

# THE ROLE OF **SELF-FUNDED HEALTH PLANS** IN MINISTRY HEALTH COVERAGE



## Why the interest in self-funding?

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Ministries want to provide quality, affordable employee health coverage that allows them to be good stewards of their financial resources and reflects their biblical values. In a quest to find this balance, some ministries consider operating a self-funded health plan, which they believe can cut costs and provide exemptions from certain provisions of the Affordable Care Act (ACA).

Employers who establish self-funded medical coverage accept responsibility for all aspects of their employees' health care plan, including funding, administration, IRS reporting and claims management.

GuideStone® encourages ministries to carefully evaluate the risks and the rewards of self-funding before making such a monumental decision.

**This report outlines some of the elements necessary to operate a self-funded health plan. It also contains information about how churches and ministries can participate in a plan that offers benefits of a self-funded plan without any risk to the ministry.** Because this alternative option was created specifically for the employees of churches and ministries, it also includes several perks not available in other plans found in the greater marketplace.

## What is self-funding and why does it work?

Self-funding describes a type of health coverage in which the employer assumes responsibility to pay employees' claims for health care expenses rather than paying those costs through premiums paid to a private insurer.

## How do ministries plan and pay for claims?

Employers with self-funded plans are required to set aside reserves (readily available funds) to pay employee health care claims. The amount of employer reserves must be carefully calculated so they always have adequate cash on hand to cover costs. This may require hiring an expert, like an actuary, to determine how much money to contribute monthly to adequately maintain the reserve fund. The employer may also want to hire an investment advisor to manage the reserves on an ongoing basis.

Because managing claims requires a deep level of knowledge of both the medical and insurance worlds, most employers engage a third-party payer to administer their claims.

## Create your own medical network

It's important for ministries to have a strong medical provider network behind their health plan. Without contracted discounts for doctors, hospitals, pharmacies and other health care providers, a ministry's health plan may essentially pay full price for services. This would make it challenging to meet employee claims experiences and require the ministry to keep an even greater reserve. This will also affect the price of stop-loss coverage.

Typically, employers pay administrative services only (ASO) fees to contract with third-party administrators to gain access to medical provider networks and manage administration. Generally, broader networks with greater provider discounts charge higher ASO fees, and narrow networks with limited provider discounts charge lower ASO fees.

## Who is a good fit for a self-funded plan?

Because of the financial risk and mountains of extra administration involved, typically only very large employers are successful at self-funding. This approach makes sense for larger employers because generally, more employees – especially more healthy employees – decrease the risk and lessen the impact of extremely high claims.

## Access a self-funded plan without taking the risk

GuideStone understands that your ministry is searching for answers to your health coverage budget needs. It is our hope that you now have a better understanding of the scope of the extra work and the financial risks that come with self-funding.

If your ministry is not comfortable with self-funding, there is another option that provides similar opportunities while allowing you to meet your financial goals.

# Protect your ministry from catastrophic claims

Even if an employer takes all these steps to build, grow and guard their reserve fund, it may not be large enough to cover exceptionally costly claims or last long enough to cover a year in which there are an excessive amount of claims. Most self-funded employers purchase stop-loss insurance coverage to protect themselves from claims in excess of their reserves. Stop-loss coverage pays for some or all of a catastrophic claim – one that exceeds a set threshold, for example \$250,000.

## The responsibilities of managing administrative and legal task

Self-funding employers are also required to administer and operate their own plan. This means that they must supply employee time to manage administrative duties, including:

- Preparing plan documents
- Determining premium equivalents
- Insuring proper medical management
- Processing and paying claims
- Sending required employee communications
- Negotiating contracts
- Complying with the ACA and other laws, and implement regulations, including HIPAA and ERISA

Employers are also required to ensure they are following all legal guidelines set by government agencies, such as the U.S. Department of Labor, U.S. Department of Health and Human Services, and Centers for Medicare and Medicaid Services.

Employers who choose to self-fund are also responsible for paying all applicable ACA taxes and fees. They also assume responsibility for all tax reporting. Ministries classified as an applicable large employer are responsible for submitting:

- *Form 1095-C* to employees and the IRS
- *Schedule A 5500* to the IRS



# Employers who choose GuideStone's self-funded health plans reap the benefits while GuideStone shoulders the risk.

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GuideStone remains committed to offering churches and ministries like yours affordable, quality health coverage that stays true to your Christian values. And because some ACA provisions do not apply to self-funded plans, GuideStone has flexibility in benefit design and better control over rates than many plans in the secular marketplace. As a Christian-based, nonprofit employee benefits provider, GuideStone is here to serve, not to turn a profit. (Any excess funds resulting from various cost-containment efforts are used to keep rates at a reasonable level.)

When you enroll in a GuideStone plan, you'll get quality, affordable health care coverage with all the following included:

- 1 Plan Design Freedom and Portability**

Because of GuideStone's unique benefit arrangement, employers have the freedom to offer different health plans to select employee classes. This affords employers flexibility when designing cost-effective benefit packages. GuideStone plans are also portable, allowing employees who move from one GuideStone-eligible employer to another to continue coverage even if there's a gap in employment.
- 2 Plans That Value All Life**

GuideStone plans are family-friendly. Because GuideStone's core values include honoring all life, our health plans do not offer coverage for abortions or provide abortion-inducing drugs. GuideStone coverage takes the value of life even further by refusing to penalize employees with larger families.
- 3 Claims Management**

With GuideStone, it is the plan as a whole that pays your employees' claims. The plan sets rates for each employer generally based on their claims history, demographics and expected claims.
- 4 Less Risk for Catastrophic Claims**

Because the GuideStone plan as a whole pays your ministry's claims, there is no need to purchase stop-loss coverage. The risk of catastrophic claims is calculated into the rates and spread out among all employers. This protects each ministry individually and strengthens the plan corporately. GuideStone has never terminated a ministry partner because of high or frequent claims.
- 5 Plan Administration**

GuideStone's team of industry experts can manage all the administrative tasks for your ministry. For example, GuideStone provides a single billing source for all health plans and other coverages. GuideStone staff also manages vendor performance, advocates for your employees and acts as a liaison on your ministry's behalf. GuideStone negotiates contracts with third-party administrators, determines premium equivalents for employee contributions and participants on continuation, maintains appropriate reserves, complies with ACA requirements and manages a myriad of other details.

Because GuideStone church health plans are exempt from ERISA, including requirements to file *Schedule A 5500*, your ministry would not be required to comply either.

GuideStone can help your ministry stay in compliance with portions of the ACA that you are required to follow. For instance, GuideStone files the following forms for all individuals enrolled in our plans:

- *Form 1094-B* (transmittal form to the IRS)
- *Form 1095-B* (one for each employee, with a copy sent to the IRS)

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### Access to a Nationwide Provider Network

GuideStone is a founding member of the Church Benefits Association, which has nearly 100,000 participants. That translates into purchasing power for more competitive ASO fees with industry-leading third-party administrators and their broad networks, as well as access to health and prescription drug discounts. This size and scale allows GuideStone to contract nationwide networks with best-in-class health care providers at major discounts. These discounts drive down claims payments, which are a major source of costs for most health plans. GuideStone's far-reaching access to networks is a cost-saving benefit to your employees and helps keep your rates at reasonable levels.

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### A Ministry Partnership

With GuideStone, you are part of a larger Christian community. The banding together of large and medium-sized churches and ministries strengthens GuideStone's overall plan — making it possible to offer coverage to some of the smallest churches that may have only two or three employees. This strength also provides GuideStone the opportunity to offer group coverage to mission organization employees based in all 50 states including those serving globally.

## Is self-funding right for your ministry?

Choosing a group health plan is an important decision that has far-reaching financial repercussions for your ministry and its employees. Self-funding can work in situations where the ministry is large enough to manage the administration and shoulder the financial risks. However, other ministries must understand that self-funding is too big of a risk. Thankfully, GuideStone allows ministries to band together and enjoy the benefits of self-funding health coverage without putting their ministries in financial jeopardy.

GuideStone's goal is to provide your ministry with the best possible health coverage for your employees. We understand that you are searching for the best ways to provide quality benefits while still being a good steward of your ministry's budget.

**GuideStone remains committed to providing your ministry with health plans that bring value to your organization without sacrificing your biblical values.**

GuideStone welcomes the opportunity to share this general information. However, this information is not intended to be relied upon as legal advice. This information may be subject to interpretation or clarification over time, so we cannot guarantee its long-term accuracy or how it might be determined to apply in certain situations. However, we hope it will provide a useful frame of reference as you endeavor to carry out your responsibilities and serve your employees.



Let us know if we can answer any questions you may have by calling **1-844-INS-GUIDE** (1-844-467-4843).

