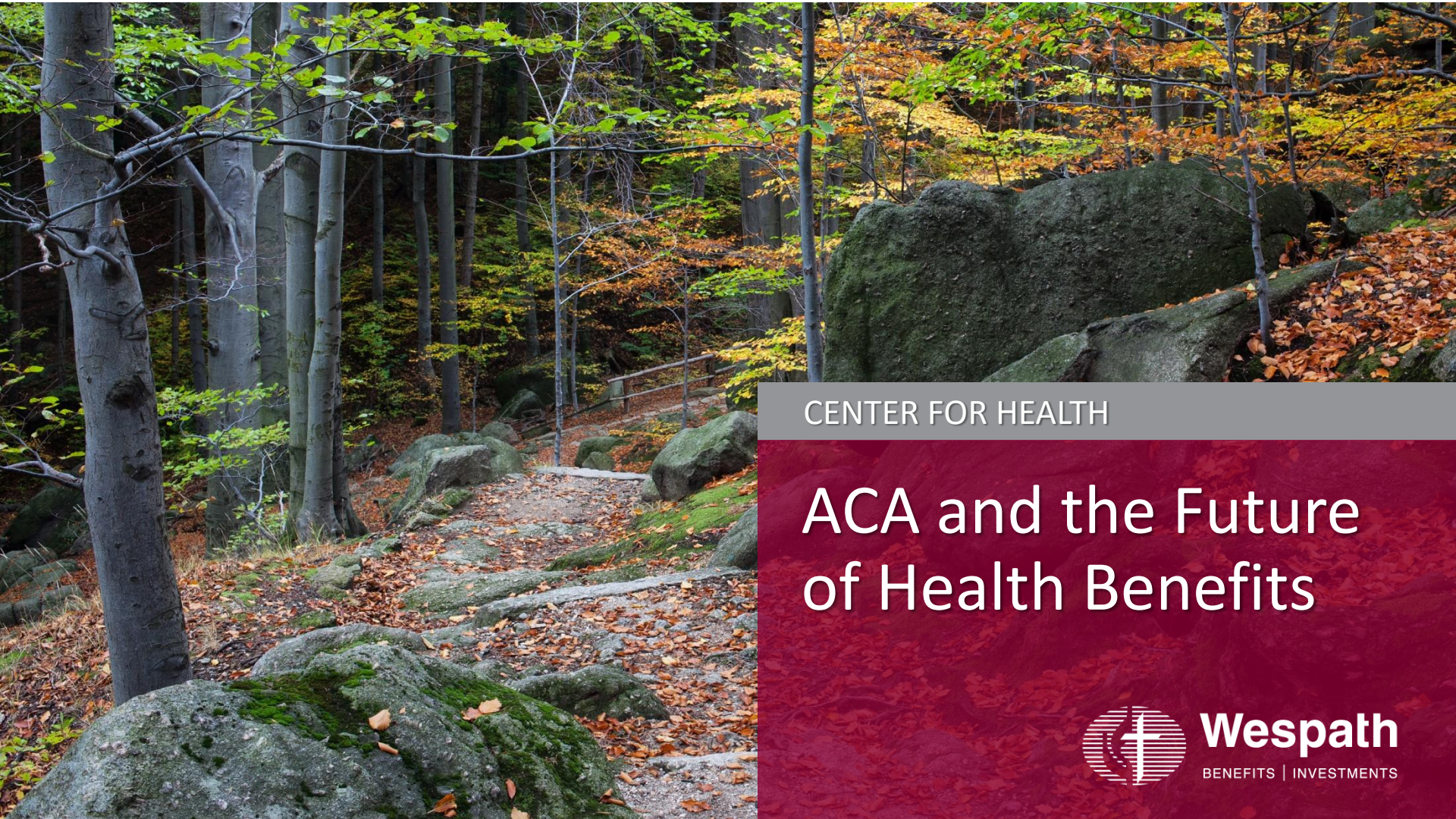
Quadrennial Benefits Conference

Navigating the Path 2016



CENTER FOR HEALTH

ACA and the Future of Health Benefits

Wespath

BENEFITS | INVESTMENTS

The Future of UMC Health Benefits

- Affordable Care Act (ACA) and complicated health landscape
  - Active employees
- Active health benefits trends
  - Nationally
  - The United Methodist Church
- Retiree health benefits trends

Wespath's Center for Health

- Trusted denominational health resource
- Promoting vitality in mission and ministry by improving 5 dimensions of well-being
  - UMC clergy, lay employees, and their families

Physical • Emotional • Spiritual • Social • Financial

Center for Health

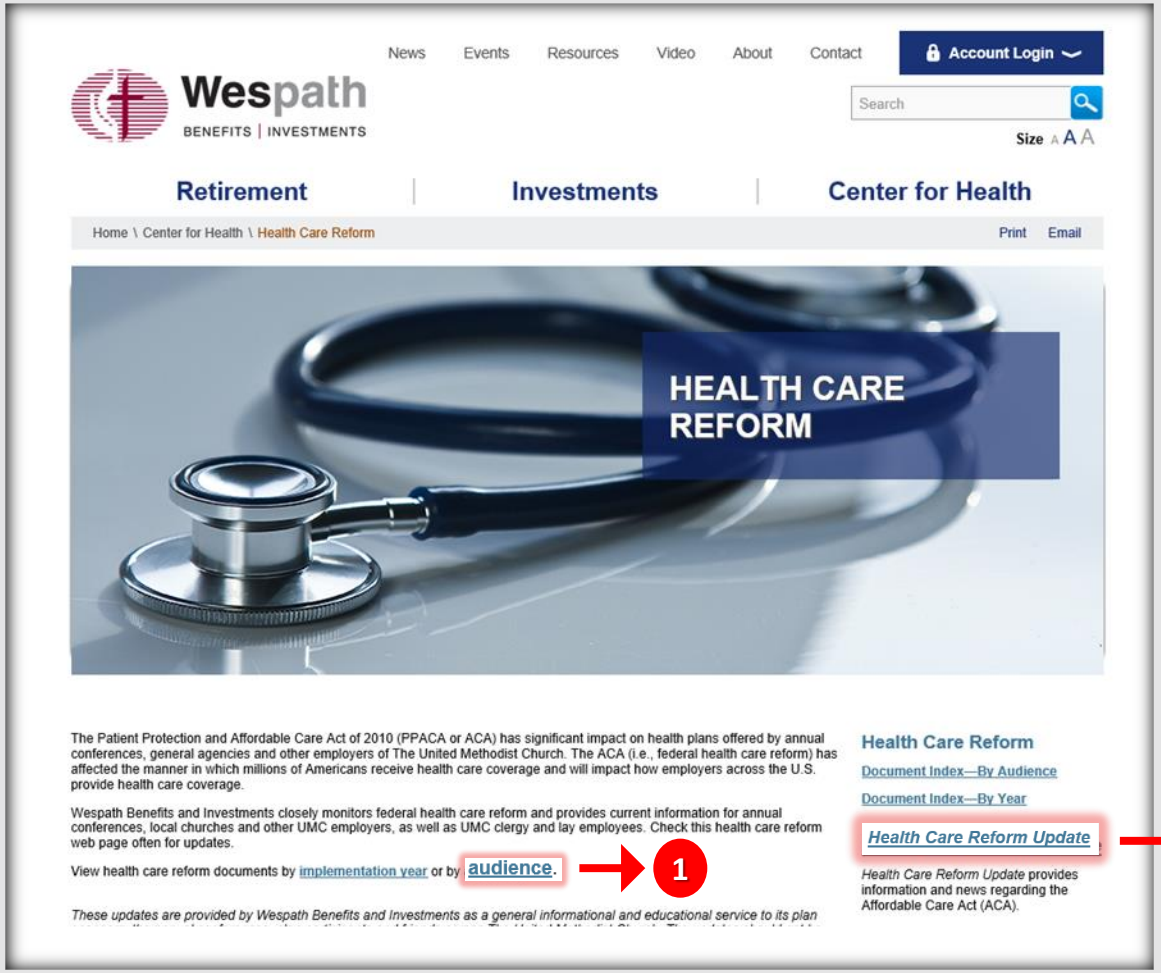
Center for Health

A division of Wespath Benefits and Investments

3 Functions

- Welfare Plans
- Health Plans
- Well-being

ACA Support—Wespath/Center for Health



Health Care Reform Resources and Tools

1. Information and tools for various audiences
2. Electronic newsletter

Health Care and ACA Landscape

What ACA was intended to do?

On the Radar:

2016 – 2017

ACA—Original Goals 2010

Access to coverage for all

Coverage should be affordable

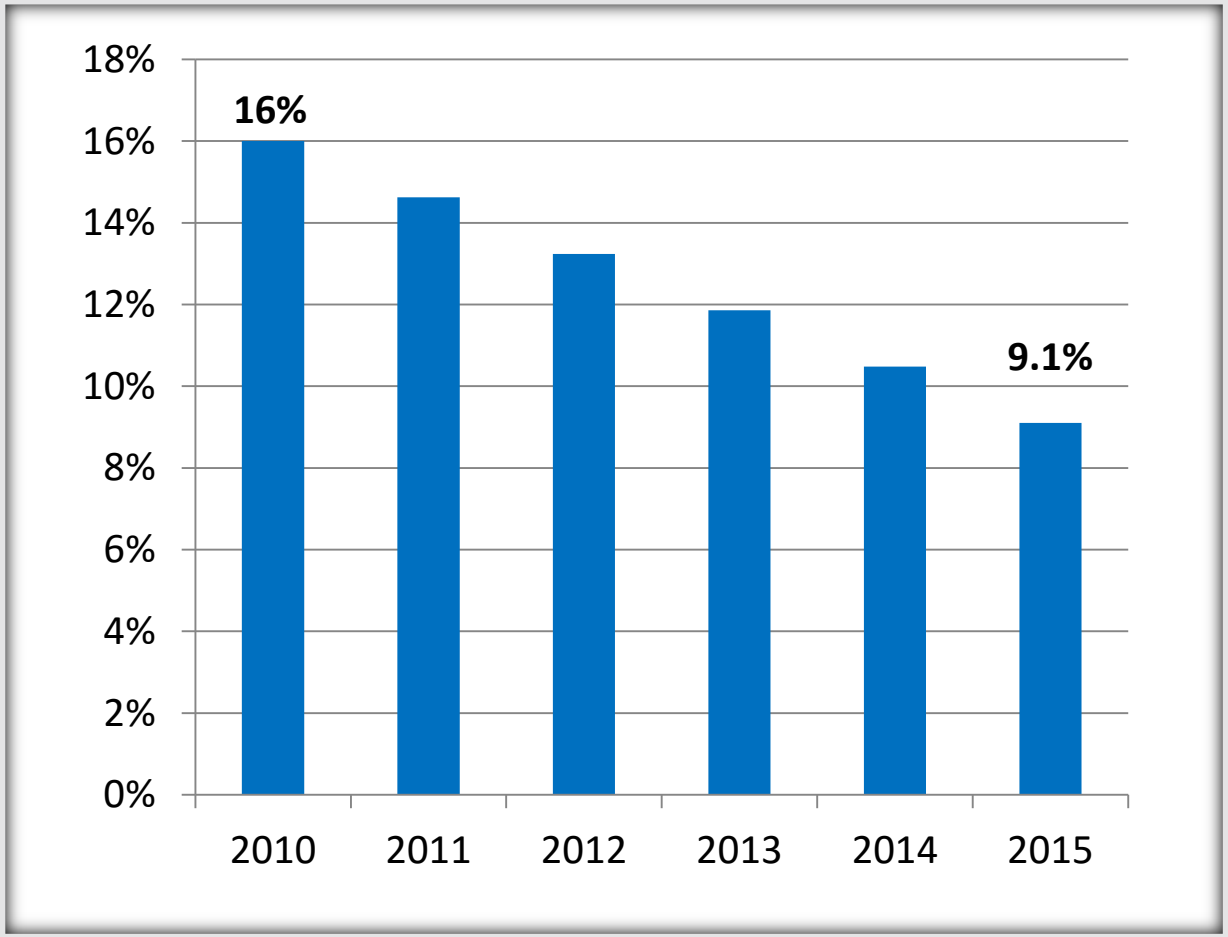
Essentials should be covered

Avoid increasing federal deficit

Access—The Theory

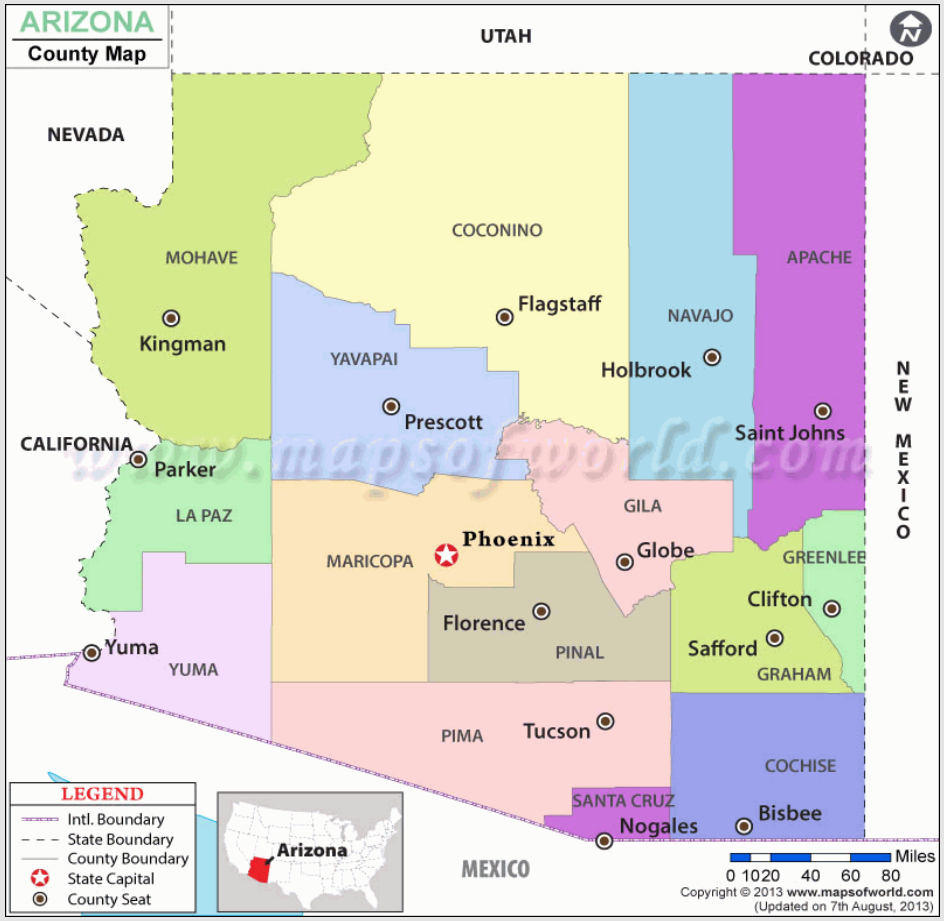
- All lawful residents of U.S. have legal right to purchase coverage from plans available on public exchanges
- To date, all exchanges have at least 1 or 2 insurance companies offering plans
- But exchanges rely on voluntary participation by insurance companies
  - ACA did not include a plan offered by the government—the "public option"

2016 Snapshot—Uninsured Declining



Uninsured rate down

Insurers Leaving Exchanges



2016

12% of enrollees live in a county with only 1-2 Exchange issuers

2017

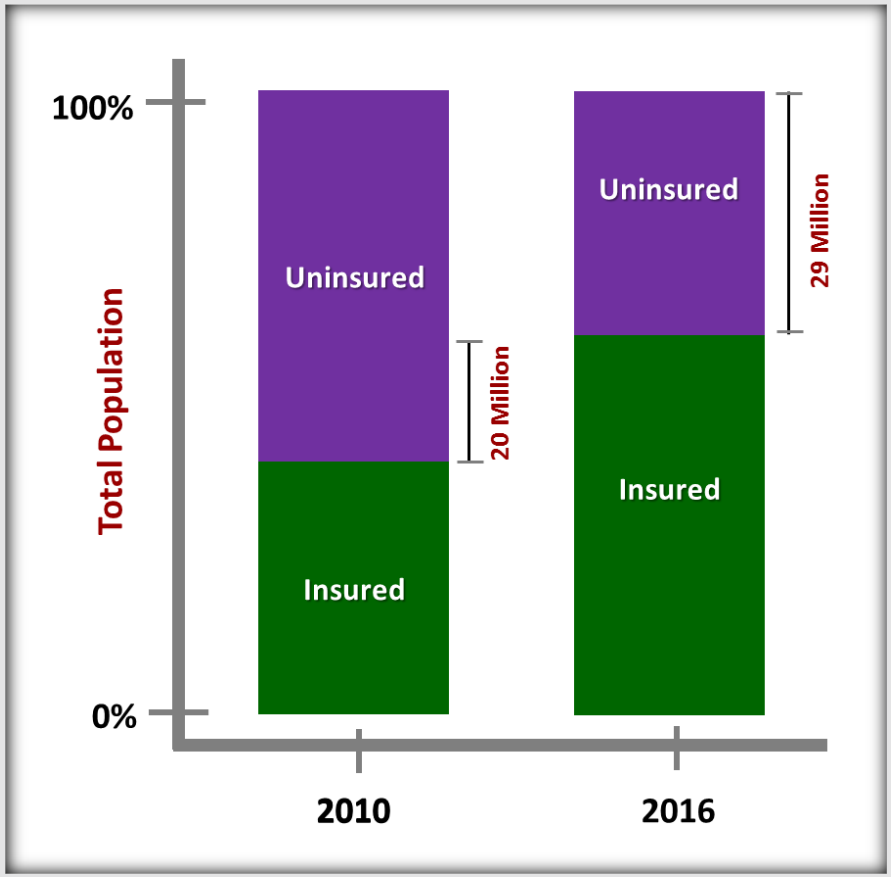
?

Example

All insurance companies announced pullout from Pinal County Exchange

- **September 7**: Blue Cross and Blue Shield reversed its exit decision

2016 Snapshot—Is It Affordable?



Increase Financial Assistance?

- 80% of uninsured say they cannot afford insurance
- Rates going up in 2017
- Early estimates vary:
  - Kaiser study: 9%
  - *Wall Street Journal:* 18-23%

2016 Snapshot—Are Essentials Covered?

Public exchange plans must cover 10 "essential" health benefits

1. Outpatient care
2. Emergency room
3. Care before and after baby is born
4. Mental health services
5. Prescription drugs
6. Services and devices needed for recovery or disability
7. Lab tests
8. Preventive services
9. Inpatient hospital care
10. Pediatric services

2016 Snapshot—Are Essentials Covered?

- Provider choice—**not required**
  - Some networks—narrow/ultra-narrow
- Plans remain that **do not cover** all essential benefits
  - Large employer “minimum value”
  - “Skinny” plans

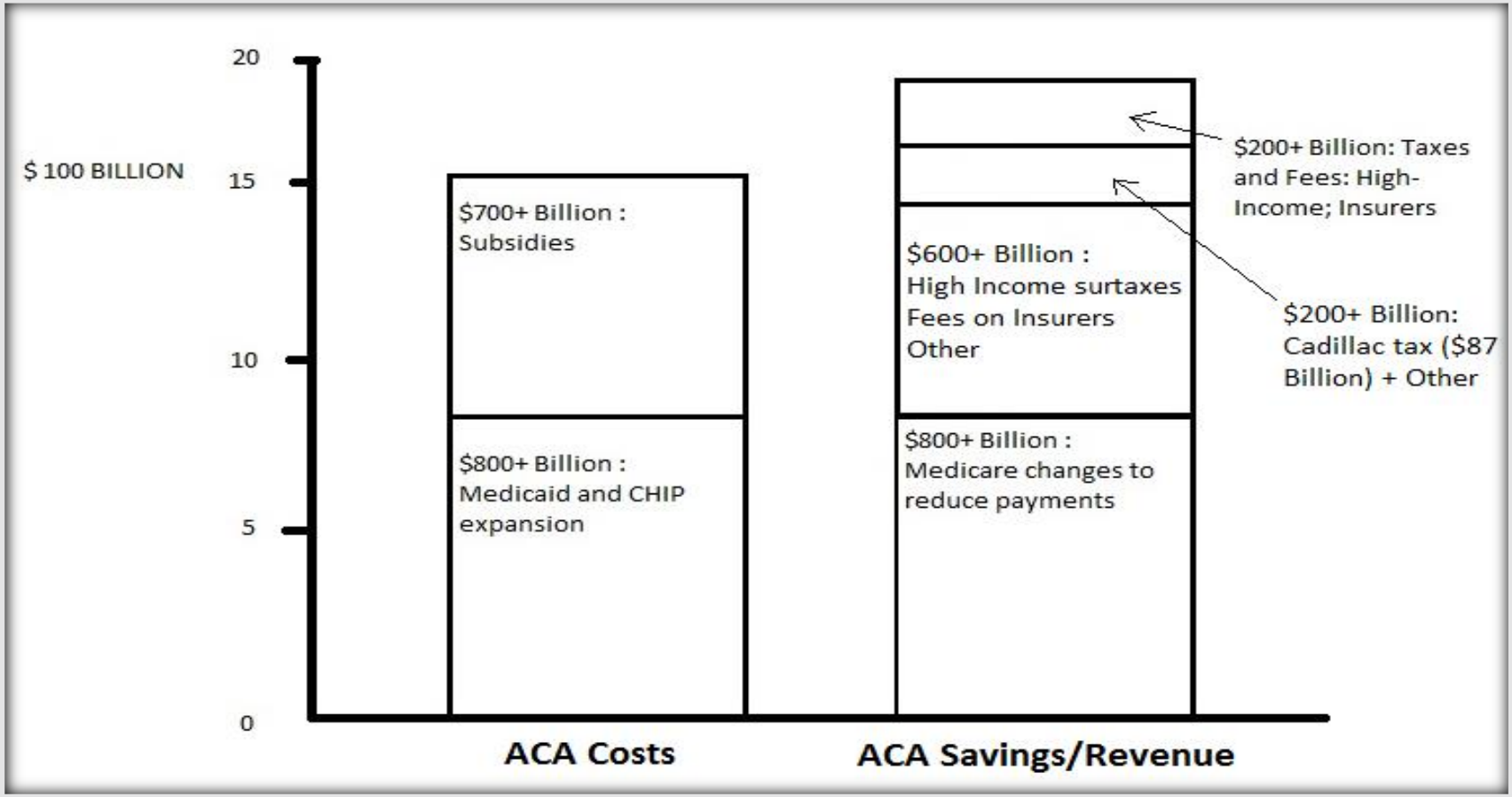
2016 Snapshot—Will Deficits Go Up?

ACA Impact on Deficit

2010 Original CBO* Projection * CBO—Congressional Budget Office	ACA would reduce deficits by $143 billion (2010 – 2019)
July 2015 CBO Projection	Not repealing ACA would save $137 billion (2016 – 2025)

Caveat: Cadillac Tax revenues postponed by legislation passed in late 2015

Deficit Drivers (2016 –2025)



Source: CBO Report on Repeal of ACA (June 2015)

On the Radar (2016 –2017)

- Health reimbursement account (HRA) proposals in Congress
- Impact of election
- Repeal Cadillac Tax
  (but possible cap on employer tax break)
- Public exchanges in flux
- Public plan amendment?

Health/Health Care—Dynamic

Like the national conversation, UMC conversations about health benefits are also in flux

- Not every conference has the same approach
  - Some have group plan/some rely on public marketplace
- Non-mandatory plan

Top Health Benefits Industry Trends

Increasing employee cost through plan design or contributions	**75-85%** of employers
Adding HDHP* with HSA*	**80%** of employers offer as an option **60-65%** as the only option
Considering private exchanges	**20%** of employers
Terminating health coverage	**Less than 10%** of employers

Source: PWC 2016 Touchstone Survey; over 1,000 participating employers from 37 industries

*** HDHP: High-deductible health plan**
HSA: Health savings account

Top Health Benefits Industry Trends

Other hot health benefits topics

- ACA's "Cadillac" Tax
- Transparency
- Defined contribution

Source: PWC 2016 Touchstone Survey; over 1,000 participating employers from 37 industries

UMC Strategies—Active Plans

- Maintain group plan—**90+%** annual conferences
  - Adding consumer plan(s)—**60-65%** with CDHP or HDHP
  - Other creative strategies—**>30%** with private exchange
- Exit group health plan—**<10%** annual conferences
  - Offsetting cost to participant with taxable stipend
- Blend of above
- Wellness—**75%** annual conferences sponsor Virgin Pulse

UMC Specific Considerations

High average age → High chronic conditions and health care utilization

Connectionalism → Continuity/ appointment neutrality

Wespath Active Health Plan Strategy

- Cost sustainability via plan design
- Vitality and cost sustainability via wellness
- HealthFlex Exchange platform (private exchange)
- Consumer decision support and transparency tools
- Maintaining broad networks, formularies, wellness

Private Exchange—HealthFlex Conceptual Framework

Multiple Plan Options

6 Medical/Rx • 3 Dental • 3 Vision Options

Higher premiums, lower out-of-pocket

Lower premiums, higher out-of-pocket

"Shop" for plan with "credit" (DC)

More premium owed **Less premium owed**

Premium costs offset by "credit"
(fixed defined contribution)

Premium less than DC ("credit")
= "Excess" deposit to:
HRA or HSA*

or

Premium exceeds DC
= Salary deduction
(medical, dental, vision)

*** HRA: Health reimbursement account; HSA: health savings account**

Public and Private Exchanges—Differences

Public Exchange(s)

- Narrow provider networks
  - Up to half of doctors omitted; many don't realize how narrow when selecting
- Age-banded rating
  - Premiums vary up to 3:1 by age
- No pre-tax funding
  - Tax credits for those who qualify (not everyone)
- No wellness programming

HealthFlex Exchange

- Broad networks
  - Nationwide networks
- No age-band rating
  - Important for clergy at or above our average age (>50)
- Non-taxable plan sponsor contributions
- Wellness programs and related incentives **always included**

Active Health Plan Decision Points

Offer an active Health Plan or No?

If YES—How?

- Self-insured vs. fully-insured group health plan
- Private exchange
- HealthFlex/HealthFlex Exchange

If YES—What Type?

Plan Type

- HMO
- PPO
- CDHP (consumer-driven health plan)
- HDHP (high-deductible health plan)

Whom to Cover

- Mandatory? Optional?
- Clergy? Conference lay staff? Local church lay staff?

Post-65 Retiree Landscape

Growing prevalence of individual policies or exchange solution vs. group coverage

UMC Is a Leader in this Area

Medical Coverage Offered	Industry 2016	Industry 2015	UMC 2016
Individual insurance policies (exchange solution)	29%	20%	47%
Group supplement plans	41%	47%	-
Group Medicare Advantage plans	21%	23%	-

Source: PWC 2016 Touchstone Survey; over 1,000 participating employers from 37 industries

Why Are Individual Plans Attractive?

Many UMC conferences have found that offering **access to individual plans for retirees**, with an option to provide **funding assistance**, is best aligned with individual and conference needs

- **Choice**
- **Cost Effective**
- **Flexibility**
- **Sustainable**

Retiree exchanges are considerably different than exchanges for actives

UMC Strategies—Retiree Plans

- Maintain group retiree plan for 2017—**42-45%** of annual conferences
- "Connect" to individual market via OneExchange—nearly **50%** of annual conferences
  - **23** annual conferences through Wespath as of 2017
  - Most offer funding via health reimbursement accounts (HRA)
- "Stipend" (taxable)—**5-8%** of annual conferences
- Total cost share/stipend—varies considerably
- Access without funding—**<5%** of annual conferences

Source: Wespath Active/Retiree Health Benefits Survey; 73% of plan sponsors responding

Retiree Health Benefits—Wespath Strategy

- Elimination of Medicare Companion (Medigap) offering
- Transition of existing sponsors to OneExchange, as desired
- Support new plan sponsors in transitioning to OneExchange
- As of 2016: 21 plan sponsors and 6,600 members transitioned to OneExchange through Wespath

Decision Points

Retiree Health Coverage?

If YES—How?

- Group health plan? Individual plan?
- With or without “connector”?

If YES—Funding?

- Portion of premium?
- HRA? Taxable stipend?
- Fund indefinitely?
- Who gets funding?

HRA: Health reimbursement account

Your Own Well-Being

Health and health care are dynamic and challenging—your ministry makes a difference for those you serve

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