

## Denominational Health Plan 2023 Annual Report

Since its inception in 2009, the *Denominational Health Plan (DHP)* has offered valuable healthcare coverage to members. Meanwhile, *The Episcopal Church Medical Trust (Medical Trust)* has delivered on its responsibilities to manage overall healthcare costs, work with The Episcopal Church to achieve parity in cost-sharing between clergy and lay employees, and reduce healthcare cost disparities among dioceses.

While the DHP continues to meet its objectives, the Medical Trust nonetheless recognizes that healthcare can create financial burdens, and it remains focused on addressing costs and providing consistent service and broad access to high-quality benefits, thus balancing compassionate care with financial stewardship for the Church.

### Background

The General Convention of The Episcopal Church passed Resolution 2009-A177 and Resolution 2012-B026, requesting that the Medical Trust administer a national healthcare plan and submit an annual status report. These resolutions

- established the DHP in order to provide health benefits to clergy and lay employees who work a minimum of 1,500 hours annually for domestic dioceses, parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of the Church;
- tasked employers to provide parity in cost-sharing between clergy and lay employees; and
- requested that the Medical Trust continue to reduce healthcare cost disparities among dioceses.

Six years later, Resolution 2018-C023 requested that the Medical Trust strive to make available at least two national health insurance carriers in each diocese.

### Task Force to Advise the Church on the Denominational Health Plan

The 80th General Convention of The Episcopal Church passed Resolution 2022-D034 establishing the Task Force to Advise the Church on the Denominational Health Plan (DHP Task Force) for the purpose of reviewing the structure and offerings of the DHP and reporting back to the 81st General Convention with a list of options to reduce healthcare costs across the Church and a full explanation of the reasoning, costs, and benefits of each option.

Following this review, the DHP Task Force made several observations and recommendations to continue managing overall healthcare costs and achieve parity in cost-sharing between clergy and lay employees while still balancing high-quality benefits with financial stewardship for the Church. The DHP Task Force also introduced other factors (e.g., ability to pay) for considering how to share cost burdens across the Church. The DHP Task Force's recommendations, as well as the independent actuarial report supporting its work, were included in the 81st General Convention Blue Book.

## Value of the DHP

The following DHP features are not typically found in US corporate plans or state-based healthcare exchanges:

- **Meaningful choice** – The DHP allows dioceses greater flexibility in choosing options offered by the Medical Trust, which include platinum, gold, and silver plans and two pharmacy plan designs.
- **Comprehensive benefits** – The DHP offers an Employee Assistance Plan (EAP) plus vision, hearing aid, travel medical assistance, health advocacy, and optional dental plans.
- **Broad, comprehensive networks** – The DHP continues to offer plans with broad, comprehensive national networks (Anthem and Cigna) plus a regional plan (Kaiser). State-based exchanges offer smaller provider networks. Although plans from these exchanges may feature lower premiums, they do so at the expense of benefits, participant choice, and access.

## Controlling Healthcare Costs

The Medical Trust recognizes that healthcare can create financial burdens and remains committed to providing the lowest possible cost while maintaining competitive coverage for members.

Despite higher claims costs, the Medical Trust's efforts to manage overall costs and mitigate annual increases has kept DHP premium increases on the lower end of national trends.

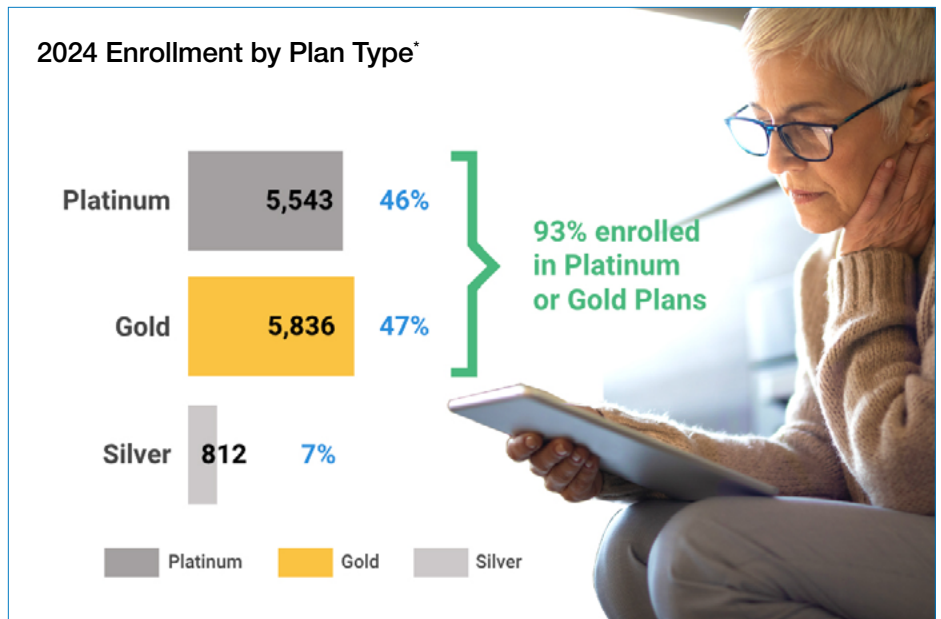
### **Annual cost increases continue to be on the lower end of national trends.**

In 2024, the Medical Trust required an average annual increase in contribution rates of 6.4%, compared with an estimated national increase of 7%<sup>1</sup>. This is especially noteworthy because DHP claim costs were 21% higher than those of the average US employer. These higher costs were driven primarily by three factors:

- **Older population** – The median age of individuals covered by the DHP is 52, compared with 42<sup>2</sup> among those covered by employer-provided health plans. This is significant because older adults are more likely to use healthcare services, including for chronic conditions, and thus raise the cost of claims.
- **Richer plans** – Whereas US employers have tended to shift to coverage with higher out-of-pocket costs for their insured, 93% of DHP members are enrolled in its richest plans, which feature the lowest member out-of-pocket cost share.
- **Higher specialty prescription costs** – Specialty prescriptions continue to be a cost driver. Their cost increase was 16.2% compared to a 5.5% cost increase for non-specialty prescriptions.

<sup>1</sup>PricewaterhouseCoopers, "Medical cost trend: Behind the numbers 2024," PwC, n.d., <https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html>

<sup>2</sup>Alliant, Claims Cost Benchmarking: 2024 Alliant Reforecast, May 15, 2024.



\*Clergy and lay employee participant enrollment as of January 1, 2024. Excludes fully insured plans.

Since the DHP's inception, annual average cost increases have ranged from approximately 4% to 6% versus 7% to 9%<sup>3</sup> for other large US employers during the same period.

**Lower administrative costs.** Ninety-four percent of contributions to the Medical Trust are budgeted to pay for the cost of healthcare services utilized by clergy, lay employees, and their families who participate in the DHP. The remaining portion goes toward costs to administer our health plans (access to national networks, claims processing, member services, etc.) and to internal operations (plan sponsor and administrative responsibilities, billing and collections, call center, etc.). The DHP allows the Church to provide healthcare to clergy, lay employees, and their families by removing added costs (state premium taxes, commission fees, and risk/profit margin) in a manner similar to that in which US corporations provide healthcare to employees.

**Comparison to federal and state-based individual exchanges.** It is important to note that most plans offered on the exchanges have narrower networks and in-network-only options that reduce costs by restricting access to a select number of physicians and hospitals. These plans do not match the richness of the DHP design.

**Economies of scale help contain costs.** The DHP aggregates the purchasing power of Episcopal employers, thus lowering overall healthcare rates for Participating Groups. In 2023, the DHP improved on its ability to bargain for the Church by maintaining approximately 13,000 active clergy and lay employees in its healthcare plans.

Analysis by an external consultant confirmed that given plan value and member age, gender, family size, and geographic location, the Medical Trust claims cost is approximately 1% more efficient than actuarially adjusted benchmarks and saves the Church more than \$2 million per year.<sup>4</sup>

**Consultations with Church Pension Group (CPG) professionals guide benefits administration.** Since 2014, all domestic dioceses have participated in the DHP and received support from the Medical Trust for annual benefits

<sup>3</sup>Custom comparison includes companies from charities and nonprofit, higher education sectors.

<sup>4</sup>Alliant, Claims Cost Benchmarking: 2024 Alliant Reforecast, May 15, 2024.

planning and strategies to achieve parity in funding healthcare benefits for clergy and lay employees.

**Multiple cost-saving initiatives.** Over the course of the DHP's existence, the Medical Trust has taken various measures to maintain low annual cost increases without making significant increases to out-of-pocket costs or watering down access or care for members, including

- continued participation in a prescription drug purchasing coalition with other denominations;
- implementation of the SaveOnSP manufacturer copay assistance program;
- implementation of medical channel management to cover certain specialty medications exclusively within the Express Scripts pharmacy benefit;
- introduction of Hinge Health, a digital musculoskeletal wellness program, for Anthem and Cigna members to address a top plan cost driver;
- introduction of a coinsurance-based prescription drug benefit plan and a new cost-sharing tier for specialty drugs;
- implementation and promotion of the Medicare Secondary Payer Small Employer Exception Plans;
- requirement of appropriate utilization management to ensure optimal outcomes and use of evidence-based treatments; and
- collaboration with another denomination to conduct a review for an employee assistance plan (EAP) vendor, which resulted in lower costs and enhanced service.

### Reducing Cost Disparity

Resolution 2012-B026 reaffirmed the Denominational Health Plan and encouraged the Medical Trust to explore alternative strategies to arrive at a more equitable sharing of healthcare costs across the Church.

CPG has therefore worked to minimize health plan cost disparities among dioceses. Without the DHP, geographic and demographic factors alone would result in a much wider cost disparity among dioceses, with many dioceses likely experiencing increases as high as 40% or more above current average rates.

Although Resolution 2012-B026 limits our ability to be as competitive in all dioceses and the Medical Trust may not be the least expensive option for every diocese, the DHP has achieved the intent of Resolution 2009-A177.

As represented in the table below, the disparity in healthcare rates between the highest-priced and lowest-priced dioceses remained relatively flat in 2023:

- For the same plans, rates for 73% of dioceses fall between approximately 10% above and below the average Medical Trust rates (flat since 2022). The Medical Trust strives to keep most dioceses within this range.
- Rates paid by 27% of dioceses fall 10% or more below the average Medical Trust rate for the same plans (flat since 2022). This is primarily driven by the need to remain competitive with local market premiums in those dioceses as well as by member demographics, geographic cost of healthcare, and claims history.

## Rate Disparity Between Dioceses\*

| Difference from Average Rate | Number of Dioceses |
|------------------------------|--------------------|
| -31%+                        | 1                  |
| -21% to -30%                 | 6                  |
| -11% to -20%                 | 19                 |
| -10% to +10%                 | 71                 |
| 11% to 20%                   | 0                  |
| 21% to 30%                   | 0                  |
| 31%+                         | 0                  |
| <b>Total</b>                 | <b>97</b>          |

\*Excludes the Diocese of Hawaii since the plan is fully insured as required by state law.

### Fund for Medical Assistance for Non-Domestic Dioceses

The Fund for Medical Assistance (FMA) was established to provide grants to eligible clergy, eligible lay employees, and their eligible family members in dioceses that do not participate in the DHP, to pay qualified healthcare expenses not otherwise covered by public or private insurance. The Board of Trustees has extended the Fund for Medical Assistance (FMA) through December 31, 2027, and revised its guidelines to expand the availability of funds. For example, effective January 1, 2023:

- The requirement that individuals be employed for at least one year before accessing the FMA was removed.
- Domestic partners and surviving children under age 30 of eligible clergy and eligible lay employees were added as eligible for FMA grants, as were disabled children 30 years or older (if their disability occurred prior to their reaching age 25).
- The Church Pension Fund's annual commitment was increased from \$280,000 to \$350,000.

More recently, The Church Pension Fund's annual commitment was increased to \$370,000.

In 2023, The Church Pension Fund granted a total of \$86,000 from the Fund for Medical Assistance to pay for healthcare expenses for eligible participants in non-domestic dioceses. These grants provide greater financial security to protect the health of those we serve.

### The Way Forward

In addition to its ongoing efforts to enhance benefits while containing costs, the Medical Trust is exploring opportunities that could improve member benefits and/or further manage costs, including:

#### Healthcare Navigator

Overwhelming healthcare decisions can be detrimental to the health and well-being of members and lead to higher costs. A navigator serves as a single point of contact for members and helps them overcome barriers to healthcare, engage more effectively with providers, and experience better outcomes. As part of this initiative, the Medical Trust is examining [social determinants of health](#) to identify ways we can help members improve their health outcomes.

After evaluating alternative vendors and the services they offer in 2023, the Medical Trust selected Quantum Health as its healthcare navigation provider. Quantum Health will offer Medical Trust members support during Annual Enrollment, beginning in October 2024, and the full spectrum of offerings as of January 1, 2025.

## Behavioral Health Support

Consistent with national rates, over a quarter of the Medical Trust's membership had at least one behavioral health claim in 2023. Additionally, behavioral health visits and Employee Assistance Program (EAP) utilization are trending upward. The Medical Trust is promoting EAP resources for our members to show the value of these programs. Through Quantum Health, the Medical Trust is exploring options to expand access to behavioral health providers via digital solutions and to assist members in coordinating their behavioral healthcare. Additionally, we are looking at different options to bring an EAP solution to international clients.

## Pharmacy Benefit

The Medical Trust completed an in-depth review for a pharmacy benefit manager. The incumbent, Express Scripts, Inc., was awarded the business because our review of the alternatives showed that Express Scripts continues to be the best pharmacy benefit management service solution for the Medical Trust and our members. We were also able to achieve favorable early pricing with Express Scripts through our renewal of a three-year term.

## Impact of GLP-1s

A relatively new class of medications known as GLP-1 drugs (glucagon-like peptide-1), initially approved to treat type 2 diabetes, are also highly effective weight loss agents. Examples of GLP-1 drugs include Novo Nordisk's Ozempic and Wegovy, and Eli Lilly's Mounjaro. However, coverage of GLP-1 drugs is costly, with the estimated average annual wholesale acquisition cost for this class of drugs ranging from \$12,200 to \$17,600 when used for weight loss.<sup>5</sup>

The Medical Trust currently covers GLP-1 drugs for weight loss and diabetes, according to clinical guidelines developed by the US Food and Drug Administration (FDA) and applied by the Medical Trust's claims administrators. In 2023, the Medical Trust's total pharmacy expenditure for GLP-1 drugs was \$4.1 million, nearly 9% of its overall pharmacy cost.

We are evaluating solutions to control future GLP-1 drug costs, including enhanced prior authorization programs that ensure appropriate utilization and adherence and services to support members' cardiometabolic health through lasting behavioral changes.

## Impact of Gene Therapy

Gene therapy is a technique that modifies a person's genes to treat or cure disease. The Medical Trust intends to continue its current coverage of FDA-approved gene therapies. Gene therapy prices can range from \$850,000 to \$3.5 million. We will work under a new reinsurance agreement to protect the DHP so that we can continue to provide coverage while ensuring that coverage is sustainable.

## In Summary

The outlook for the DHP remains positive. The DHP continues to provide valuable benefits with a broad array of nationwide networks at a cost that is difficult to match for the level of benefits our members receive.

We continue to monitor the healthcare environment, current trends, inflation, and supply chain issues that may have an impact on costs. We remain focused on providing comprehensive and cost-effective health benefits, improving member engagement and health outcomes, and complying with applicable laws and best business practices.

<sup>5</sup>Ally, AJ, et.al. (August 2023). Payer strategies for GLP-1 medications for weight loss. Milliman White Paper. [us.milliman.com/-/media/milliman/pdfs/2023-articles/8-28-23\\_glp-1s-for-weight-loss\\_20230824.ashx](https://us.milliman.com/-/media/milliman/pdfs/2023-articles/8-28-23_glp-1s-for-weight-loss_20230824.ashx).



## The Denominational Health Plan in a Snapshot



### Affordable Healthcare

- Medical Trust helps ensure that contributions are sufficient to fund health claims
- Closely watches industry trends to control costs
- Medical Trust plans avoid commissions
- 97% of every premium dollar is used to pay healthcare claims
- Episcopal employers are relieved of many administrative burdens



### Comprehensive Coverage

- Medical, behavioral health, pharmacy, vision, dental, hearing
- Tailored packages, portable plans, broad access to healthcare providers
- Range of pricing options (platinum, gold, silver plans)
- Variety of rate tiers (single, family, etc.)



### Robust Cost Containment

- Average age in DHP is 52\* vs. 42 national average
- Despite demographics, costs are lower than expected
- Medical Trust average rate increases: single-digit range
- Below-market increases amid benefit enhancements
- Continued effort toward reduction in healthcare cost disparity between highest- and lowest-priced dioceses

\*As of June 10, 2024

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*CPF currently offers a post-retirement health subsidy to eligible clergy and spouses. However, CPF is required to maintain sufficient liquidity and assets to pay its pension and other benefit plan obligations. Given uncertain financial markets and their impact on assets, CPF has reserved the right, at its discretion, to modify or discontinue the post-retirement health subsidy at any time.*

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