital chaplains may also participate. ELCA mandates healthcare benefits for certain employers through participation in ELCA's Pension and Other Benefits Program (which includes the health plan). Participation is voluntary for employees of ELCA congregations and institutions. Although LC-MS does not mandate healthcare benefits for clergy and lay employees, enrollment in their denominational health plan is high as a result of bundling the health plan with the pension plan. A single board manages both the health and pension plans. In almost all denominations studied, the health plan is administered by the pension board.

We also learned that the most prevalent plan design is a Preferred Provider Organization (PPO), and that the majority of plans have higher deductibles than those of the plans currently offered throughout the Episcopal Church.

Understanding Episcopal Employers' Current Healthcare Plans, and Listening to Employees about Healthcare

All dioceses and congregations were asked to provide financial and healthcare benefit data to help us better understand what the Church is currently doing to provide healthcare coverage for clergy and lay employees, including the range of benefits offered and the associated costs to the church or institution providing the coverage. 92% of dioceses and 46% of congregations responded to this study. In addition, all active clergy and lay employees were asked to complete a healthcare benefits questionnaire so that we could learn more about their current sources of healthcare coverage and their out-of-pocket costs for healthcare services. More than 8,000 employees (36%) responded

to this study. These are very high response rates for studies of this kind.

Moving Toward a Denominational Health Plan

As the project team continues to analyze the potential for a denominational healthcare plan and what such a plan might look like, there are three overarching questions to consider:

Who should be covered? Clergy only, or both clergy and lay employees? The employee only or family coverage? How many hours a week must an employee work, to be eligible?

What will it cost? For the current employee population? For family coverage? For additional populations to which coverage may be extended?

What types of health plans should be offered? PPO plans? HMOs? How wide a range of choices should be offered? How many vendors should be used?

Who Should Be Covered under a Denominational Health Plan?

While this issue is still under discussion, current thinking is that clergy and lay employees working 30+ hours in dioceses, congregations, and official agencies of the Church should be included under any potential mandated healthcare benefits program. Lengthy discussions have taken place regarding the inclusion of church school employees, as well. However, the issue around church schools is so complex, we believe that additional study is required, to be conducted during the 2009-2012 triennium.

Current data indicates that more than 13,000 clergy and lay employees are covered through congregation- and diocesan-sponsored healthcare benefits programs. Of these, nearly 8,000 are in plans administered and sponsored by the Medical Trust. The Medical Trust currently provides benefit options to 72 dioceses and more than 20 separate Episcopal agencies, institutions, and seminaries.

Today, Episcopal Church employees can choose whether to receive coverage from church-sponsored plans or another source. 83% of clergy and 67% of lay employees working 40+ hours per week are covered under a Church-sponsored plan. However, we know that several thousand full-time employees have opted out of receiving health benefits coverage from their Episcopal Church employers and instead receive their coverage from such sources as a spouse's or partner's plan.

Preliminary results indicate that all clergy have healthcare benefits from at least one source; however, it appears that there are several thousand full-time lay employees who are entirely uninsured. This raises concerns and requires additional work in coming months to fully understand the scope of the Church's uninsured population.

Overseas Dioceses

We have also been collecting information on how healthcare is provided in our overseas dioceses. To date, we have compiled information on healthcare programs in Columbia, the Dominican Republic, Ecuador, Haiti, Honduras, Puerto Rico, Taiwan, Venezuela and the Virgin Islands. Initial findings indicate that the provision of healthcare benefits in overseas dioceses is as complex and challenging as with parish schools, and will require further study during the next triennium.

Your Thoughts about Who Should Be Covered

In late 2007, we conducted focus groups with clergy and lay employees around the country, from Oregon to Florida. We wanted to hear what you thought about the study and a possible denominational health plan, as well as eligibility, cost-sharing, plan design, and employer-funding of such a plan, and the legislative method for making healthcare mandatory.

Overall, there was a great deal of commonality in your opinions. Most people felt that:

- Healthcare benefits should be mandatory for clergy and lay employees across The Episcopal Church.
- The ultimate goal should be universal coverage for all employees, understanding that, because of cost, this may not be possible. However, all employees should have the opportunity to purchase healthcare benefits through a denominational plan.
- At a minimum, healthcare benefits should be provided to and paid for employees working 30+ hours a week.

Feedback like this continues to be important as the project team develops a long-term solution for recommendation to the Church.

What Will It Cost?

As we begin to project the costs of a denominational health plan, it is imperative to understand business, financial, and employment trends across the Church. We have spent several months gathering data about financial, healthcare, compensation, and general employment trends in the Episcopal Church. The team continues to review and analyze this data, plus data from parochial reports and from the clergy pension plan. That data will be used to determine initial costs of a denominational health plan and to evaluate the impact of demographic trends on the cost of future employee healthcare benefits.

Projected Demographic Trends in the Church

As we continue to study possible cost structures of a denominational health plan now and for the future, we are working with a set of projected demographic assumptions. These include:

- Currently, there are 6,600 active clergy for whom assessments are being paid into the clergy pension plan. Based on our data, we believe that nearly 6,000 of these are working full-time (30+ hours/week).
- During 2007, out of approximately 7,088 congregations, only about 4,500 had one or more full-time active clergy. (Those congregations not served by a full-time cleric are served through a variety of other arrangements including yoked congregations, clusters, or team ministries.)
- Increases in healthcare benefits costs are adding to the financial burdens facing many congregations.
- The number of part-time clergy who will require healthcare coverage will continue to grow.
- In any denominational health plan, full-time employees will choose to at least maintain the level of coverage (single or family) they have today.
- The number of lay employees covered by a denominational health plan will increase.

Although our work in this regard is not yet complete, current research strongly indicates that quantifiable savings can be attained through a denominational health plan.

What Types of Plans Should Be Offered?

To achieve cost savings, ease member transition, and reduce the administrative burden for The Episcopal Church, a denominational health plan would need to consolidate the wide range of health plans currently offered by the Church into some five to eight standard plans, using four to five vendors. Therefore, we are analyzing various plans currently offered by the Church to better understand their similarities and differences.

Employees Enrolled in Church-Sponsored Plans Participate in a Variety of Plan Types

Type of Plan	Percentage of Lay Employees Household Enrolled
PPO Plan*	38%
EPO	20%
HMO	32%
POS Plan	4.6%
High Deductible Health Plan (HDHP)	4%

* 64% are covered under BlueCross BlueShield

As of December 2007, we had collected plan schedules and enrollment data from 100+ separate plan designs that used over 25 different vendors (including BlueCross BlueShield, Aetna, Kaiser, UnitedHealthcare, and Group Health), from dioceses that are, and are not, participating in Medical Trust plans.

One striking finding was that approximately 50% of all employees covered by an Episcopal Church employer are enrolled in a BlueCross BlueShield (BCBS) plan. Given this level of enrollment, and BlueCross BlueShield's unparalleled provider access in rural areas, BCBS will undoubtedly be an option in any future denominational health plan.

Findings such as these are important considerations in the development of a recommended plan design.

Is a Denominational Health Plan the Right Approach for the Episcopal Church?

As Resolution A147 stated, one of the purposes of the feasibility study is to determine whether a mandated denominational healthcare benefits program would be a viable option for the Church. This is a complex question which we continue to study. Nevertheless, our work to date indicates that it could very well be a viable solution to the serious issues of rising healthcare costs and justice and equity concerns around lay employee healthcare cost and coverage.

Advantages of a Denominational Health Plan include:

- The combined purchasing power of all dioceses, congregations, agencies, and institutions
- An estimated overall savings of 10% of current healthcare costs during the first year
- Guaranteed portability and security of coverage throughout the Church
- Ability to provide more cost-efficient options
- Reduction in administrative burden for employers
- Ability to add market-leading, consistent health and wellness programs to help employees lead healthy lives
- Greater stability and predictability of costs
- Increased adaptability to the dynamic nature of the healthcare industry
- Addressing of social justice and equity issues

We welcome your feedback at any time throughout the process. Email us at dhpstudy@cpg.org or call Tim Vanover at (800) 223-6602 x9405.

For updated information about the study, visit the dedicated CPG website page at www.cpg.org/healthcarestudy

More Feedback Opportunities for the Church

The Church's involvement and feedback is essential throughout the feasibility study. Information-sharing opportunities include:

More Focus Groups starting in March: Some 16 to 18 focus groups will be conducted around the country.

New Survey Coming this Spring: 2,000 randomly selected clergy, lay employees, and General Convention deputies, will receive this new survey which will solicit feedback on initial concepts for a potential denominational health plan and help us gauge how well we're keeping you informed.

- Feedback will be solicited at the annual meeting of the Conference of Diocesan Employees (CODE) in April.
- Annual Medical Trust Meeting with Diocesan Administrators in May.
- Dedicated CPG website page: www.cpg.org/healthcarestudy
- In-person presentations and conversations with a wide range of Church leadership groups
- Dissemination of information to the Church on a regular basis
- Regional Forums will be held in various locations around the country later in the process.