



The Heart in Health Care Reform

A project to help people of faith understand how health care reform moves us toward a more compassionate health care future that affords health, wholeness, and human dignity for all

How Health Care Reform Impacts Communities of Faith and Their Leaders

Many communities of faith and their leaders have been at the heart of advocacy for meaningful health care reform in the United States. Grounded in values that inspire them to work on behalf of the common good, they have promoted a moral vision for our health care future and raised their voices in support of affordable quality health care for all. Such commitment has been a logical extension of their calling to bring comfort and healing to those who suffer.

It has not escaped the religious community that the provisions of reform would impact communities of faith and their leaders, as well. As providers of health care, and as providers and purchasers of health insurance, the faith community will share responsibility in making health reform work for all of us.

The Patient Protection and Affordable Coverage Act, as amended by the Health Care and Education Affordability Reconciliation Act, establishes very specific provisions for covering most U.S. citizens and legal residents, defines what essential benefits will be included in insurance policies, and determines who will be responsible for providing coverage. Faith communities and their leaders are part of the formula that will make this happen.

Communities of Faith as Non-Profit Employers

For the purposes of health insurance, communities of faith and their organizational structures are treated as non-profit employers that have responsibilities to the persons who work for them. Several provisions in the new health reform law will impact faith organizations.

- Small faith organizations are among the 4 million small businesses and small non-profit organizations that could immediately qualify for tax credits through a reduction in their payroll taxes – if they pay at least 50% of the premium costs for employees. Effective immediately for both existing and new coverage, communities of faith with fewer than 25 employees may qualify for a tax credit of up to 25% of the employer's contribution to offset the employer's portion of payroll (FICA) taxes. In 2014 the percentage goes up to 35%.
Note: In faith groups where clergy are considered self-employed for payroll tax purposes, clergy premiums are not eligible for calculating the tax credit because no payroll taxes are paid.
- Beginning in 2011, employers will be required to include the value of the health insurance on W-2 forms, but the value of that coverage remains tax-free.
- Beginning in 2014, employers with more than 50 employees will pay a penalty if their contributions toward health insurance do not result in affordable premiums for full-time workers who then seek and qualify for coverage and subsidies in the exchange.
- Beginning in 2014, employers with more than 200 employees will be required to automatically enroll all employees in health insurance, allowing workers to opt-out of the plans (rather than opt-in).
- In 2018, employers will be subject to an excise tax on the "Cadillac" plans. (Assessment = 40% of the value over \$10,200 for individuals/\$27,500 for families; \$11,850/\$30,950 for retirees and those in certain high-risk professions, all indexed to inflation)

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The Individual Responsibility of Clergy and Other Faith Leaders

The law's intention is to cover most U.S. citizens and legal residents in health insurance after the exchanges are functioning in 2014 – through employers, Medicare, Medicaid, other government programs, the new exchanges, or individual private policies. This will have implications for clergy who are not insured by their faith organizations.

- By late June, individuals who have been uninsured for more than six months because of pre-existing conditions will have the option to purchase affordable insurance in a new federal high risk pool. (To be discontinued once the exchanges are in place in 2014.)
- In 2014, when the insurance exchanges go into effect, clergy will be treated just as any other person and will be expected to have health insurance if they can afford it.
- In 2014, sliding scale premium and cost-sharing subsidies will be available for insurance sold through the exchanges to persons up to 400% of the federal poverty level (~\$88,000 for a family of 4).
- Some persons will be exempt from the requirement to have insurance:
 - those with religious objections to insurance
 - members of religious sharing ministries (groups of people of faith who share one another's medical expenses through voluntary contributions)
 - those without coverage for less than 3 months
 - American Indians
 - undocumented immigrants
 - those for whom the lowest cost plan available exceeds 8% of individual income
 - those who earn too much to qualify for Medicaid but earn below the threshold for filing federal taxes
- Some persons will remain uninsured by choice, preferring to pay the penalty. (2014 - the higher of \$95 or 1% of income; 2015 - \$325 or 2% of income; 2016 - \$695 or 2.5% of income; thereafter indexed by cost of living).

The Health Plans of Faith Communities

Faith-based health insurance plans generally will be subject to the same regulations being set forth for the broader health insurance market – such as the provision of standard essential benefits, elimination of annual and life-time caps on essential benefits, elimination of exclusion for pre-existing conditions, inclusion of dependent young adult coverage until age 26, limiting waiting periods for coverage to 90 days, etc. It is currently understood that faith-based self-insured plans will not be exempt from compliance with the Patient Protection and Affordable Care Act as they are from compliance with the Employee Retirement Income Security Act (ERISA).

Unanswered questions which will need to be clarified

- Faith communities structure themselves in many different ways – from independent congregational governance with local responsibility for clergy and lay employees to those which share responsibility for clergy and lay employees through state/regional/national structures. For some, clarification will be needed to determine which provisions apply for making insurance available for persons working in faith organizations.

For more information

- The **Small Business Majority** website <<http://www.smallbusinessmajority.org>> offers very explicit details about the tax credits, as well as a calculator to help determine eligibility for the credits.
- The **Internal Revenue Service** addresses the “Small Business Health Care Tax Credit” on their web page dedicated to this topic <<http://www.irs.gov/newsroom/article/0,,id=220809,00.html?portlet=6>>, including guidelines for determining eligibility.

The information presented here is based on understandings of the law as of April 21, 2010. This document will be updated and revised as new information and interpretations become available. It is suggested that persons who wish to distribute this information check the Faithful Reform in Health Care website for the most recent version. <<http://www.faithfulreform.org>>