

UUA Health Plan/Office of Church Staff Finances 24 Farnsworth Street, Boston, MA 02210

I know that it has been difficult for many of you and the congregations you serve to wait for more clarity from the IRS, the Department of Labor, Congress, state regulators, and the Supreme Court on the future of the Affordable Care Act, the state insurance exchanges, the federally run exchanges in many states, and the potential for enforcement actions on the part of the IRS and DOL. It has been difficult as well for all of us here in the Office of Church Staff Finances, where we are charged with running a Health Plan that serves 900 of our dedicated staff and their families around the country.

Fortunately for the staff here, we do not work in a vacuum. We have a dedicated board of Trustees for the Health Plan, people with a deep understanding of insurance finance, benefit design, and politics, and completely dedicated to preserving the health of a plan that was built to serve our congregations, at a time when there were no other good health insurance options. We have a great team of actuaries, legal staff and benefit advisors. And we have the Church Benefits Association, representatives from most of the major and smaller denominations who meet regularly to share information, strategy, and perspectives on how best to maintain viable health insurance programs. We differ on theology, for sure, and we differ on what benefits work best for our member congregations, but we are united in the goal of understanding how to prosper under the ACA.

This update is a summary of the collective viewpoint of the Church Benefits Association and our trusted advisors – what can you expect to see in 2015?

- Enrollment in individual plans through the exchanges will continue to grow, but the growth will have only a minor impact on our plan. The numbers so far show that 87% of the people getting individual ACA plans on an exchange qualify for a premium tax credit based on family income. While some of your staff may be in that economic situation, it is not the norm.
- The Supreme Court will hear arguments this week (on March 4) regarding the legality of subsidies in the large number of states that rely on the federal government to run their exchanges. The ruling will come out in June. If the SCOTUS rules against subsidies on federally-run exchanges, there will be chaos in the marketplace. The UUA Health Plan will be available to serve any of your staff who lose coverage or see a significant price jump as a result of a negative Supreme Court decision.
- Assuming that ACA plans will continue to exist in 2016, the Open Enrollment period will be Oct 1 – Dec 15. Rate increases cannot be predicted. Rate action for the 2015 renewal ranged from negative 23% to plus 36%, averaging 7.5%. There will likely be more insurance carriers in the market, and the small business exchange (SHOP) is likely to be more functional.
- There is a growing realization on the part of people who enrolled in exchange plans that the coverage is not what they expected: in 2014, the average out-of-pocket expense for an individual in a Silver plan was \$5,764. People are also beginning to understand how much narrower the exchange plans' networks are, particularly in the Bronze plans, where the

networks typically are only half the size folks were used to seeing. That network shrinkage is emphatically NOT part of the plans the UUA offers – we have the same network across all plans.

- You will begin hearing from multiple sources, including us, that employers and health plans will be subject to new reporting requirements for the 2015 plan year. The most important one is the plan requirement to send a new tax document, Form 1095, to your employees, telling them whether or not their health plan met requirements for minimum essential coverage, and for how many months. The UUA Health Plan will take care of that requirement for our enrolled members. Form 1095 will be important for the 2015 federal income tax filing: it will be a mandatory inclusion for 2015; for the 2014 tax year, it's an "honor system" checkoff on the federal return.
- The IRS and DOL have continued to press on the rules regarding two features that we reported on earlier: freestanding HRA's and reimbursements to individuals for coverage that they buy elsewhere and ask the congregation to reimburse. The IRS has made it as clear as possible that there can be no Health Reimbursement Arrangement (an HRA) unless it is coupled with a qualified group health plan in which the employee is actually enrolled. Making the payments to employees taxable is not a safe harbor. On the topic of reimbursing employees for an individual plan they get from any source, a strategy many congregations have used under older regs, the IRS has said flatly that it is not permissible, even if the reimbursements are designated as taxable. The only exceptions to these rules are coverage for retirees and reimbursement for Medicare-related costs, which can be read as Medicare Part B and any Medicare Supplement or Medicare Advantage plan. The CBA expert consensus is that a congregation that wants to help an employee buy non-group coverage has to completely separate the payment from any requirement that the employee actually buy insurance – "unencumbered" is the term of art for the payments.
- The IRS has also made it clear that it intends to begin enforcement action on freestanding HRA's and individual reimbursements, beginning July, 2015. How they intend to conduct that enforcement is not known. The penalties ARE known, though – the IRS can assess an excise tax of \$100 per day per affected employee, so please pay attention to the structure of your plans, while you have time.

Insurance Plans Director Jim Sargent will be on sabbatical until just before GA. Follow-up questions on this material can be sent to:

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