

## A Resolution Concerning *HealthFlex* Insurance Plan

WHEREAS, the General Board contracts with Blue Cross to manage the day to day administration of a health insurance plan known as *HealthFlex* but does not buy insurance from Blue Cross (commonly referred to as being self-insured),

WHEREAS, the North Alabama Conference is the owner of a for profit health insurance company and requires that all actively serving pastors obtain their health insurance through the North Alabama Conference health insurance plan,

WHEREAS, the North Alabama Conference has stated in writing that that individual coverage is paid by local churches,

WHEREAS, the *HealthFlex* premiums paid to the General Board by local churches in 2016 were \$3,801,024 and the claims paid the plan were \$2,625,160,

WHEREAS, the health insurance reserve fund had a balance in December 31, 2016 of \$3,919,674 and was primarily invested by the General Board resulting in a unrealized gain of \$202,264 or a total reserve fund balance going into 2018 of \$4,121,938,

WHEREAS, the General Board anticipates using \$390,000 from the reserve fund to cover costs in excess of local churches in 2018, if this is the case, it appears that the Board has an adequate reserve fund for insuring purposes and is drawing down reserve funds to maintain a profit margin,

WHEREAS, the Conference received *HealthFlex* performance dividend of \$1,180,976 in March of 2016 for having an underwriting surplus contribution for the two year period January 1, 2014-December 31, 2015,

WHEREAS, the conference stated in the 2016 Annual report that churches with “any unpaid premiums since 2007 remain due and payable by local churches” and raised local church 2018 premiums from \$8,784 to \$8,880,

WHEREAS, with all considerations of costs to the conference’s health insurance company the conference realized a cash profit of \$1,180,976

WHEREAS, this \$1,180,976 profit could not be realized without local churches premium dollars,

WHEREAS, the local churches are struggling to meet their conference and local financial obligations,

WHEREAS, the goal of the General Board and the North Alabama Conference should be to supply active pastors with health insurance without profiting off of local churches willingness to pay their local church pastors health insurance premium,

THEREFORE BE IT RESOLVED, that the North Alabama Conference Board of Pension and Health Benefits immediately rescind its 2018 *HealthFlex* Premium increase, return the \$1,180,976 profit to the local churches and adjust its business model from profiting off local churches to a Conference that serves as a conduit for local churches to assist their pastors in obtaining health insurance.

*Submitted by: William H. Coleman MD. PhD., Member Scottsboro First United Methodist Church, wcoleman@charter.net*

## Response to Resolution Concerning *HealthFlex* Insurance Plan

Per section 2.5 of the Conference Standing Rules, the Committee on Procedures and Petitions referred this resolution to the Board of Pension and Health Benefits. Below is the Board's recommendation.

We strongly recommend non-concurrence with the petition submitted by William H. Coleman, and offer the following observations:

- *HealthFlex* is a self-funded church plan administered by Wespath Benefits and Investments (Wespath). The North Alabama Conference is a plan sponsor of *HealthFlex*. Wespath operates exclusively for religious and charitable purposes and is exempt from federal income taxes under IRC Section 501(c)(3). *HealthFlex* is not a "North Alabama Conference Wholly Owned For Profit Health Insurance Plan" as stated by the petitioner.
- Premiums for *HealthFlex* individual health insurance coverage are paid by local churches, as noted by the petitioner. However, the premiums charged to local churches in 2018 will not cover the full cost of the health insurance plan provided to our clergy. The Conference Board of Pension and Health Benefits (the Board) anticipates using approximately \$390,000 from the health insurance reserve fund to cover plan costs in excess of local church health insurance premiums collected in 2018, and rejects any effort to rescind the 2018 health insurance premium increase.
- The health insurance reserve fund balance of \$3,919,674 at December 31, 2016 is the reserve fund balance "going into" 2017, rather than 2018 as noted by the petitioner.
- The Board maintains a fiscally responsible health insurance reserve fund balance to ensure funds are available to meet the costs of administering the health insurance program. The reserve fund must consider anticipated plan costs, risk tolerance for adverse (unplanned) claims experience, the collection rate for payment of local church health insurance premiums, economic conditions, and societal issues affecting financial support of the United Methodist Church. The Board does not maintain a "profit margin" in determining a minimum reserve fund balance as indicated by the petitioner.
- A target goal for the health insurance reserve fund balance is 75% of the estimated cost of the health insurance program in the current year. In 2018, the estimated cost of the health insurance program is \$4,448,304, including excess defined contributions provided to participants. The estimated health insurance premium revenue payable by local churches in 2018 is \$4,058,160. As noted earlier, approximately \$390,000 will be required from the reserve fund to cover the estimated costs in 2018. The target goal for the health insurance reserve fund balance in 2018 is \$3,336,228, or 75% of \$4,448,304, an amount which compares favorably with the actual health insurance reserve fund balance on January 1, 2018 of \$3,490,187 (unaudited). Accordingly, the Board has an appropriate health insurance reserve fund balance on January 1, 2018.
- In consideration of the *HealthFlex* performance dividend of \$1,180,976 received in 2016, and the health insurance reserve fund balance of \$3,437,453 on February 29, 2016, the Board paid a health insurance special distribution to eligible plan participants and local churches in July, 2016, totaling \$805,456. Rather than experience a "cash profit" from the performance dividend as stated by the petitioner, the Board distributed 68.2% of the dividend back to participants and local churches, and was able to hold the 2017 local church health insurance premiums at the same level for the seventh consecutive year. No additional special distribution of the 2016 performance dividend is recommended.
- Intrinsic in the Board's work is a commitment to provide our clergy an affordable health insurance program with the best possible benefits, subject to reasonable personal healthcare stewardship. At no time has the Board's business model ever engaged in "profiting off" local churches as asserted by the petitioner.

*Response submitted by Brant Sanders, Chair, Conference Board of Pension and Health Benefits  
Scott Selman, Conference CFO, Treasurer, and Benefits Officer*

**Committee vote: 0 Concurrence 7 Non-concurrence**

**The Committee voted Non-concurrence and encourages the Annual Conference not to support this resolution.**