

2018 Denominational Health Plan Annual Report

Prepared January 2019

Introduction

The Episcopal Church's Denominational Health Plan (DHP) helps domestic dioceses, parishes, and other ecclesiastical institutions subject to the authority of the Church control the rising cost of healthcare. This *Annual Report* summarizes DHP developments during the past year. For a full description of the [DHP's background](#), please visit cpg.org.

Highlights for 2018

In 2018, The Episcopal Church Medical Trust (Medical Trust) continued its commitment to balance compassionate service with financial stewardship. Here is a summary of our accomplishments this year.

We contained healthcare costs:

- For 2019, most participating dioceses received below-average rate increases, and all increases were limited to the single digits.

Employers chose from multiple providers:

- We delivered meaningful choice by implementing our multi-vendor strategy and its array of plan designs, which include both traditional Preferred Provider Organization and Consumer-Directed Health Plan offerings.

We provided support to dioceses with annual benefits planning:

- We helped dioceses choose their plan offerings with educational and other support.
- We helped them implement strategies to achieve parity in how they fund healthcare benefits for clergy and lay employees.

The Medical Trust plans comply with the ACA:

- We complied with the ACA's tax-reporting requirements and adhered to its applicable plan design standards.
- The Medical Trust plans continued to pay the ACA fees, *saving the Church more than \$3 million in total costs over time.*

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2018 in review

I. DHP participation still strong

The DHP is a purchasing coalition for health benefits. By placing purchasing power within one entity, the Medical Trust can negotiate more competitive rates for healthcare benefits for the entire Church. Since 2014, all domestic dioceses have participated in the DHP.

In addition, 43 other groups (schools, camps, conference centers, and other Church institutions) now participate voluntarily in Medical Trust plans, improving our overall bargaining power on behalf of the broader Church. Among all those eligible, 95 percent now comply with the DHP, and we continue to work with all dioceses to promote enrollment among their eligible participants.

Promoting the Fund for Medical Assistance

The Fund for Medical Assistance (the Fund) offers financial assistance to eligible participants in non-domestic dioceses facing healthcare expenses that are not covered by public or private insurance programs. In 2018, we issued grants totaling \$24,700 from the Fund. We also renewed our commitment to the Fund and worked to build awareness of its benefits among eligible dioceses.

- The Church Pension Fund Board of Trustees (CPF Board) approved a new five-year period for the Fund through December 31, 2022.
- We distributed updated information about the Fund and its availability to non-domestic dioceses that do not participate in the DHP.

II. A continued commitment to cost containment

The Medical Trust employs multiple approaches to provide competitive levels of health coverage at the lowest rates possible:

Slow cost increases

From 2011 to 2018, U.S. employers' premiums increased by an average of 5.0 percent to 10.7 percent annually. Over the same period, the average increase to Medical Trust employer groups was 4.3 percent to 7.2 percent. For 2018, the Medical Trust delivered a single-digit average rate increase of 6.2 percent, comparing favorably with ACA exchange rate increases over the same period. Recently, rates on the ACA exchanges have stabilized somewhat relative to previous years. Yet, unlike the rich benefits and broad vendor networks found in the Medical Trust plans, most plans on the ACA exchanges offer limited insurer choice, narrow networks and increasingly lean benefits, with higher out-of-pocket costs for enrollees.

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Ensure local price competitiveness

In 2018, the cost of our plans averaged 26 percent less than similar ACA exchange plans, and this pricing advantage will likely continue in 2019. Within each U.S. region, our 2018 rates were less than the rates for similar plans on the ACA exchanges in 90 percent of dioceses. While certain members may be able to obtain lower rates on the exchanges, participants should understand that DHP rates are based on our clients' average demographics, reflecting a population that is relatively older and plans that offer broader networks. The DHP would no longer be financially viable were it to serve only a limited group.

Reduce the cost disparity among dioceses

On both the ACA exchanges and in the group insurance market, health plan pricing varies widely by state. Even so, we have worked diligently in recent years to reduce the disparity in costs among dioceses — and between the highest-priced and lowest-priced dioceses — and these efforts continued in 2018:

- 70 percent of diocesan rates for the same plans are within the average range of Medical Trust rates. In other words, they fall somewhere between 10 percent below to 6 percent above that average rate.
- Rates among the remaining 30 percent of dioceses fall 10 percent or more below the average Medical Trust rate for the same plans. In many cases, this larger difference is intentional because we needed to lower rates in those dioceses to remain competitive with local alternatives.

Going forward

The Medical Trust will apply various techniques to contain cost increases while providing comprehensive coverage and caring service:

- Regularly assessing our plans for quality and value, including our vendor relationships, clinical programs, and appropriateness of member cost share
- Leveraging our increasing purchasing power with vendors to achieve maximum savings on plan administration

- Participating in group purchasing coalitions with other denominations, such as prescription drugs with Express Scripts (ESI) (The same coalition completed an ESI market check in 2018 that will result in lower costs with ESI for 2019.)
- Proactively managing our internal operations to drive continued cost efficiencies
- Exploring cost-saving opportunities that are being developed and tested in the healthcare marketplace
- Requiring appropriate authorizations, coverage, and utilization management to ensure optimal outcomes and use of evidence-based treatments
- Encouraging members to take active responsibility for their own health and wellness through educational programs and other resources in collaboration with our participating groups
- Providing member decision-support tools through our vendors to assist them with making optimal choices for treatments and location of services
- Emphasizing medical management through medical necessity principles and clinical evidence, defined as clinical appropriateness, clinical effectiveness, and cost effectiveness
- Implementing enhanced care management programs with a patient-centered approach, such as the HealthGuides customer service initiative from Anthem Blue Cross and Blue Shield, and Cigna's comparable One Guide program
- Promoting the Medicare Secondary Payer Small Employer Exception Plans to eligible groups and members, which continue to provide value and reduce overall costs for eligible employees who are age 65 or older

III. Maintaining compliance with applicable healthcare laws

The Medical Trust continues to comply fully with the applicable healthcare laws, including filing required tax reporting for Minimum Essential Coverage under the ACA.

The implementation date of the ACA's "Cadillac Tax," which would impose a 40 percent excise tax on the value of health coverage above a set threshold, has been delayed to 2022. As that time approaches and the potential tax prospects become clearer, we will explore new plan design options, as appropriate.

IV. 2019 outlook

The future outlook for the DHP remains positive and has been bolstered by the complete implementation of our plan array strategy. In choosing among plans from Anthem and Cigna, as well as regional offerings from Kaiser Permanente, our members continue to enjoy multiple advantages, including robust provider access, affordable coverage, and meaningful choice.

The future of national healthcare reform remains unsettled, and contrasts with the stability that the DHP offers the Church. Given the ACA's current status, we will stay watchful for any legislative initiatives that may affect our plans. Despite a constantly changing healthcare environment, we are committed to delivering cost-effective, comprehensive health benefits, and in complying fully with applicable laws and best business practices.