

The State of Healthcare in a Changing Church

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Topical Overview

- The Context for Change
- Considered Alternatives and Resulting Options
- The Impact of Healthcare Reform
- The Importance of Health

The Context for Change: The Larger World in Which We Live

Cost is the Challenge

The Context for Change: The Larger World in Which We Live

- Healthcare Spending
 - Amount: \$2.8 trillion in 2013; 18% of GNP
 - Pace: > inflation; > growth in national income
 - Drivers: Technology; Prescription Drugs; Rise in Chronic Disease; Administrative Costs
 - Payers: Medicare, Medicaid, Private Plans, Individuals

The Context for Change: The Larger World in Which We Live

- Large Employer Trends
 - Cost Shifting: Premium and Point-of-Service Cost Sharing
 - Cost Management: Incentives and Penalties
 - Provider Management: High Performance Networks; Reference-based Pricing ... all about Value

The Context for Change: The Smaller World in Which We Live

Cost is still the Challenge

Church Plan Benchmarks

Church Plans

Plan	Approximate Annual Cost	Cost sharing policy/practice
Lutheran Church, Missouri Synod (LCMS)	\$8,688/M \$14,496/M + C \$17,472/M + P \$23,220/M + F	Each employer is responsible for at least 50% of member cost; may share none, some or all of remainder of member + dependent cost

Church Plans

Plan	Approximate Monthly Cost	Cost sharing policy/practice
Evangelical Lutheran Church of America (ELCA)	6 rate classes	Church responsible for dues but opt-out permitted at all levels.
	12.3% - 14.9%/ M	
	21.6% - 26.2%/ M + C or P	
	30.8% - 37.4%/ M + F	

Church Plans

Plan	Approximate Annual Cost	Cost sharing policy/practice
Evangelical Covenant Order (ECO)	\$8,412/M	Church responsible for 100% of member only cost; may share none, some or ALL of dependent coverage cost
	\$15,996/M + C	
	\$17,676/M + P	
	\$25,248/M + F	

The Context for Change: The Smaller World in Which We Live

- Key Statistics
 - Demographics
 - Utilization
 - Financials

Facts about Member Demographics and Church Size

Covered Population Demographics

- Members participating in Traditional Medical Plan as a result of their employment with a church or employing organization
- Approximately 12,100
- 65% are Teaching Elders
- 35% are Lay employees

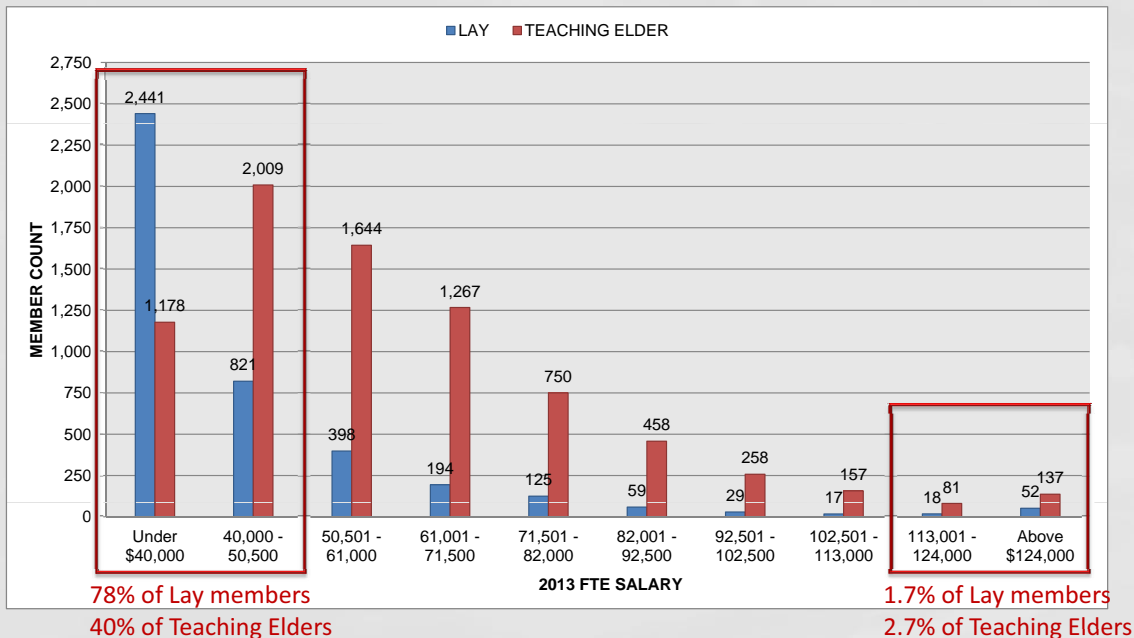
Participation at Minimum

- 15% (1,178) of Teaching Elders participate at the 2013 minimum of \$40,000
- 59% (2,441) of Lay members participate at the 2013 minimum
- 30% (3,619) of all members participate at the 2013 minimum

Participation at Maximum

- 1.7% (137) of Teaching Elders participate at the 2013 maximum of \$124,000
- 1.2% (52) of Lay members participate at the 2013 maximum
- 1.5% (189) of all members participate at 2013 maximum

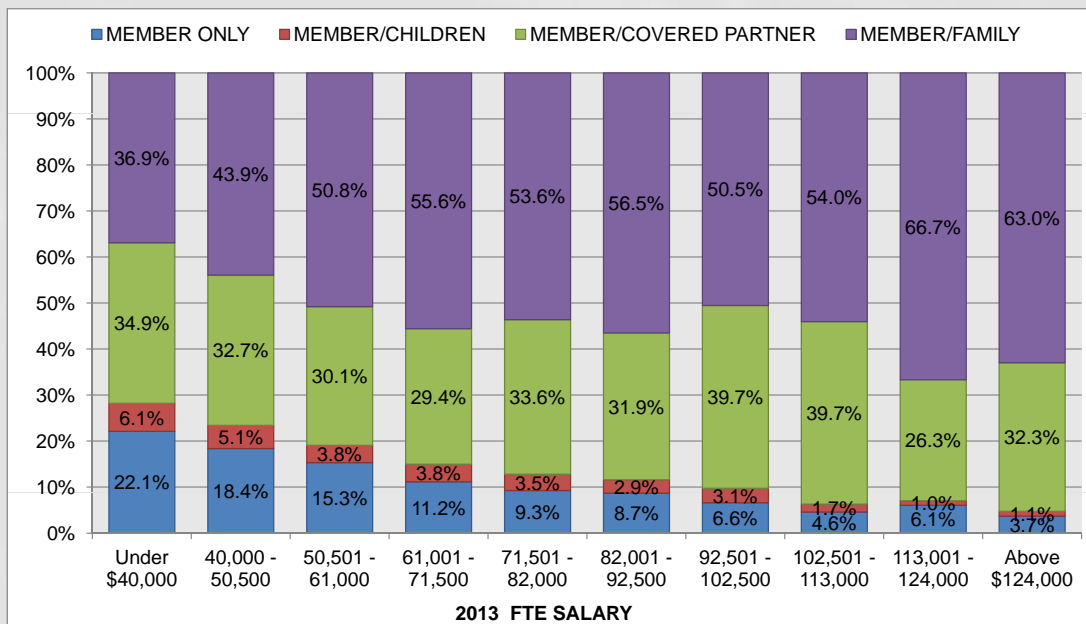
Population by Salary



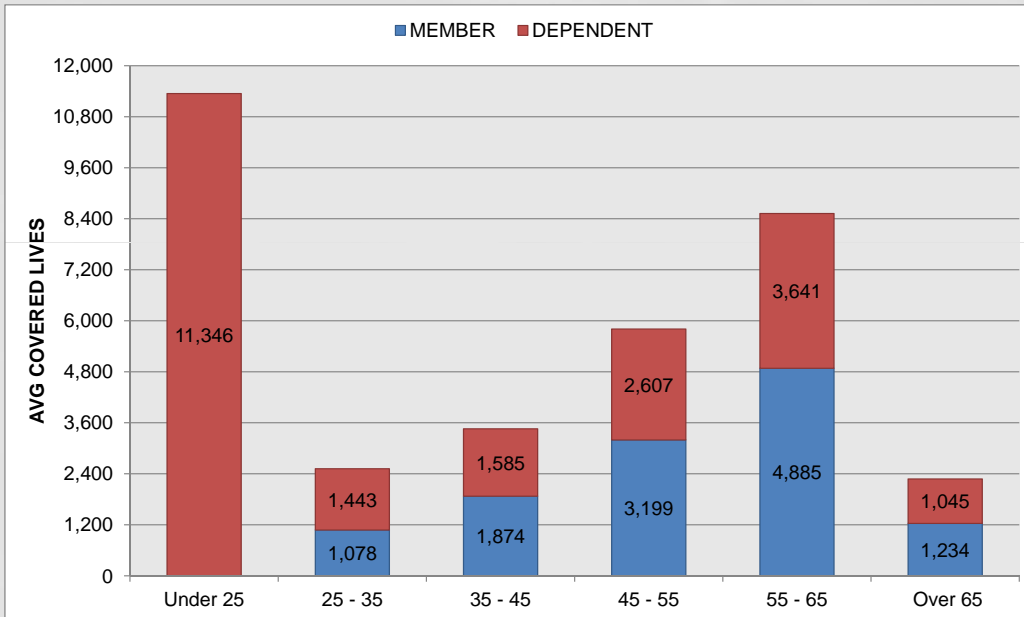
Participation by Family Configuration

- 16% at Member Only
- 5% at Member + Children
- 33% at Member + Covered Partner
- 46% at Member + Family

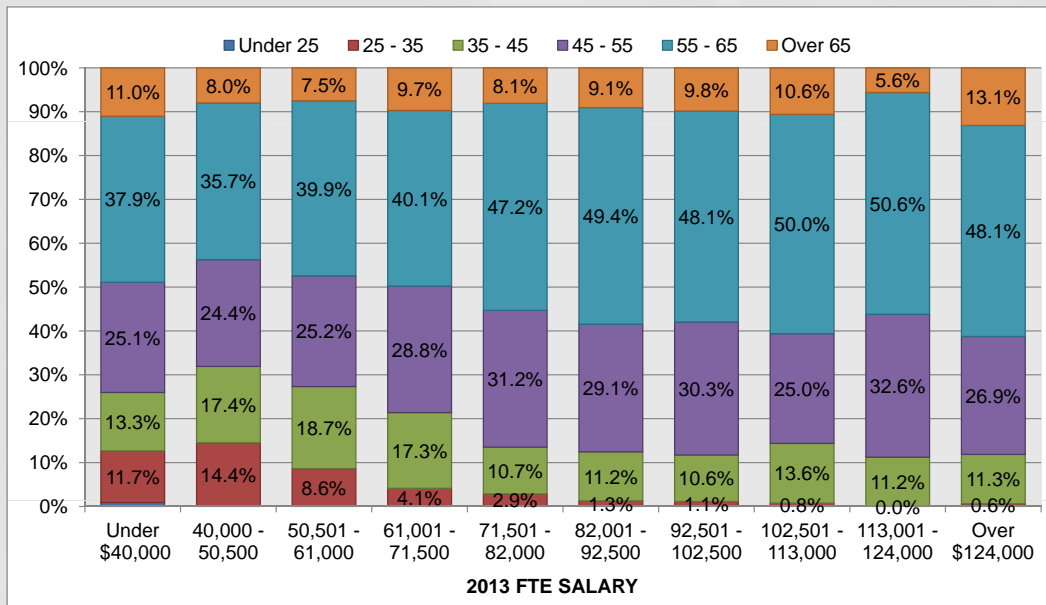
Family Configuration by Salary



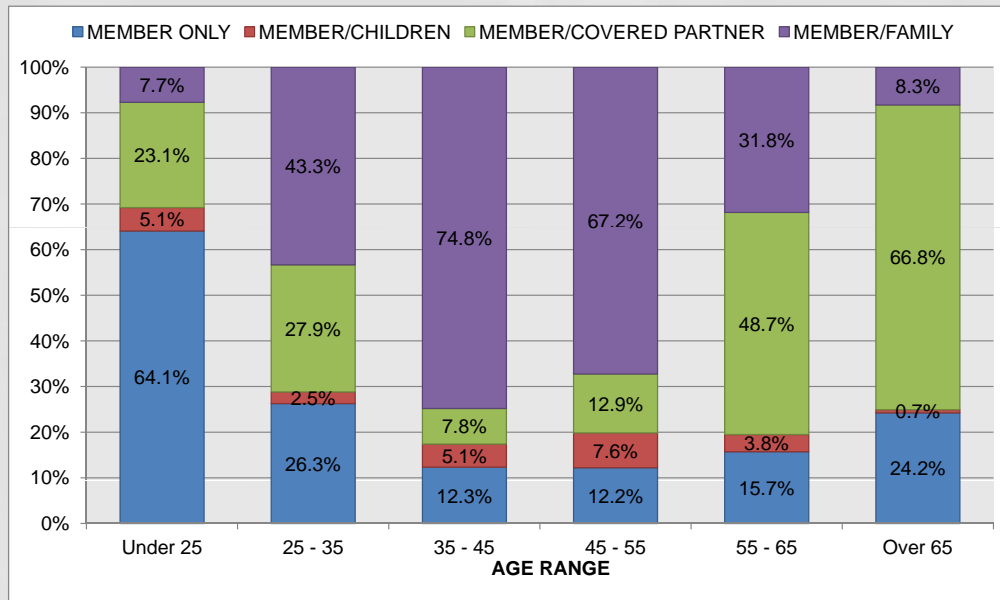
Population by Age



Member Age by Salary



Family Configuration by Member Age

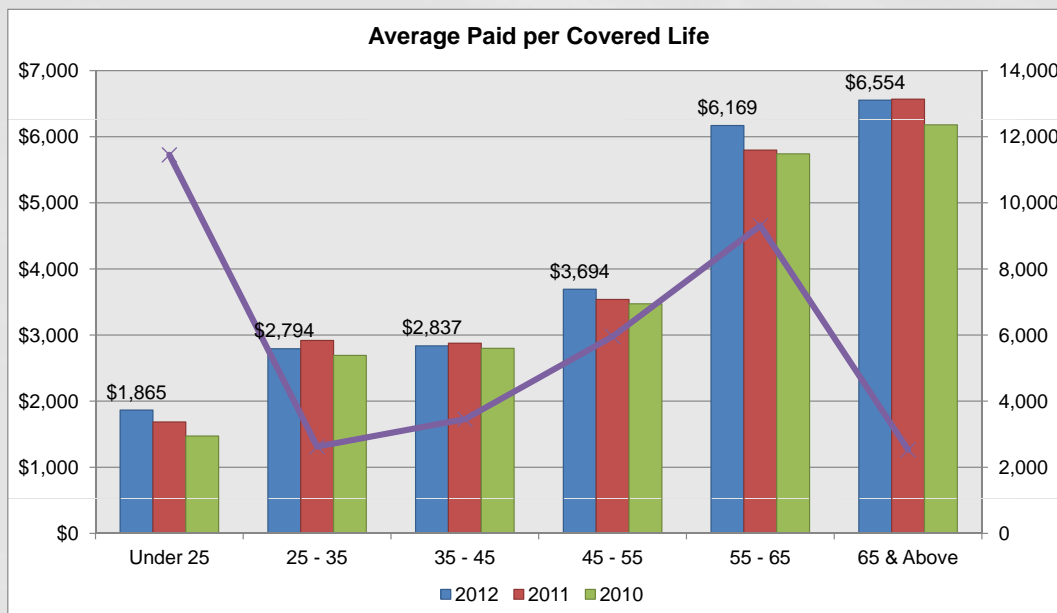


Churches and Employing Organizations

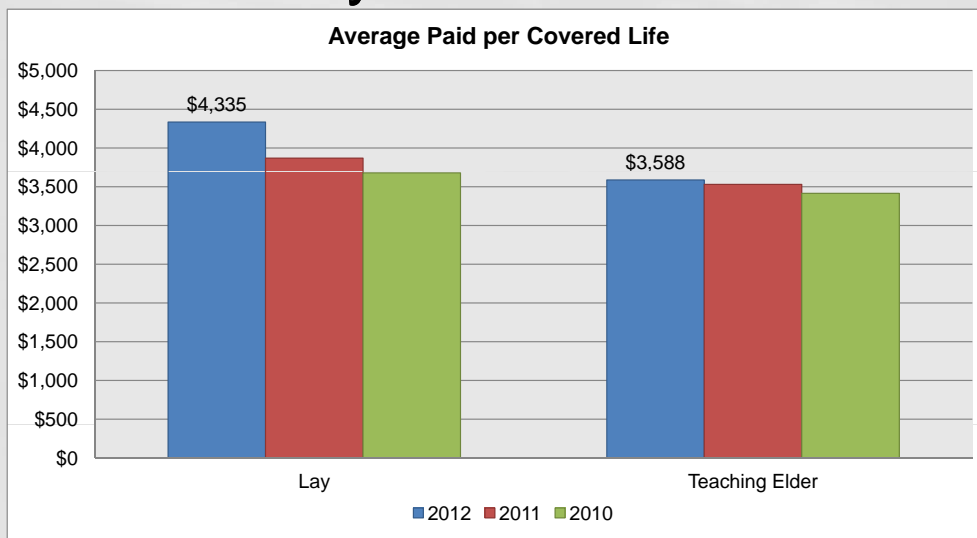
- The Board bills over 6,600 churches and employing organizations with Traditional members every month
 - 76% (5019) have an individual member
 - 23% (1530) have 2 to 10 members
 - 1% (79) have more than 10 members

Facts About Cost & Utilization

Age: A factor but not the whole story



Teaching Elder vs. Lay: A factor but not the whole story



Dependent Status: A factor but not the whole story

- 53% of total claims paid for Members
- 47% of total claims paid for Dependents
- Maximum variation of 1.4% over last 36 months

High-Cost Claimants

- Consistently the single largest contributor to trend
- 1% of claimants responsible for 30% of expense
- Indiscriminate with regard to age, gender, and income

Average Costs per Active Member

- The average cost per Active Member (in the Traditional Plan) per year is \$12,000
- Individual Member: \$7,200
- Members With One or More Dependents: \$13,000

Relationship Between Dues and Cost

- The Value of Community Nature
 - Minimum Dues
\$8,400 = 70% of \$12,000 Average Cost
 - Maximum Dues
\$26,000 = 217% of \$12,000 Average Cost

Financial Forecasts An Art and A Science

Current Milliman Projections (in \$1,000s)

	2012	2013
Total Revenue	\$171,507	\$176,153
Total Expenses	\$173,891	\$182,517
Net Income	\$(2,384)	\$(6,364)
Fund Balance (Reserve)	\$66,313 (38.1%)	\$60,110 (32.9%)

Current Milliman Projections (in \$1,000s)

	2014	2015
Total Revenue	\$170,984	\$169,553
Total Expenses	\$189,271	\$196,154
Net Income	\$(18,287)	\$(26,601)
Fund Balance (Reserve)	\$39,700 (21%)	\$11,978 (6%)

Considered Alternatives and Resulting Options

Expense Shifting Alternatives

- Double Office Copays
- Increase Plan Copayment by 50%
- Increase Deductibles by 60%
- Increase Copayment Maximum by 40%
- Add Emergency Room Copay (per visit)
- Double Rx Plan Copays

GRAND TOTAL = \$13.7 Mil

Revenue Raising Options: Underlying Assumptions

- Minimum Salary: Increased to \$42,000 in 2014 and to \$44,000 in 2015
- Target Fund Balance (Reserve): remains at 20% - 33% (2 ½ - 4 months of estimated claims)
- “Call to Health”: Initiate a model designed to improve member health in 2014

OPTION A

Action	2014 Dues	2015 Dues
Maintain Current Dues Model	23% effective salary	24.3% effective salary

OPTION B

Action	2014 Dues (Annual)	2015 Dues (Annual)
Maintain Dues at 21% for Member only; Introduce Dependent Coverage Tiers at flat amounts	Member: 21% + Child(ren) = \$534 + Partner = \$664 + Family = \$1,165	Member: 22% (Flat dollar amounts TBD)

OPTION C

Action	2014 Dues	2015 Dues
Set Dues at % of effective salary and a lesser % for member only coverage	Dues w/ Dependents = 23% Dues w/o Dependents = 21%	Dues w/ Dependents = 25% Dues w/o Dependents = 22%

OPTION C

- Maximum Member Contribution Towards Family Coverage (2014)

	Minimum (\$42,000)	Median (\$54,000)	Maximum (\$124,000)
Annually	\$840	\$1,080	\$2,480
Monthly	\$70	\$90	\$207

Comparative View of Options

	Community Nature	Flexibility	Member Responsibility & Awareness	Quality & Member Service Advocacy
Option A (23%)				
Option B (21% + flat premium by tier)				
Option C 23% / 21%				

The Impact of Healthcare Reform

Cost is still the Challenge

Healthcare Reform: A Look Back

- Primary Objectives
 - Address Access and Affordability
 - Reduce the Number of Uninsured Americans
- Early Challenges
 - Political
 - Judicial

Healthcare Reform: Direct Impact

- Expanded Coverage: Adult Children; Lifetime Maximums; Preventive Care
- Communication: Summary of Benefits and Coverage; Notice of Exchange Coverage

Healthcare Reform: Direct Impact

- Government “Subsidy”: Early Retiree Reinsurance Program; Medicare Part D; Small Employer Tax Credit
- Assessed Fees: Patient-Centered Outcomes Research; Transitional Reinsurance

Healthcare Reform: Potential Impact

- Nondiscrimination Rules
- Payment Reforms
- Exchanges (Marketplaces): Public and Private

The Importance of Health

*Cost is not the Only
Challenge*

Call to Health: To Care and To Take Care

- You Are “Called” To Be
 - Conscious
 - Accountable
 - Responsible
 - Engaged

OUR COMMITMENT

- Three Strategic Objectives
 - Provide quality coverage that offers real financial protection when it’s needed
 - Support Community Nature, balancing the needs of ALL members
 - Ensure the Plan’s financial solvency by maintaining adequate reserves