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United Church of Christ, Inc.

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For we are God's servants, working together; you are God's field, God's building.
1 Corinthians 3:9

Dear Colleagues,

As a covenant partner of the entire United Church of Christ, the Pension Boards exists to serve the wellness and financial security needs of authorized ministers and lay employees. Among the benefits we provide is health insurance. We currently offer a Medicare Advantage plan and a non-Medicare plan. Eligible participants can join our Medicare Advantage plan throughout the year upon retirement and during the enrollment period which runs from October 15th to December 7th each year. There is no underwriting for Medicare Advantage, meaning that there is no screening for pre-existing conditions or inquiries into medical history.

Upon becoming eligible to enter the Pension Boards non-Medicare plan, there is a 90-day window during which clergy and lay employees and their eligible dependents can be enrolled without underwriting. For those outside of this window ("late applicants") and for those who left the plan and want to return, underwriting standards apply; acceptance is subject to information regarding applicant medical history. This underwriting is not done by Pension Boards staff but by a vendor agency.

Of those who go through underwriting, approximately 80% are accepted; those who are denied coverage have the right to appeal and are often successful. While the number ultimately denied coverage is small, we know it is painful for those who are impacted. Access to health care is a fundamental human right and a matter of justice. *Why, then, does the Pension Boards continue to have underwriting in its non-Medicare plan? Can it be eliminated?* We are frequently asked these questions and want to respond fully and transparently.

The Context: National Health Care

The Pension Boards Health Plan is not an island unto itself. It is widely accepted that our national health care system is severely lacking; we are the only industrialized nation without mandated, universal care. While our system is by far the world's most expensive, it is by no means superior. A 2021 Commonwealth Fund Report compares health systems in eleven high-income countries. The headline conclusion is that "The United States trails far behind other high-income

countries on measures of health care affordability, administrative efficiency, equity, and outcomes." (See Appendix)

The Pension Boards Health Plan is a small subset of the national system. The Affordable Care Act (ACA) brought an expectation and even a hope that the Pension Boards could exit the health insurance business as universal health care came into being. While the ACA has expanded coverage to millions, it is far from universal and there have been unrelenting efforts to undermine it. In 2021 and amid the pandemic, 31.1 million Americans were without health insurance; the number has risen since 2017 when the individual mandate was repealed.

Neither have costs been controlled. Pharmaceutical costs in the United States are the highest in the world. This has a major impact on the Pension Boards which, for example, currently pays $1 million a year for one life-saving prescription for a single individual.

The Pension Boards' health insurance program exists in the context of an inescapable system that suffers from profound injustices and inefficiencies.

Plan Finances

The Pension Boards does not make money from health insurance. To the contrary, our plans are subsidized with income from a Health Care Reserve Fund that functions as an endowment.

The Pension Boards non-Medicare plan is self-insured, meaning that we assume 100% of the risk. While our insurance cards indicate Blue Cross/Blue Shield, they only provide us with administrative services and do not cover the cost of claims.

It is sometimes stated that the Pension Boards has billions of dollars that it could leverage in support of greater access to health insurance, but that is not accurate. The Pension Boards *manages* billions of dollars on behalf of our members who are either accumulating money in their accounts or who have already annuitized. By law, pension money cannot be used for other purposes. The Health Care Reserve fund is fully utilized by the Pension Boards to keep premium costs as low as possible.

Other Church Plans

It is also frequently observed that some other church plans do not utilize underwriting, such as the Presbyterian Church (USA). *Why can they operate without it, and we can't?*

The PCUSA is one of several denominations that has mandatory participation in their health insurance program. Our congregational polity doesn't allow us to mandate coverage in a denominational plan; participation is strictly voluntary. A captured market with mandatory participation has two major advantages over a voluntary system like ours:

a. Participant numbers. The Pension Boards has approximately 5,600 people insured in our non-Medicare plan while denominations with mandatory plans have multiple times that many. Even though the UCC is smaller than many of our ecumenical partners, a mandatory

system would vastly increase our participant base and, in the insurance business, size matters because larger numbers means that risk and cost is spread more widely.

b. Age. Mandatory systems capture younger, healthier people, a group that is under-represented in our plan. Our non-Medicare plan is heavily overweighted to an older, less-healthy population that needs more health care services. This has the effect of driving up costs, meaning that younger people can often find cheaper alternatives.

When a system is large and captures an age-diverse crowd, underwriting is not the issue it is when a system is small and the participants older than average.

Eliminate Underwriting?

What would happen if the Pension Boards eliminated underwriting and allowed all potential members to join at any point? The Pension Boards commissioned a study by an external actuarial firm to answer that very question. The short answer is that, given our current operations, the plan would become insolvent in approximately five years. When a denomination's health insurance plan is no longer solvent, as happened to the Christian Church (Disciples of Christ) in 2017, there is enormous negative and wide-spread impact. We are committed to sustainability in our plan.

Could we make changes that would enable us to remain solvent while eliminating underwriting? There are two possibilities:

1. We could raise premiums to cover the additional costs. Our premiums are currently within market range given our level of coverage. The significant increases that would be required to cover higher claim costs were underwriting eliminated would mean pricing beyond market range, likely leading to an exodus from the plan that would, in turn, further increase costs.

2. It has been suggested that we could raise money to cover the additional costs. The above-mentioned actuarial study estimated that, for 2022 alone, we would need between $4 and $5.2 million in additional funds to cover the increase in claims if we eliminate underwriting. A one-time cash injection would not be sufficient; endowed funds would be required for long-term sustainability. To cover the projected increase in claims on an ongoing basis, we would minimally need to raise between $90 and $105 million in endowed funds assuming an aggressive draw rate of 5%. That is far beyond the reach of UCC fundraising capacity.

Is it possible to form a health insurance ecumenical alliance and eliminate our underwriting requirements? As previously mentioned, there are several denominational partners such as the Presbyterian Church (USA) that operate without underwriting. The Pension Boards already collaborates with ecumenical partners to achieve deep discounts in prescription medications and health services through the Church Benefits Association. Unfortunately, the issues of voluntary participation and an older, less-healthy non-Medicate population make us an unattractive partner for such an alliance.

Given the realities of our ecclesiastical polity and governmental policy, we have not found a way to eliminate underwriting and maintain a solvent health insurance program.

Where to go from Here?

General Synod has frequently and clearly spoken on health care as a justice issue. The twenty-seventh synod, for example, called upon ". . . the United Church of Christ in all its settings to act with urgency to: --affirm its support for universal health care which meets the following criteria: 1) it covers all persons; 2) it presents no financial barriers; 3) it provides comprehensive benefits; 4) it offers a choice of physicians and other health providers; and 5) it eliminates racial, ethnic and all other disparities for health care."

Until such a time as universal health care is legislated, the Pension Boards will continue to advocate for a more just system. Much of this work is done in collaboration with the Interfaith Center on Corporate Responsibility, a coalition of over 300 faith-based institutional investors which collectively manage assets in excess of $4 trillion. These assets are leveraged on behalf of a variety of environmental, social, and governance issues including healthcare.

At this point, the Pension Boards does not have a satisfying solution to the pressing justice concern of providing equitable, quality, and affordable health care for all UCC clergy and lay employees amid a congregational polity that necessitates a voluntary system and the inequities and costs embedded in the national health care system.

The Pension Boards remains committed to optimizing our current health insurance plan for the widest possible participation and benefit, and shares with you the deep concern that our plan cannot meet the needs of all. As your partners in serving those who serve, we are also committed to transparency and to keeping this important conversation going. If members of the Council of Conference Ministers would like to discuss the matter further, we would be happy to meet with you. Feel free to share this information with other parties in your conference who may have an interest.

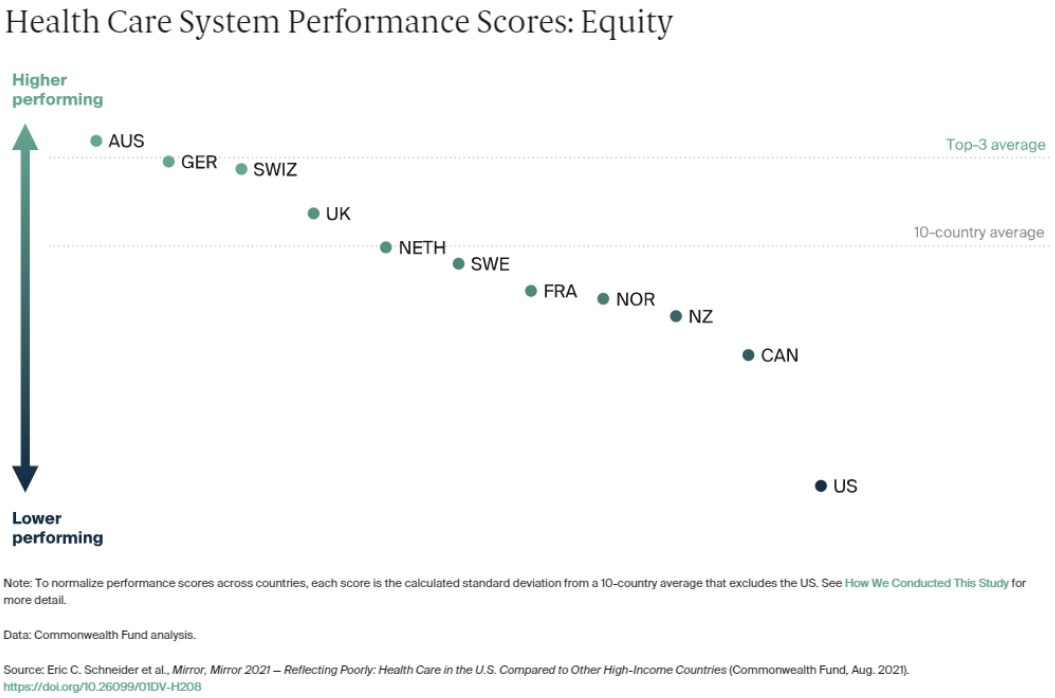
We thank you for your good and faithful ministries, and the positive impact we can make working together.

Blessings,

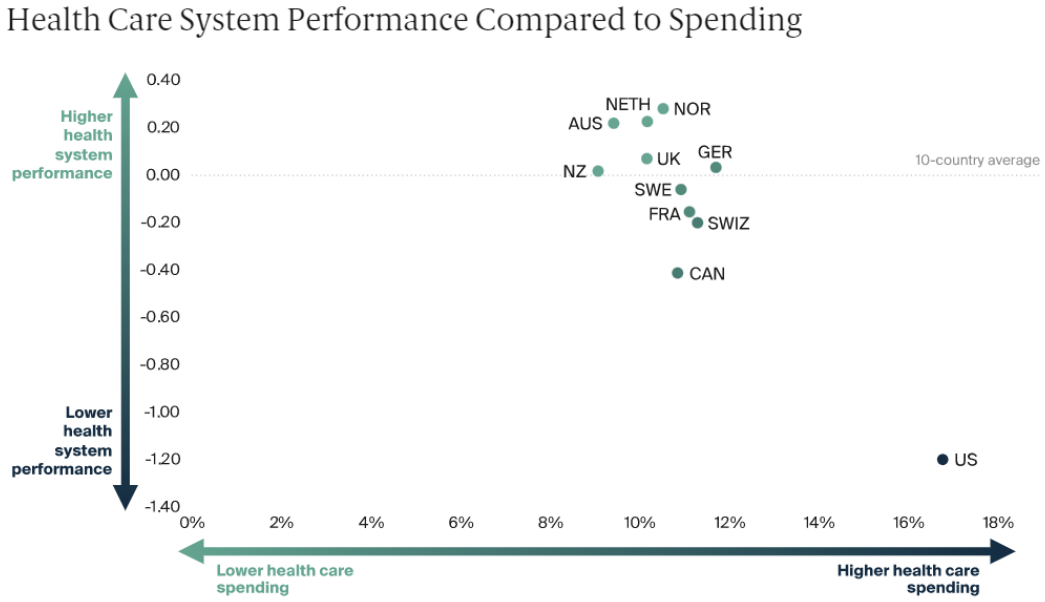
Rev. Franz Riegert
Trustee
The Pension Boards - United Church of Christ, Inc.

Rev. Jim Moos
Executive Director, Faith & Finance Ministries
The Pension Boards – United Church of Chris, Inc.

Appendix



Of the 11 countries, the U.S. has significantly higher income related health care inequities.



Despite much high levels of spending as a percentage of GDP, the U.S. health care system performs poorly based five indicators: access to care, care process, administrative efficiency, equity, and health care outcomes.