

**CHURCH ALLIANCE**  
Acting on Behalf of Church Benefits Programs

**STATEMENT FOR THE RECORD  
OF  
THE CHURCH ALLIANCE**

**FOR THE MEMBER DAY HEARING  
ON  
“TAX-RELATED PROPOSALS TO IMPROVE HEALTH CARE”**

**BEFORE  
THE U.S. HOUSE OF REPRESENTATIVES  
COMMITTEE ON WAYS AND MEANS  
SUBCOMMITTEE ON HEALTH**

**MAY 17, 2016**

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The Church Alliance would like to thank Ways and Means Health Subcommittee Chairman Pat Tiberi, Ranking Member Jim McDermott, and the distinguished members of the Subcommittee for holding its hearing on tax-related proposals to improve health care in the United States.

The Church Alliance is a coalition of chief executive officers of thirty seven (37) denominational benefit boards (see addendum for complete list). The Alliance's members reflect a diversity of beliefs, including mainline Protestant denominations, two branches of Judaism, and Catholic schools and institutions. The members of the Church Alliance share a common purpose: to provide health care and pension benefits to more than 1 million clergy, church lay workers, and their dependents.

The Church Alliance wishes to bring to the Committee's attention the urgent need to address the treatment of church health plans under the Patient Protection and Affordable Care Act ("ACA"). Specifically, we urge Committee members to work together to ensure that individuals enrolled in and small employers offering church health plans are treated equally under the law.

### **Church Benefits Plans.**

Church benefit plans are generally multiple-employer in nature and may cover thousands of church employers throughout the country, many of which are small churches located in rural communities. Having a program maintained by one central benefits organization serving multiple church employers helps provide efficiency, continuity and consistency of employee benefits for the many ministers who may move from one church or church-related organization to another within a denomination.

The benefits provided by church benefit boards or church associations may be mandated by the denomination or may be chosen one church at a time. Over the years, church denominations have organized themselves in a variety of ways reflecting their own theological beliefs and forms of church polity (the operational and governance structure of a denomination).

### **Church Health Plans.**

Many church health plans have been in existence for over 50 years. Most denominations offer a nationwide plan (often on a self-funded basis), which allows clergy families the comfort and security of career-long, portable, comprehensive medical coverage, on an affordable basis. In addition, workers who move from one church to another typically can continue coverage under the denominational health plan.

In addition, because church health care plans are national in scope, these plans are able to take advantage of "economies of scale," allowing individual churches and members of the clergy to purchase health care coverage for less than it would cost to purchase similar coverage through the small group or individual insurance markets. This approach has allowed thousands of small churches, many in rural or disadvantaged areas, to provide meaningful health care benefits to clergy and lay employees.

Because each denomination has a unique polity that reflects its theological beliefs, each denomination also has a different level of authority and control over its individual churches as employers. As a result, in some denominations, the church plan is mandatory for all

church employers; in other denominations, the national plan can control only plan design and administration, but not the eligibility and participation rules or employer contributions toward the employee's cost of coverage.

### **The Problem.**

The Patient Protection and Affordable Care Act (ACA) made significant changes to our nation's health insurance industry. ACA has had a significant impact on individuals in church health plans, which have been carefully designed over the years to reflect theological beliefs and forms of church polity.

More specifically, the availability of premium tax credits in exchange plans and small business health care tax credits for employers purchasing plans through a small business exchange (SHOP), and their unavailability in church health plans, have created a number of problems for members, small churches with limited financial resources, and the nationwide health plans sponsored by such churches (referred to as "denominational health care plans"):

#### *Individual Members*

Health plans depend on the ability of an insurer to cover health care expenses with premiums and cost-sharing. Age and health distribution are therefore vital to the financial health of a plan. This is because younger individuals, who tend to utilize fewer health services, cross-subsidize sicker, older members.

The lack of access to subsidies in a denominational health care plan creates an imbalance in church health plan risk pools because younger, healthier individuals may leave church health plans to purchase subsidized coverage on the Exchange.

#### *Small Churches*

Many churches meet the definition of a small business because they employ fewer than 50 full-time employees. However, under current law, small churches that participate in denominational health plans do not qualify for the small business tax credit because the ACA limits the credit to those insurance plans purchased through a SHOP. Unfortunately, church health plans cannot be offered on these exchanges because church plans are closed to non-church employees. As a result, many small churches are faced with the difficult decision whether to maintain participation in a health plan designed specifically for the denomination, or to terminate participation, either switching to a SHOP plan and potential small business tax credits, or foregoing employer-provided health coverage completely, enabling qualifying church employees to take advantage of the subsidies offered in the exchanges.

#### *Denominational Health Care Plans*

With individuals foregoing denominational health care plan coverage in favor of exchange coverage and subsidies, and with small churches ceasing sponsorship of such plans in order to obtain the small business health care tax credit available with a SHOP plan, the long-term viability of denominational health care plans is at risk. In addition, adverse selection resulting from healthier individuals moving to exchange coverage may create a "death spiral" for the national denominational plans, placing their viability at even greater risk.

### **Potential Solutions.**

We urge Congress to ensure that individuals continue to have access to denominational health care plans. Below are several proposals to address this issue:

- **Help Individuals Afford Coverage.** Clergy and lay church employees are not highly compensated individuals, and need assistance affording health coverage. The Church Alliance supports a policy approach that would treat church plan members similar to those individuals obtaining exchange coverage. Such an approach could include extending existing individual tax credits to qualified church plan members.
- **Promote Individual Choice.** Individuals should have the freedom to choose the health coverage that works best for themselves and their families. The Church Alliance supports a policy approach that will allow individuals to stay in church health plans while maintaining access to important tax credit benefits.
- **Help Small Business Provide Coverage to Employees.** Many smaller churches do not have the financial resources to provide health coverage to their employees. The Church Alliance supports a policy approach that would eliminate the incentives for small churches to choose SHOP plans over denominational health care plans. Such an approach could include extending the existing small business tax credit to qualified small churches participating in church health plans.

Thank you again for the opportunity to raise this important issue. The Church Alliance commends the Subcommittee for its commitment to finding solutions to improve the treatment of health care under the tax code.

## Addendum



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### CHURCH ALLIANCE MEMBERSHIP

Evangelical Lutheran Church in America	Evangelical Presbyterian Church
Association of Unity Churches	General Conference of Seventh-Day Adventists
Associate Reformed Presbyterian Church	Mennonite Church
United Methodist Church	Reform Pension Board
Christian Reformed Church in North America	National Association of Free Will Baptists
Reformed Church in America	Evangelical Covenant Church
Community of Christ	Presbyterian Church (U.S.A.)
Presbyterian Church in America	Evangelical Free Church of America
International Church of the Foursquare Gospel	Young Men's Christian Association
United Church of Christ	Christian Brothers Services
Church of the Brethren	Church of God Benefits Board
Wesleyan Church	Lutheran Church-Missouri Synod
Wisconsin Evangelical Lutheran Synod	Baptist General Conference
American Baptist Churches	Joint Retirement Board for Conservative Judaism
Christian Church (Disciples of Christ)	Christian Churches Pension Plan
Southern Baptist Convention	Episcopal Church
Free Methodist Church of North America	Churches of God, General Conference
Board of Pensions of the Church of God	Church of the Nazarene
	Unitarian Universalist Association