

## 2017 Denominational Health Plan Annual Report

Prepared December 2017

### Introduction

The Episcopal Church's Denominational Health Plan (DHP) is helping domestic dioceses, parishes, and other ecclesiastical institutions subject to the authority of the Church control the rising costs of healthcare. This Annual Report summarizes recent activities and accomplishments under the DHP. For a fuller description of the DHP's background, visit [www.cpg.org/2017DHP](http://www.cpg.org/2017DHP).

### Highlights for 2017

In 2017, The Episcopal Church Medical Trust (Medical Trust) continued to deliver comprehensive health benefits at competitive prices to the overwhelming majority of individuals who are eligible to participate in the DHP. Highlights of the year include the following:

#### Participation in the DHP was strong

- 95% of eligible clergy and lay employees are in compliance with the DHP, which means they either participate in one of the health plans offered by the Medical Trust or they qualify for one of the opt-outs available under the DHP.

#### Healthcare costs were contained

- Over the past several years, most dioceses have either received low single-digit annual increases or, in some cases, no rate increase.

#### Members continued to enjoy access to multiple, best-in-class providers

- Medical Trust members were able to select coverage from the broad networks of Anthem BlueCross BlueShield (Anthem BCBS), Cigna HealthCare (Cigna), and Kaiser Permanente (Kaiser).

*“Within each U.S. region, our 2017 rates were better than the ACA exchanges in 89% of dioceses. In 2018, we expect our average rate compared to that of the local ACA exchange will be better in 98% of dioceses.”*

#### Dioceses have appreciated support with their planning

- We delivered education and other support to dioceses as they made choices about their offerings.
- We helped dioceses devise strategies for parity in funding of healthcare benefits for clergy and lay employees.

#### The Medical Trust continued to comply with the Affordable Care Act (ACA) and absorbed ACA Fees

- We adopted the ACA's required tax reporting and plan design changes.
- We continued to pay ACA fees, saving the Church more than \$3 million in total costs over time.

### 2017 in Review

#### I. DHP Participation Remains High

The DHP essentially creates a purchasing coalition for health benefits. By consolidating purchasing power within one entity, the Medical Trust is able to negotiate competitive rates for health benefits for the entire Church. Higher participation improves our negotiating power; lower participation hurts it. We are pleased to report that since 2014 all U.S. dioceses have participated in the DHP.

Moreover, 43 other groups (schools, camps, conference centers, and other Church agencies) have chosen

to participate in Medical Trust plans, thereby improving our bargaining power for the benefit of the entire Church. As previously stated, 95% of all eligible individuals are complying with the DHP, and we continue to work with all dioceses to discuss steps for enrolling anyone who should be participating.

At the same time, we are working with dioceses to develop minimum cost-sharing policies for clergy and lay employees. Based on the information we have on hand through 2017, approximately 75% of all dioceses have adopted a cost-sharing policy that is consistent with DHP rules. We continue to work closely with the balance of dioceses to discuss and design appropriate policies for parity of health benefits between clergy and lay employees.

## **II. Promoting the Fund for Medical Assistance**

We also continue to support our clients in the non-domestic dioceses through the Fund for Medical Assistance, which offers financial assistance to individuals facing healthcare expenses that are not covered by public or private insurance programs. In 2017, we issued grants totaling \$30,500 from the Fund for Medical Assistance, but a large portion of the funds went unused. We will continue to promote the benefits of this program.

## **III. A Continued Commitment to Cost Containment**

To continue providing competitive levels of coverage at the lowest possible rates, the Medical Trust continues to:

### **Slow the Increase in Costs**

From 2010 to 2016, U.S. employers' premiums increased an average of 5.0% to 11.0% annually, while the Medical Trust's increases averaged 4.3% to 6.0%. For 2017, the Medical Trust delivered a single-digit average rate increase of 5.5%, a very favorable result compared to ACA exchange rate increases that averaged 24%. In 2018, the Medical Trust expects this trend to continue, as all indications point to a second year of high double-digit increases on the ACA exchanges compared to the Medical Trust's 2018 single-digit average rate increase of 6.3%.

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### **Ensure Local Price Competitiveness**

In 2017, the cost of our plans averaged 19% below the cost of similar plans on the ACA exchanges, and we expect our pricing advantage to grow wider in 2018. Within each U.S. region, our 2017 rates were better than the ACA exchanges in 89% of dioceses. In 2018, we expect our average rate compared to that of the local ACA exchange will be better in 98% of dioceses and not more than 7% above the ACA rate in the remaining 2% of dioceses. The DHP rates are based on the average demographics of our clients and while some individuals may be able to obtain lower rates, the DHP would not be financially successful if it only served a select group.

We are very pleased about our overall pricing advantage, which we have achieved despite the fact that when compared to ACA plans, our plans:

- Offer access to a broader network of providers.
- Cover a population that is older.

### **Reduce the Disparity Among Dioceses**

The pricing of healthcare plans varies widely by state. This is true both on the ACA exchanges and in the group insurance market. Even so, we have worked diligently over the past several years to reduce the disparity in healthcare costs among dioceses, and between the highest-priced and lowest-priced dioceses. For 2017:

- 75% of diocesan rates for the same plans are within the average range of Medical Trust rates. In other words, they fall somewhere between 10% below to 5% above that average rate.
- Rates among the remaining 25% of dioceses fall 10% or more below the average Medical Trust rate for the same plans. In many of these cases, this larger difference is intentional because we needed to lower

rates in those dioceses to remain competitive with local alternatives. We expect similar results in 2018.

#### IV. The Way Forward

We remain committed to containing cost increases while providing comprehensive healthcare benefits and caring service. To provide the lowest possible premiums while maintaining competitive coverage for its members, the Medical Trust continues to:

- Evaluate and modify plan designs for quality, value, and meaningful choice.
- Reduce the number of plans in each category — platinum, gold, silver, and bronze — to consolidate purchasing power with fewer vendors while maintaining meaningful choice and robust provider access.
- Leverage purchasing power in negotiations with Anthem BCBS, Cigna, and Kaiser to achieve maximum savings on administrative fees.
- Participate in the Express Scripts group purchasing coalition for pharmacy benefits. Contract negotiations in 2016 are reducing future prescription drug costs over three years by approximately \$37 million.
- Remain self-insured (where the Medical Trust bears the financial risk of medical and prescription drug claims) and limit reinsurance to the very largest claims.
- Manage internal operations to drive continued cost efficiencies.
- Explore additional cost-saving opportunities in the emerging healthcare marketplace.
- Continue to provide education and wellness resources to our members so they can take active steps toward improving their health and wellness.
- Encourage small employers (those with fewer than 20 employees) with active employees over age 65 to participate in our Medicare Secondary Payer Small Employer Exception plans.
- Continue our focus on care management programs to help clients understand and access appropriate services pre- and post- diagnosis.

*“[We] participate in the Express Scripts group purchasing coalition for pharmacy benefits...reducing future prescription drug costs over three years by approximately \$37 million.”*

#### V. Maintaining Compliance with Healthcare Reform Provisions

We must always comply with healthcare regulations. In 2017, the Medical Trust continued to focus on full compliance with the ACA’s healthcare reform provisions, which included filing required tax reporting for Minimum Essential Coverage. We also issued Forms 1095-B to participants and the IRS, and completed the required Form 1094-B for submission to the IRS.

We will continue to evaluate benefits and to modify them, as needed, to stay in compliance. To this end, we are exploring plan design options should the “Cadillac Tax” be implemented in 2020.

#### VI. 2018 Outlook

The future outlook for the DHP is positive. After successfully completing our multi-year plan array strategy in 2017, we are in an even better position to offer:

- Robust access to multiple providers
- Affordable coverage
- Meaningful, rather than redundant, choices

For 2018, we are offering strong choices including Anthem BCBS, Cigna, and regional Kaiser plans, and we expect that choice will continue to be part of the DHP in the years ahead.

The future of national healthcare reform is not certain. As always, we will keep watch on the status of the ACA to see what, if any, impacts it has on our plans. We are committed to providing access to cost-effective, comprehensive health benefits in a manner that is fully compliant with applicable law and best business practices.

## VII. State of the Church Report

In October, the Church Pension Group released its *Report to the House of Deputies Committee on the State of the Church, Church Pension Group Subcommittee* (Report). The Report responded to questions submitted by the subcommittee on the DHP, and these responses provide more details on many of the topics covered in this report. We encourage you to view the Report at [www.cpg.org/SOC](http://www.cpg.org/SOC).