

## Insurance Proposals for 2014 Annual Conference

The Conference's self-insured insurance plan originated out of the necessity to provide health insurance for itinerate pastors and their families regardless of any pre-existing conditions. At that time it was the most inexpensive option with acceptable coverage. Churches were allowed to lower the clergy salary by an amount equal to the church's portion of the premium. Today the premium cost for a clergy family is nearly \$21,000. The downside of being self-insured is the overall liability it creates for the Conference and Churches, both now and into the future.

We hired an insurance consultant in 2012 with the help of the Methodist Foundation of Arkansas. They found that our current plan is unsustainable.

The Affordable Care Act prohibits insurance companies from denying health insurance coverage based on pre-existing conditions. The availability of the Health Insurance Exchanges means that most people will have access to health coverage at lower rates than our current group plan.

After much prayer and consultation we bring 3 proposals to this session of the annual conference.

### Proposal # 1

Options for Medicare eligible participants have a proven track record and we feel comfortable recommending a change in 2015.

Remove Retired Medicare-Eligible Clergy from the Conference Plan by Dec. 31st, 2014. Our Conference Benefits Office will assist them with making wise choices. Retired clergy and spouses not yet eligible for Medicare may remain in the Conference Plan while it exists or shop the market for a plan that best suits their circumstances. The same maximum premium gift as those with Medicare will be provided.

Premium Gifts Allocation under this Proposal (The bold print below highlights what is different from the current gift allocation).

- To be eligible to receive a premium gift, retiring clergy must have served in the denomination full time for at least 10 years. The five years prior to retirement must be served in the Arkansas Annual Conference and in our insurance plan.
- **The gift will be a fixed dollar amount based on the maximum premium gift (MPG), no longer based on a percentage of the actual premium. Years of service will determine the amount of the gift.**
- Clergy who are married at the time of retirement will be given a supplemental gift to assist that spouse while they are married. If clergy remarry while in retirement the spouse supplement does not continue nor transfer. If the spouse outlives the participant, the spouse supplement will continue unless remarried.

**In 2015, the monthly maximum premium gift (MPG) will be:**

**\$200 for retired clergy.**

**\$150 to cover an eligible spouse.**

- The first ten years of service will accrue at 2% **of the MPG per year:**

Clergy: 2% **of \$200 MPG** = \$4.00

Spouse: 2% **of \$150 MPG** = \$3.00

- The next 20 years of service will accrue at

Clergy: 3.5% **of MPG** = \$7.00

Spouse: 3.5% **of MPG** = \$5.25

- The remaining ten years of service will accrue at

Clergy: 1% **of MPG** = \$2.00

Spouse: 1% **of MPG** = \$1.50

(Additional years of service above 40 will have no effect on the premium gift.)

- Each year the annual conference shall approve the Maximum Premium Gift amount for the coming year.

Rationale: Currently it costs \$8,112 per year for a retired clergy couple on Medicare to participate in our conference plan. Our long time retiree couples with 40 years of service currently must pay 10% (\$811) of the premium. Our more recent retirees must pay at least 20% (\$1,622) of the premium. Those with few service years may pay up to the entire \$8,112 premium!

We want the conference to consider a win-win-win for all involved. Medicare Plan F is ideal as a supplement for the medical portion of Medicare Part A&B. The premium for the same retiree couple under Medicare Plan F is less than \$3,500. Part F covers most, if not all, deductibles, co-payments and co-insurance. You have the freedom to choose any doctor who accepts Medicare, you receive free membership in SilverSneakers Fitness Program, wellness benefits and vision care coverage. Plan F by itself does not cover prescription drugs. A good drug supplement costs on average around \$960 per retiree couple per year. For around \$4,500 per year, a retiree couple could have comparable or better benefits by using Medicare Plan F and a drug supplement plan. This is compared to the conference plan of up to \$8,112 per year. The difference in premium cost is over \$3,500 per year with no known difference in quality.

The retiree will pay less out of pocket expenses with equal or better care, a win for the retiree. The conference will reduce its future liability by no longer having retirees in a conference plan, although still caring for them, a win for the conference. The conference budget will need fewer dollars to provide for the premium gifts to retirees. The shared ministry apportionment to the local churches will be reduced, a win for the local church!

\* The actual cost of Medicare Plan F varies slightly from county to county.

### **Proposal #2:**

Offer a dependent waiver effective July 1, 2014. Spouses and dependents who have access to employer provided health insurance, or are Medicare eligible may make written request to opt out of conference insurance.

In order to receive a waiver the clergy must;

1. Submit a written request to the church SPR committee for approval.
2. Send a copy of the written request which has been signed by the spouse/dependent, the clergy and SPR chair to the conference benefit office within 30 days of the requested change date.

Rationale: Spouses and children were originally in the plan for two reasons. First, we wanted to make sure the entire family was provided for, not just the pastor. Second, we needed to maintain a critical mass of participants to ensure the solvency of the conference plan. Spouses and dependents helped make this possible. Now that we are trying to move out of the health insurance business, we recommend easing the requirement during the interim for the inclusion of family.

It is not unusual for a spouse to have employment that also offers medical insurance for the employee and children. The insurance provided by the employer may be at a more desirable rate than our conference plan. While the conference must keep the clergy in our plan to remain solvent, there may be times when it is in the best interest of both the pastor's spouse and the local church to take advantage of the spouse's optional coverage. We recommend that the local church reimburse the clergy for the spouse's premium cost.

### **Proposal # 3**

Have the Board of Pension and Health Benefits bring to the 2015 Annual Conference a process to discontinue the conference self-insured medical plan as of 12/31/2015. This shall include:

- A provision requiring that churches make budget adjustments to move approximately \$12,000, an amount subject to change depending on insurance marketplace rates, from the conference insurance

premium line item to the compensation of the full-time clergy position. An adjustment which will allow clergy to purchase insurance;

- A clarification of what role, if any, the conference benefits office will play in assisting clergy to find an appropriate plan;
- A clear understanding of where leftover reserve funds, if any, will be directed after all claims against the self-insured plan have been paid.

The reasons the committee is not recommending that it be discontinued for active clergy immediately are:

- The lack of a track record with the new Exchange Program. While the committee was wrestling with the decision, the government plan was facing controversy and well publicized glitches. The extra year should allow more confidence that the proposal is a viable option for all involved.
- The need to determine an appropriate method for churches to transfer a portion from funds previously budgeted as conference premiums to compensation so clergy can purchase their own.