A Model for Parity in Health Insurance - Rationale

Background

Initiated from actions taken by General Convention 2006, the Church Pension Group (CPG) was authorized to study the provision of health insurance benefits across the Episcopal Church. CPG was to report back to General Convention 2009.

What was discovered was that there was a great social justice issue within the Episcopal Church around adequate health insurance benefits, and especially so for the Church's lay employees. Some lay employees did not have access to healthcare benefits and others paid a much higher cost share than clergy at the same church. There is no argument that cost concerns are real when proposing expansion of provided benefits, but so is the need of lay employees to have adequate healthcare benefits. The support and dedication of lay employees make many ministries possible, and providing them with adequate benefits is not only necessary, it's the right thing to do.

General Convention 2009 considered the CPG report and adopted Resolution A177, which implemented what became known as the Denominational Health Plan (DHP). As part of this adoption, CPG was authorized to provide the vehicle, their subsidiary "Medical Trust," that would enact the DHP.

Eligibility

All Episcopal Church entities subject to the authority of the Episcopal Church are required to comply with the DHP.

All full-time employees (clergy AND lay) of subjected institutions who are scheduled to work 1,500 hours or more per year (roughly 30 hours per week) are to be covered.

Part-time employees (clergy AND lay) of subjected institutions who are scheduled to work between 1,000 and 1,499 hours per year (roughly 20-29 hours per week) are eligible to participate voluntarily.

Part-time employees (clergy AND lay) of subjected institutions who are scheduled to work under 1,000 (less than 20 hours per week) are ineligible to participate.

Requirement of Parity

The DHP requires that each diocese establish a standard for the minimum required employer cost-sharing for eligible employees. This is known as the "parity" requirement of the DHP. There must be equal treatment by all institutions subject to the DHP for their clergy AND lay employees.

In other words, all eligible employees must receive the same minimum level of funding. This could be in terms of a percentage, in terms of a dollar figure, in terms of provided tiers of coverage, etc., but in all aspects the treatment must be equal. It is up to each diocese to establish a standard with the understanding that any institution subject to the DHP may provide more generous levels of provided coverage, as long as the treatment is equal for all employees.

General Convention 2012 retained the requirement of the use of the DHP, but delayed the parity requirement for three years.

The deadline for compliance with the DHP standard on parity was January 1, 2016.

The Executive Board of the Diocese of Virginia, through the Working Group on Budget, has been working on the diocesan standard on parity since 2010.

Information has been gathered from the Medical Trust, other dioceses, local governmental agencies, and school districts.

Two web-based surveys were issued in early and late 2011 which provided excellent information for the ongoing work. The key points are shown below.

Key points:

1. One-third of the respondents employed by our churches already paid some portion of the costs for the provision of their health insurance
2. One-third of the respondents employed by our churches pay for higher benefit plan selections
3. 90% of the respondents who are employed elsewhere pay some portion of the costs for the provision of their health insurance
4. 62% of the respondents employed elsewhere pay for higher benefit plan selections
5. When asked as to what is the best foundation to a parity standard (a percentage, a dollar amount, a hybrid of the two, or "other" --- with ability to enter an answer), 49% thought a hybrid model would work best.
6. When asked as to what is a reasonable employee portion to provide in cost-sharing, 22% of respondents said 10%, 19% said 20%, 17% said nothing at all, 13% said 50% and 11% said 25%. The remaining 20% of respondents were split on amounts ranging from 5% to 33%. At a minimum, approximately 86% said that there should be some level of employee cost-sharing.

Initial models were discussed at several meetings of the Executive Board in late 2011 and a model was developed that was presented to Annual Council 2012.

The end result of this work is a hybrid model that takes into account three levels of choice:

1. A **diocesan** standard of minimum percentage. The application of the percentages is a "floor" and the employer can be more generous. The application of the percentages is regressive in nature so that an employee selecting "family" coverage obtains some benefit for the preceding tiers of coverage.
2. A local church **employer** choice of a base plan to set a "hard cap" for benefits. The "hard cap" selected by the employer affords a consistent means to budgeting.
3. The choice by the **employee** of a higher or lower tier plan (versus the base plan) that not only may provide them desired benefits, but also involves a consumer-directed choice of paying for "higher" benefits or receiving a benefit of a lower employee cost-share.

The draft version of the proposed Model for Parity in Health Insurance is described on the following pages and it is supported by a chart using several of the Diocese of Virginia 2014 plans

and premiums. With five carrier and nine plans, there are many options that the church employer can opt for, from allowing only one plan to fit all staff, to perhaps allowing any plan at any cost. The key to this model is that a base plan is chosen for simplicity and then **ALL** employees make their personal decisions at either their savings or their expense.

The Parity Model

The Diocesan Level

For 2021, the Diocese of Virginia offers six plans for non-Medicare-eligible employees and three plans for Medicare-eligible employees. For each of these plans, there are four tiers of coverage (single, couple, parent and family).

For any chosen base plan, the employer will pay a minimum by tier of:

- 90% of the cost of single coverage
- 80% of the cost of the increment to couple coverage
- 80% of the cost of the increment to parent coverage
- 60% of the cost of the increment to family coverage

A practical rule of thumb to work when budgeting for these minimums is to apply 90% to the Single tier, 85% to the Plus Spouse and Plus Children tiers, and 70% to the Family tier.

The employer may certainly be **more** generous in terms of the percentages, as long as **all** eligible employees are treated equally.

The Employer Level

Each church employer will select a base plan from the plans offered in any given year. The employer will also make clear to employees which plans are available to them to select from for the coverage period.

The employer will apply at least the minimum employer cost-sharing shown above to the base plan tiers of coverage. This calculated amount will be the most that the employer will pay for any eligible employee, regardless of the plan selected.

The Employee Level

The eligible employee will select a plan from those available and also select a tier of coverage.

If the employee selects from the base plan, the employer has already done the work of figuring out what portion will be paid by the employer and the employee. The employee portion should be handled by a salary reduction for simplicity.

If the employee selects from a lower cost plan, the employer's portion stays the same while the employee's portion is reduced by the difference in cost.

If the employee selects from a higher cost plan, the employer's portion stays the same while the employee's portion is increased by the difference in cost.

A means of how an employer might engage the suggested parity model follows using several of the 2021 plans and premiums. In order to demonstrate the value to the employer of choosing a base plan offering and how costs will change for employees across coverage tier and plan selection, a cost-sharing model is shown using the diocesan minimums for employer contribution for three different plans: a hypothetical base plan, the least expensive plan, and the most expensive plan. As discussed above, the employer chooses a contribution level and base plan and is therefore able to budget for coverage regardless of the choice an employee makes. If an employee chooses a less expensive plan, the employee share is reduced (or is eliminated) and the employer need only pay the lesser of the actual premium or the set contribution. If the employee wishes to buy up to a more expensive plan, the employer's exposure is limited to the set contribution and the cost of the upgrade is borne by the employee.

Base Plan	Single	Couple	Parent	Family
Anthem BCBS BlueCard PPO 80	**845.00**	**1,685.00**	**1,515.00**	**2,525.00**
Employer pays 90/80/80/60	760.50	1,432.50	1,296.50	1,768.50
Employee pays 10/20/20/40	84.50	252.50	218.50	756.50
Employee Share of Cost	*10%*	*15%*	*14%*	*30%*
Lowest Rate Plan	**Single**	**Couple**	**Parent**	**Family**
Anthem BCBS CDHP-20/HSA	**705.00**	**1,410.00**	**1,270.00**	**2,115.00**
Employer pays *up to* contribution for Base Plan	705.00	1,410.00	1,270.00	1,768.50
Employee pays difference between base and choice	-	-	-	346.50
Employee Share of Cost	*0%*	*0%*	*0%*	*16%*
Highest Rate Plan	**Single**	**Couple**	**Parent**	**Family**
Anthem BCBS BlueCard PPO 100	**1,050.00**	**2,100.00**	**1,890.00**	**3,150.00**
Employer pays *up to* contribution for Base Plan	760.50	1,432.50	1,296.50	1,768.50
Employee pays difference between base and choice	289.50	667.50	593.50	1,381.50
Employee Share of Cost	*28%*	*32%*	*31%*	*44%*