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**CHURCH  
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BENEFITS FOR FAITH LEADERS  
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July 30, 2021

The Honorable Patty Murray  
Chair, Committee on Health, Education, Labor and Pensions  
U.S. Senate  
Washington, DC 20510

The Honorable Frank Pallone, Jr.  
Chair, Committee on Energy & Commerce  
U.S. House of Representatives  
Washington, DC 20515

## **Re: Request for Information on a Public Health Insurance Option**

Dear Chair Murray and Chair Pallone,

Thank you for your ongoing leadership and commitment to quality, affordable health care coverage. The Church Alliance appreciates the opportunity to submit this letter in response to the Request for Information on a Public Health Insurance Option (“RFI”) issued on May 26, 2021. As the committees draft public option legislation, the Church Alliance requests that you take into account the special considerations concerning church health care benefit plans described in this letter.

### **I. Introduction**

The Church Alliance is composed of 37 church benefits organizations, covering mainline and evangelical Protestant denominations, three Jewish entities, and Catholic schools and institutions. Church Alliance organizations provide employee benefit plans, including retirement and/or health coverage, to approximately one million participants (clergy, lay workers, and their families), serving approximately 155,000 churches, parishes, synagogues, and church-related organizations.

The plans of denominational church benefits organizations (“denominational plans”) are defined as “church plans” under section 3(33) of the Employee Retirement Income Security Act (“ERISA”) of 1974 and section 414(e) of the Internal Revenue Code of 1986 (“Code”), as amended. The mission of denominational plans is to serve the health and retirement needs of clergy, lay workers, and their families. Beyond providing benefits to clergy and lay employees in local congregations, these plans may cover clergy and lay employees of other church-related organizations that serve communities and vulnerable populations.

Such church-related organizations are tax-exempt and closely affiliated with a congregation or denomination, such as nursing homes, children’s homes, other social service organizations, day care centers, schools and colleges. In recognition that a church is not confined to the four walls of the church building, these organizations carry out the broader mission of the denomination.

Since its establishment in 1974, the Church Alliance has worked on policy that impacts faith leaders, church-related organizations and their employee benefits.

## **II. Caring for Faith Leaders**

Church benefit plans and programs have a long and successful history in meeting the retirement, health care, and other welfare plan needs of clergy, lay workers, and their families. Denominational plans have been in existence for decades and, in some cases, pre-date the enactment of the Code in 1913. Some denominational health care benefit plans have been in existence for over 50 years. Many denominations offer a nationwide plan (most often on a self-funded basis) that provides key advantages to clergy, lay workers, and their families.

Denominational health plans are mission-driven and structured to meet the unique needs of clergy, lay workers, and their families. Spiritual leaders and their families spend their lives in service, devoted tirelessly to the communities that they serve. Denominational health plans provide spiritual leaders career-long, portable, comprehensive, and affordable coverage tailored to their needs. For example, they often provide access to high-quality mental health and wellness programs and focus on the prevention of chronic conditions.

Workers who move from one church to another typically can continue coverage under the denominational health plan without having to start over on deductibles and coinsurance amounts. Itinerant clergy families are able to continue coverage without impacting provider networks and existing contributions to annual deductibles and out-of-pocket maximums.

Moreover, because denominational health plans are national in scope, they are able to take advantage of “economies of scale,” allowing churches and ministries to purchase health coverage for their workers for less than it would cost to purchase similar coverage through the small group or individual insurance markets. Nationwide provider networks bring equitable access to rural and urban workers, ensuring that individuals will receive the same benefits as other denominational workers, even if such benefits must be provided outside of the network. This approach provides clergy and lay employees, some of whom work in small churches or ministries in disadvantaged or rural communities, the benefit of robust health benefits tailored to their and their families’ needs.

## **III. Denominational Benefit Plans: Serving Across a Denomination**

Denominational plans are typically maintained by a separately incorporated church benefits organization for eligible employees of ministries in a denomination. In some cases, the sponsor is the church or denomination itself, not the benefits organization. The plans are generally multiple-employer in nature and provide retirement and welfare benefits to thousands (or, in the case of large denominations, tens of thousands) of clergy and lay workers, and their dependents, working for different religious employers throughout the country.

Denominational plans serve multiple church employers, providing efficiency, continuity, and consistency of employee benefits for ministers and lay workers as they move throughout the United States from one

church or church-related organization to another within a denomination. Most participating employers covered by denominational plans are small, local churches with only a few employees. In many denominations, the local church's pastor may be that church's only employee. There may be full or part-time workers who assist with administrative duties, although these duties are performed by volunteers in many churches.

Denominations have been organized to reflect their own theological beliefs and church polity (the operational and governance structure of the denomination), which can give rise to unique challenges for their church plans. Plans of denominations with hierarchical structures, where the parent church organization sets policy for the entire denomination, operate in a manner similar to a large multiple employer plan. Hierarchical structures still present unique challenges for denominational plans, though, because while policy may be set centrally, many decisions and processes impacting employee benefits are set and controlled locally, such as payroll, hiring, and termination. Other less hierarchical church structures, including synodical or presbyterian structures (local or regional policy-making through representation from area churches) and congregational structures (voluntary cooperation among autonomous churches, or church conventions or associations) operate with less centralized policy decision-making, and can further divide various employee benefit plan responsibilities and functions between the national plan and local employer, which can lead to greater regulatory compliance challenges.

Church plans may structure benefits in furtherance of beliefs. Self-insured denominational health plans may provide for averaging of contribution rates, which provides an opportunity for the larger urban and suburban congregations to support smaller and economically challenged congregations in rural areas. This averaging or community rating generally is for theologically-based reasons.

The U.S. Constitution has long-recognized that church plans are distinctively positioned to take care of clergy, lay workers, and their families. Congress and health and welfare benefits regulators, for example, have acknowledged the unique organizational polities of America's churches, which reflect each denomination's or church's underlying theological tenets and religious beliefs. In this regard, they have provided church plan exemptions, state law preemption and/or regulatory flexibility in furtherance of the First Amendment when the requirements of the law impact the church benefits organizations' ability to continue to deliver their programs.

#### **IV. Conclusion**

The Church Alliance appreciates the opportunity to respond to the RFI on a public health insurance option. As the committees develop public option legislation, the Church Alliance looks forward to the opportunity to work together and respectfully requests that you consider the special considerations of church health care benefit plans, as described in this letter. Please consider the Church Alliance as a resource and do not hesitate to contact us if we can be helpful in any way.

Sincerely,



Karishma S. Page  
Partner, K&L Gates LLP  
On behalf of the Church Alliance