

## Denominational Health Plan 2022 Annual Report

Since its inception, the *Denominational Health Plan (DHP)* has offered valuable healthcare coverage to members. *The Episcopal Church Medical Trust (Medical Trust)*, which administers the DHP, 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 premium disparity among dioceses. While the DHP continues to meet its objectives, the Medical Trust recognizes that healthcare can create financial burdens and remains focused on addressing costs.

The Medical Trust continues to provide broad access to high-quality benefits and consistent service, balancing compassionate care with financial stewardship for the Church.

### Background

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

- established the DHP for all domestic dioceses, parishes, missions, and other ecclesiastical organizations or bodies subject to the authority of this church, covering clergy and lay employees who are scheduled to work a minimum of 1,500 hours annually;
- required dioceses to ensure parity in cost sharing between clergy and lay employees; and
- requested that the Medical Trust continue to reduce the disparity of health care premiums among dioceses.

In addition, 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 D034, requiring a Task Force to Advise the Church on the Denominational Health Plan (DHP Task Force) to review the structure and offerings of the DHP and report back to the 81st General Convention with a list of options to reduce healthcare costs across the Church, with a full explanation of the reasoning, costs, and benefits of each option.

Church Pension Group (CPG) supported the creation of this Task Force, which includes CPF Board Chair Kathryn McCormick and CPG Chief Operating Officer Frank Armstrong among its members. CPG is excited to collaborate with the Church as it further discusses, studies, and discerns the issues and opportunities to consider for providing healthcare to clergy and lay employees.

## Value of the DHP

The DHP provides features that are not typically offered in US corporate plans or state-based healthcare exchanges:

- **Meaningful choice** – The DHP allows dioceses greater flexibility in choosing options from the array offered by the Medical Trust. This includes a mix of platinum, gold, and silver plans, and a choice between two pharmacy plan designs.
- **Comprehensive benefits** – In addition to comprehensive medical and pharmacy benefits, the DHP includes an Employee Assistance Plan (EAP) along with 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). Other US employers, and certainly state-based exchanges, offer smaller provider networks and stricter utilization management. Although these plans are lower in premium cost, there is a meaningful tradeoff in participant choice, access, and benefits.

## COVID-19 Response and Outlook

The effects of COVID-19 continued to have a major impact on US healthcare and the DHP. In 2022, the Medical Trust paid \$4.4 million in COVID-19 claims.<sup>1</sup>

While the nation emerged from the pandemic in 2022, the Medical Trust continued to bear significant costs related to COVID-19 claims, including ongoing testing, vaccinations, and acute and chronic “long COVID” treatment.

## Controlling Healthcare Costs

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

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

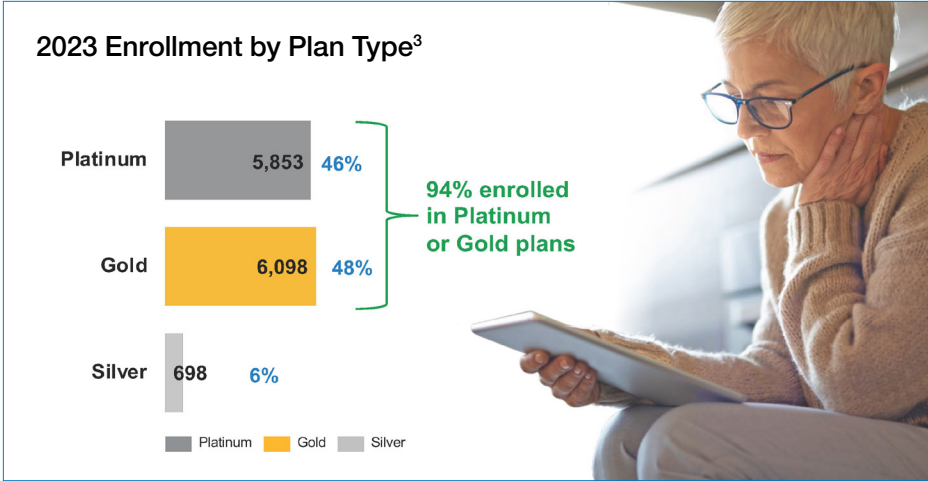
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**Cost increases for the Church continue to be on the lower end of annual national trends.** The Medical Trust delivered an average annual increase of 4.4% for 2023, compared to an estimated national trend of 5.6% to 8%.<sup>2</sup> This is especially noteworthy because DHP claim costs have historically been about 20% higher than the average US employer. These higher claim costs are driven by three main factors:

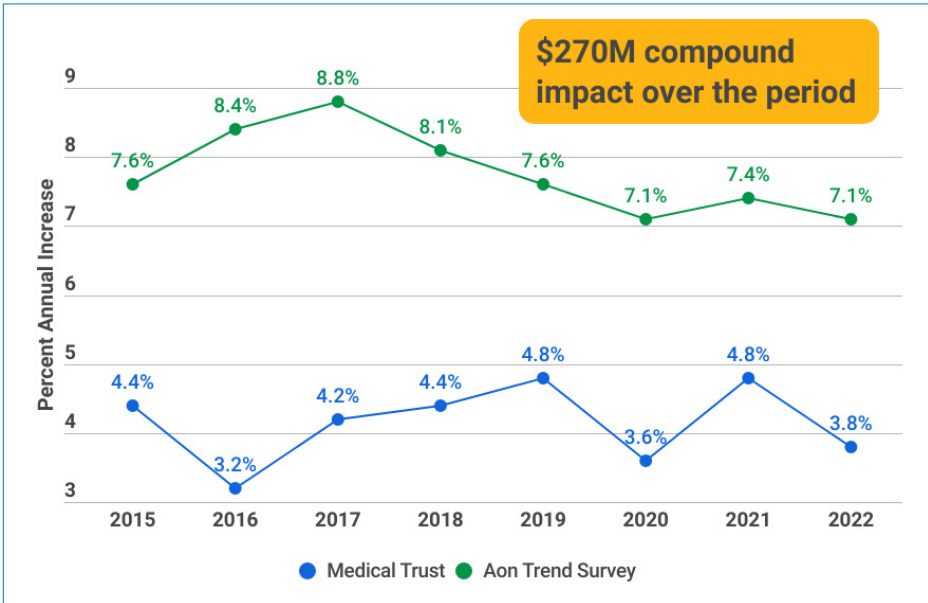
- **Older population** – The median age of participants covered by the DHP is 52, compared to 42 across the broader US population. Older members are more likely to utilize healthcare services, including treatment for chronic conditions, leading to higher claims costs.
- **More generous plans** – As US employers generally shift to coverage with higher member out-of-pocket costs, 94% of DHP members are enrolled in our most generous plans, which feature the lowest member out-of-pocket cost share.
- **Higher specialty prescription cost** – The specialty percent of pharmacy plan costs for the DHP is 64.5% compared to 59.4% for peers in the Church Benefits Association.

<sup>1</sup> Does not include COVID-19 claims paid by government or public health entities.

<sup>2</sup> Custom comparison includes companies from charities and nonprofit, higher education sectors.



Since the DHP's inception, annual average cost increases have ranged from 4% to 6%, versus 7% to 9% for other large employers during the same period. The chart below shows this comparison since 2015, which results in a \$270 million compounded impact.



**Lower administrative costs.** In 2022, 93%+ of contributions went toward paying claims, and the remaining portion went toward fixed administrative costs to health plans (access to national networks, claims processing, member service, etc.) and internal operations (plan sponsor and administrative responsibilities, billing and collections, call center, etc.). The DHP allows the Church to provide healthcare to clergy and lay employees similarly to US corporate employers by removing certain costs typically borne by employers (state premium taxes, commission fees, and risk/profit margin).

<sup>3</sup> Clergy and lay employee participant enrollment as of January 1, 2023. Excludes fully insured plans.

**Lower costs compared to state-based individual exchanges.** In 2022, overall Medical Trust contributions were about 8% lower than average premiums for similar plans (i.e., broad network access and out-of-network benefit option) available on the exchanges for a similar demographic and geographic profile. It is important to note that most plans offered on the exchanges have narrow networks and in-network only options, which reduces costs by restricting access to a select number of physicians and hospitals. Medical Trust health plans also offer additional benefits not offered by exchange plans such as vision, hearing aid coverage, and advocacy services.

**Economies of scale help contain costs.** The DHP aggregates the purchasing power of Episcopal employers, which lowers overall healthcare rates for participating groups. In 2022, the DHP held steady on its ability to bargain for the Church by maintaining 13,000 active clergy and lay employees in its healthcare plans.

**Consultations with CPG professionals guide benefits administration.** Since 2014, all domestic dioceses participate in the DHP and receive support from the Medical Trust for annual benefits 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, the Medical Trust has implemented various measures to maintain low annual increases without raising out-of-pocket costs and/or watering down access or care for members, including

- continued participation in prescription drug purchasing coalition with other denominations;
- implementation of the SaveOnSP manufacturer copay assistance program;
- 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
- partnership with another denomination on a request for proposal (RFP) 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.

The DHP works to minimize cost disparities among dioceses. For example, without the DHP, geographic and demographic factors alone would result in a much wider cost disparity between dioceses, with many dioceses likely experiencing increases as high as 40% or more above current average rates.

Analysis by an external consultant confirmed that the Medical Trust—given the age, gender, family size, geography, and plan value—is 3% more efficient compared to the marketplace. While Resolution B026 limits our ability to be as competitive in all dioceses and the Medical Trust may not be the least expensive plan for every diocese, the DHP has achieved the intent of the resolution by reducing cost disparities among dioceses.

As represented in the graph below, disparity in healthcare costs between the highest-priced and lowest-priced dioceses remained relatively flat for 2022:

- For the same plans, 73% of dioceses fall between approximately 10% above or below the average Medical Trust rates (down by 1% since 2021). 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 (up by 1%). This is mostly driven by the need to remain competitive with local market premiums in those dioceses as well as member demographics, geographic cost of healthcare, and claims history.

#### Reduce Cost Disparity— Current Distribution<sup>4</sup>

Difference from Average Rate	Current Distribution
-31%+	0
-21% to -30%	6
-11% to -20%	22
-10% to +10%	74
11% to 20%	0
21 to 30%	0
31%+	0
<b>Total</b>	<b>102</b>

#### Fund for Medical Assistance for Nondomestic Dioceses

In 2022, The Church Pension Fund granted a total of \$83,200 from the Fund for Medical Assistance to pay for healthcare expenses not covered by public or private insurance for eligible participants in nondomestic dioceses. These grants provide greater financial security to protect the health of those who receive them.

#### Benefit Changes and Enhancements

##### Changes to Prescription Drug Cost Sharing

Over the last three years, analysis shows that Medical Trust member cost share for nonspecialty drugs has decreased by 15% due to fixed copays. To account for these additional costs to the plan, effective January 1, 2023, the Standard Rx options are coinsurance-based (versus copay-based) with maximum amounts to protect members from excessive costs and minimums to drive plan savings. The Premium Rx option continues to be based on copays; however, copay amounts for nongeneric drugs increased. Additionally, all prescription drug plan designs added a new cost sharing tier for specialty drugs.

##### Changes to How Specialty Drugs Are Covered

With typical benefit plans, some specialty drugs are covered by the medical channel of the plan, while others are covered by the pharmacy channel. This leads to confusion about how to access the specialty medication and poses cost containment challenges. With our Anthem and Cigna medical plans, certain specialty drugs are now excluded from the medical benefit and are instead covered exclusively within the Express Scripts pharmacy benefit. This “medical channel management” results in more consistent clinical coverage criteria, better management of healthcare services, and cost savings.

<sup>4</sup> Figures exclude the Diocese of Hawaii since plan is fully insured as required by state law.

### **New Services for Musculoskeletal Health (effective October 2022)**

Treatment of musculoskeletal conditions is one of the Medical Trust's top claim costs. The Medical Trust added the following new services for Anthem and Cigna members to help reduce costs and increase quality of care:

- *Hinge Health* – This program provides convenient digital solutions for musculoskeletal pain or injuries with no member cost sharing. Members have access to a personal care team, including physical therapists and health coaches, virtual physical therapy sessions, and wearable technology that gives live feedback and tailors exercise recommendations to the member's individualized care plan.
- *Expert Second Opinion* – Hinge Health provides a medical expert review for back, knee, or hip surgeries. A second opinion option for major medical treatments and costly surgeries can lead to better patient outcomes and help control costs.

### **Additional Plan Enhancements**

The following benefit enhancements were effective January 1, 2023:

- The lifetime benefit maximum for fertility benefits is a combined \$50,000 for medical and prescription drugs (previously a lifetime benefit maximum of \$10,000 for medical and \$10,000 for prescriptions). This provides greater choice to members in how they use their benefit.
- The benefit for hearing aid devices increased to a maximum of \$3,000 every three years. Additionally, there is no longer a per ear maximum (previously \$1,500 per ear).
- The annual allowance for frames and contact lenses increased to \$200 (previously \$150).
- Medical Trust plans now cover travel vaccines for personal travel.

### **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**

Poor healthcare decisions can lead to higher costs and be detrimental to the health and well-being of members. A navigator serves as a single point of contact for members and helps them to overcome barriers, engage more effectively with providers, and experience better health outcomes. As part of this initiative, the Medical Trust is examining *Social Determinants of Health* to identify ways we can help members achieve positive outcomes.

We embarked on an RFP process in 2023 and are planning to go live with the Healthcare Navigator in 2025.

#### **Pharmacy Benefit RFP**

As part of the purchasing coalition of the *Church Benefits Association*, an organization dedicated to best practices at denominational boards and benefit plans, the Medical Trust is engaged in an RFP for pharmacy benefit management services. The goal is to obtain competitive financial offers and evaluate vendors who will provide high-quality service to the Medical Trust and its members.

## 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, cost-effective health benefits, improving member engagement and health outcomes, and complying with applicable laws and best business practices.

## The Denominational Health Plan in a Snapshot



### Affordable Healthcare

- Medical Trust helps ensure that contributions are sufficient to fund health claims.
- Medical Trust closely watches industry trends to control costs.
- Medical Trust plans avoid commissions.
- More than 90% 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 reduction in healthcare cost disparity between highest- and lowest-priced dioceses

\*As of May 31, 2023