

### 3. Brethren Medical Plan Resolution

#### Introduction

From its beginning, the Church of the Brethren has modeled the concept of mutuality, emulating the teachings of the apostle Paul. In I Corinthians 12:24-27 (NIV), Paul states, “But God has combined the members of the body and has given greater honor to the parts that lacked it, so that there should be no division in the body, but that its parts should have equal concern for each other. If one part suffers, every part suffers with it; if one part is honored, every part rejoices with it. Now you are the body of Christ, and each one of you is a part of it.”

According to the 1989 Annual Conference *Statement on Health Care in the United States*, “Our Judeo-Christian heritage has taught us that God’s holy purpose includes everyone; that every person is of worth. As God’s people, we are to be concerned for the health of all people, and to nurture health for one another.”

Historically, the Church of the Brethren has accepted the responsibility of caring for others. In 1961 Annual Conference affirmed the interplay of medical and psychological sciences, as well as the sacramental elements of confession, prayer, and anointing, for the healing of the body and mind. In the 1974 Addendum of the Report of the Annual Conference Committee on Health and Welfare, the resolution stated, “We believe that all persons should receive adequate health care as a basic human right, as a legal right, and as a reflection of the dignity of personhood. We believe that the responsibility for fulfilling this right must rest with both the individual and society and the government as an instrument of society must assure it....”

#### Current Status

Whereas -

1. The Church of the Brethren has always believed in mutual care within the body of Christ,
2. The church first started offering medical insurance for national staff, employees of colleges and retirement home communities, and pastors and church staff members in the 1940s,
3. Annual Conference delegates in 1985 endorsed a guideline that “pastor(s) and congregations should participate in the Church of the Brethren Medical Plan” by adopting *Guidelines for Pastors’ Salary and Benefits*,
4. The Church of the Brethren Annual Conference in 1988 and again in 1998 affirmed that Brethren Benefit Trust is the administrator of the Brethren Medical Plan,
5. There are employees of congregations, districts, and church-related agencies and their families who would be uninsurable or be faced with high, budget-busting premiums without the Brethren Medical Plan,

6. The Brethren Medical Plan offers guaranteed issue - guaranteed insurance coverage regardless of medical condition - to eligible employees of congregations, districts, and church-related agencies and their families,
7. The Brethren colleges and many retirement home communities once participated in the Brethren Medical Plan but no longer do so for myriad reasons,
8. Brethren Medical Plan participation among congregational employees has steadily declined over the past decade; many have left the Plan for cheaper insurance,
9. The membership of the Brethren Medical Plan was at 3,119 members in 1993 but dropped to 796 as of May 12, 2005,
10. The medical insurance industry within the United States today is in crisis, with 83 million Americans having inadequate or no health insurance,
11. Medical insurance premiums continue to rise by double digits each year, increasingly becoming a financial burden on congregations, districts, and church-related agencies,
12. Brethren Benefit Trust supplemented the Plan by \$1.4 million in 2003 and 2004, and, with Mennonite Mutual Aid, will continue to supplement the Plan as needed in 2005 and 2006,
13. Insurance consultants have warned that the Brethren Medical Plan needs to be stabilized or terminated as it is in the early stages of a "death spiral," a downward cyclical phenomenon resulting from increased medical costs, increased risk, and declining membership,
14. The Brethren Benefit Trust Board, in an attempt to stabilize the Brethren Medical Plan, announced in August 2004 that each district would need to have 75 percent of its eligible congregations in the Brethren Medical Plan by Jan. 1, 2007; as of this date, districts will not be able to participate in the Plan until this requirement is met,
15. The Brethren Benefit Trust Board will delay implementing its 75 percent participation requirement, subject to the creation of an Annual Conference Study Committee as called for below, through Dec. 31, 2008, or until the completion of the study, whichever is latest,

**Resolution**

Now, therefore, be it resolved that the 2005 Annual Conference delegates appoint a one-year study committee to -

- A) Evaluate the Brethren Medical Plan, and
- B) Assess the continuing need for a denominational medical insurance plan for employees of congregations, districts, and church-related agencies.

Be it further resolved that the 2005 Annual Conference delegates call on every eligible congregation, district, and church-related agency to participate in the Brethren Medical Plan from 2006 through at least the conclusion of the study. The delegates also call on district and Brethren Benefit Trust staff and other stakeholders in the Plan to work together to promote the Plan to all eligible employers, including colleges, retirement home communities, and other agencies that relate to districts.

*Church of the Brethren Benefit Trust Board of Directors*  
*May 17, 2005*

**2005 Annual Conference:** Annual Conference adopted the resolution including the recommendation of Standing Committee that Annual Conference elect a committee of four to answer the questions raised in the resolution and report back to the 2006 Annual Conference. Elected to serve on the study committee were: James C. Gibbel, Brian Markle, Willie Hisey Pierson, and Donna Shumate.

### **Progress Report to the 2006 Annual Conference**

The 2005 Annual Conference of the Church of the Brethren, meeting in Peoria, Illinois, had as an item of new business a resolution from the Brethren Benefit Trust (BBT) regarding the current fiscal crisis of the Brethren Medical Plan and asking that a study committee be elected by Annual Conference to review the current plan and respond with recommendations regarding the denomination's participation in such a benefit for its employees. The delegates adopted the resolution, including the recommendation from Standing Committee that Annual Conference elect a committee of four.

Specifically, the resolution requested the study committee to complete two tasks:

- A. Evaluate the Brethren Medical Plan;
- B. Assess the continuing need for and feasibility of a denominational medical insurance plan for employees of congregations, districts, and church-related agencies.

The Brethren Medical Plan Study Committee met for an organizational meeting in September 2005 to begin gathering facts relating to all aspects of the current plan. To date, the committee has consulted with: Wil Nolen, Jeff Garber, and Donna March of the Brethren Benefit Trust; Stan Noffsinger and Mary Lou Garrison of the General Board; and Marilyn Koehler of the Pastoral Compensation and Benefits Advisory Committee. As well, the committee has sought the input from the Council of District Executives and has welcomed input from congregations and individuals through letters and e-mails to [annualconference@brethren.org](mailto:annualconference@brethren.org).

The Church of the Brethren has always believed in mutual care within the body of Christ. Since the 1940s, the church has offered medical insurance for national staff, employees of colleges and retirement home communities, and pastors and church staff members. In 1985, Annual Conference delegates endorsed a guideline that "pastor(s) and congregations should participate in the Church of the Brethren Medical Plan" by adopting *Guidelines for*

*Pastors' Salary and Benefits.* Since 1985, the need of staff and pastors for affordable health care coverage has only increased.

As of January 1, 2006, there were 506 active employees and ministers as well as 240 retired employees and ministers participating in the Brethren Medical Plan. Many of these participants have been loyal to the plan for decades. Pastors and employees of congregations and districts sacrifice to care for the spiritual well-being of the church. Similarly, we have a duty to sacrifice for the physical health of those who minister to and serve us. Some of these participants may be considered uninsurable and most likely would be unable to find affordable health insurance coverage if the Brethren Medical Plan ceased to exist.

The ministry element of the Brethren Medical Plan makes it imperative to provide for those who serve and especially for those who would not otherwise have health-care insurance. It is clear that there is a continuing need for the Brethren Medical Plan.

The Brethren Medical Plan sustained a loss of \$1.4 million over the years 2003 and 2004. Brethren Benefit Trust covered the loss from its reserves. Mennonite Mutual Aid, the administrator of the Brethren Medical Plan, and Hewitt & Associates, an insurance consulting firm, advised Brethren Benefit Trust to take steps to stabilize the Brethren Medical Plan. In response, Brethren Benefit Trust announced in August 2004 that each district would need to have 75 percent of its eligible congregations in the Brethren Medical Plan by January 1, 2007. District Executives, District Advocates, and representatives of Brethren Benefit Trust have actively promoted the Brethren Medical Plan since that time. Despite these efforts, the 2006 data indicates that the 75 per cent participation requirement has not yet been achieved. This committee believes that further efforts to achieve this requirement would be counterproductive.

Through the committee's research, it has become apparent that the tasks of evaluating the Brethren Medical Plan and completing the feasibility assessment will require additional time.

THEREFORE, the Brethren Medical Plan Study Committee affirms the continuing need for the Brethren Medical Plan and recommends that:

The committee be granted an additional year to consult with other denominational representatives and to complete its study.

Respectfully submitted,  
Donna Shumate  
Brian Markle  
James Gibble  
Willey Hisey-Pierson

**Action of the 2006 Annual Conference:** Annual Conference received the 2006 progress report of the Brethren Medical Plan Study Committee and granted the committee an additional year to consult with other denominational representatives and to complete its study.

# Report to the 2007 Annual Conference

## Introduction

The 2005 Annual Conference of the Church of the Brethren, meeting in Peoria, Illinois, received as an item of new business a resolution from the Brethren Benefit Trust (BBT) regarding the current fiscal crisis of the Brethren Medical Plan and asking that a study committee be elected by Annual Conference to review the current plan and respond with recommendations regarding the denomination's participation in such a benefit for its employees. The delegate body adopted a recommendation from Standing Committee that a study committee of four be elected by Annual Conference. The study committee was charged with accomplishing two tasks:

- A. Evaluate the Brethren Medical Plan;
- B. Assess the continuing need for and feasibility of a denominational medical insurance plan for employees of congregations, districts, and church-related agencies.

The delegate body called Willie Hisey Pierson (Illinois-Wisconsin), James C. Gibbel (Atlantic-Northeast), Brian Markle (Southern Pennsylvania) and Donna L. Shumate (Southeastern) to serve on the committee.

For two years, the Brethren Medical Plan Study Committee members gathered and analyzed data regarding the current Brethren Medical Plan. In addition, the study committee sought input from denominational members, pastors, congregations, and related church agencies. The committee had conversations with representatives from the General Board, BBT, the Pastoral Compensation and Benefits Advisory Committee, the Council of District Executives, district advocates, and an outside consulting firm. The committee conducted a listening session at the 2006 Annual Conference.

## Background

The General Brotherhood Board first offered a Medical Plan for its employees in 1939. Bethany Seminary employees joined the Medical Plan the following year. During the early 1950s, ministers from across the denomination joined the plan. The following decade, the colleges and Brethren Homes also joined. The Pension Board assumed administrative responsibility for the plan in 1978 and the responsibility was later transferred to the Brethren Benefit Trust when it was formed in 1988. By the early 1980s, the plan covered five colleges, nine Brethren Homes, the General Board, Bethany Seminary, ministers, and missionaries. At that time, there were more than 3000 employees covered by the plan.

In 1984, the plan became self-insured up to \$500,000. This means that the Medical plan collected premiums and used them to pay claims up to \$500,000 per insured person per year. Any claim made in excess of \$500,000 was paid by a commercial insurer. By being self-insured, the Plan accepted the risk of all claims made in excess of the premiums paid

up to the \$500,000 mark per insured person per year. In the 1990s, membership in the Medical Plan began to decline largely due to an increase in premiums, which was necessary to cover the claims being made.

In 1999, the Medical Plan changed to a fully insured plan, meaning that the plan purchased insurance from a commercial carrier and the risk passed to the insurer. MAMSI and Blue Cross/Blue Shield were the primary insurance companies used during that time. From that point until 2003, rates increased dramatically and many members experienced service difficulties. The Brethren Homes and colleges left the Plan to purchase their own fully insured plans.

The Medical Plan returned to being self-insured up to \$10,000 in 2003. The Brethren Medical Plan joined the Congregational Employee Plan that was administered by Mennonite Mutual Aid. In 2003 alone, claims exceeded premiums by more than \$1 million. The Medical Plan suffered a loss again in 2004. It became clear that the Medical Plan could not sustain such losses year after year.

Brethren Benefit Trust recognized the crisis of the Brethren Medical Plan and began exploring various options to make the Medical Plan more stable and viable. Consulting with Hewitt Associates, Brethren Benefit Trust investigated the possibilities of returning to a fully insured plan, changing the Medical Plan to small-group plans, and rebuilding participation in the current self-funded arrangement. By mid-year 2004, the BBT Board opted to maintain the Brethren Medical Plan as a viable insurance program by implementing a participation requirement for the ministers' group. Specifically, districts were required to obtain commitments from at least 75 percent of their eligible participants by August 31, 2006, to participate in the Brethren Medical Plan beyond December 31, 2006. The agencies participating in the plan had already achieved the required 75 percent threshold.

The 75 percent requirement is an industry standard and had been a requirement of the initial General Brotherhood Board Medical Plan during the early 1950s. Participation at that level is considered to be necessary to stabilize premiums because it creates a more adequate spread of the risk. The larger and more diverse the risk-pool is, the more stable the plan.

Brethren Benefit Trust employees, District Executives, and district advocates took on the challenge of increasing participation in the Brethren Medical Plan. They made presentations to individuals, congregations, district conferences, congregational agencies, and Annual Conference. Unfortunately, the 75 percent requirement has been met by only four of the districts and those meeting the requirements are the districts with the smallest number of eligible participants. As of January 1, 2007, there were 463 active employees and ministers with the plan as well as 221 retired employees and ministers participating in the Brethren Medical Plan. These numbers are indicators of the continuous downward trend the Plan has experienced with member participation. In fact, since 2005 active employees and ministers has gone from 536 to 463, and retired employees and ministers has gone from 283 to 221. This is a total loss of 135 members or just over 16 percent since 2005.

Moreover, the plan has seen a 78 percent drop in participation since 1993 when there were 3,119 members. Thus, the Brethren Benefit Trust Board passed the resolution and presented it to the 2005 Annual Conference in Peoria requesting to form a Brethren Medical Plan Study Committee.

### Evaluate the Plan

In 2006, BBT provided the committee with the results from a Brethren Medical Plan survey sent to pastors and board chairs of every congregation (except in Puerto Rico) and to all the district offices. The survey consisted of eighteen questions, with the final question asking for comments. There were 2,161 surveys sent and 263 responses returned for assessment, which is almost twelve percent. In most marketing areas, the average amount of surveys returned for examination usually runs about three to five percent. Therefore, the responses returned for this evaluation exceeds what is needed to get a true sense of the opinions concerning the medical plan. Of the 263 responses, 93 were enrolled in the Brethren Medical Plan in 2006, 169 were not enrolled in the plan and one church had closed. In addition, of the 169 not enrolled, 80 said they were never enrolled in the plan and 89 were previously enrolled in the plan at some point.

The committee first reviewed data from the survey that addressed the 169 persons who responded they were not on the plan. First responses reviewed were of the 89 persons who were previously enrolled in the BMP at some point but were not enrolled at this time. In this cluster, results indicated the highest number of persons 38% (34 persons) who chose to leave the plan left the plan due to cost and/or coverage. The next highest number was 34% (31 persons) who left to go on their spousal coverage. The assumption is these 31 persons chose to be covered by their spouse's coverage because it was less expensive. That would indicate 72% of the persons who were on the plan at some point chose to leave the plan due to price. This pattern continues with the 80 persons who indicated they were never in the plan. The results in this cluster indicated 20% (16 persons) were not in the plan due to cost. When coupled with the 35% who either are covered on their spouse's plan or have other coverage elsewhere, the results of the survey indicate that 64% (109 persons) of the 169 who were not on the plan chose not to be on the plan due to cost.

Another area of the survey that indicates price is an issue for the plan was the result where of the 263 responding to the survey, 151 received a quote from BBT in 2006. Of the 151 persons who received quotes, 58 persons compared their BBT quote to other insurance companies. The results indicated that the BBT quote for 64% (37 persons) were higher than the quote they received from other insurance companies. In addition to the survey, the committee heard many comments and received a number of correspondences concerning the high cost of the plan. Therefore, it is apparent that price is a major issue for the plan.

The most encouraging area of the plan survey was that there were no negative responses or comments in the survey concerning claim or customer service issues. Furthermore, there were mentions of how much better customer service has been since changing to Blue

Cross/Blue Shield. Along those lines, there were comments that providers/doctors/clinics were more relatively available since changing to the Blue Cross/Blue Shield provider network. Throughout the committee study period the comments as well as correspondences supported that the change to Blue Cross/Blue Shield was very positive regarding the accessibility and availability of network providers.

Brethren Medical Plan Evaluation Conclusion:

1. The plan premium price is considered high. However, the price cannot decrease unless the numbers of persons on the plan increase. Having a requirement of 75% of each district eligible participants on the plan will not guarantee that the price will go down. The increase of participants must also be a better risk profile than the ones currently on the plan.
2. Processing of claims and customer service has been a problem in the past, however it has improved since the plan began using Blue Cross/Blue Shield as the provider.
3. Accessibility of network providers has increased drastically since the plan began using Blue Cross/Blue Shield.
4. The Brethren Medical Plan is competitive and its participants seem to like the plan.

The Continuing Need for and Feasibility of the Brethren Medical Plan

A. Based on New Testament teachings, mutual care within the body of Christ has been fundamental to the Church of the Brethren. At the Last Supper, Jesus Christ commanded us to love one another: "I give you a new commandment, that you love one another. Just as I have loved you, you also should love one another" (John 13:34). The Apostle Paul encouraged the church in Corinth to care for one another: "If one member suffers, all suffer together with it; if one member is honored, all rejoice together with it" (1 Cor. 12:26). The early Christian church was described in the book of Acts: "All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need" (Acts 2:44-45).

The Brethren Medical Plan was created with mutual care in mind. The employees of the Church of the Brethren, the pastors, and district employees are all about the work of Jesus Christ. These are the people who minister to and serve the body of Christ. We have been commanded by Jesus Christ to love one another. This includes the obligation to provide for the needs of those who serve the denomination. Medical insurance coverage is commonplace in employee benefits packages in the secular world and it needs to be available to church employees as well.

Since the inception of the Medical Plan, many congregations, districts and participants have been loyal to the plan. They have continued their participation even during the times when they could have found other coverage at lower rates. Since the denomination has learned of the financial difficulties of the current plan, these participants have continued their participation out of a sense of mutuality and need. Some participants of the Brethren

Medical Plan who have contacted the study committee have health conditions which would make it difficult for them to obtain medical insurance coverage elsewhere or which would make the premiums cost-prohibitive.

The ministry element of the Brethren Medical Plan makes it imperative to provide for those who serve. A medical plan must continue for those who would not otherwise be able to obtain or afford medical insurance.

B. The Church of the Brethren is blessed because we still have a Medical Plan for our employees. Many other small denominations have experienced problems similar to the ones we now face and they have not been able to sustain their medical plans. Although the Brethren Medical Plan faces serious challenges, it still exists. It has been viable and it is still marginally viable.

Tracking the claims history of the Brethren Medical Plan, the study committee notes that the recent trend has been an improvement. The Brethren Medical Plan has had a positive loss-claims ratio since 2004. However, during this same time frame, the number of participants has steadily declined. The only way to ensure the Medical Plan's long-term existence would be to expand the risk pool and to increase the reserves. In order to expand the risk pool, it would be necessary to add participants who would help spread the risk to a more acceptable level. Attracting more participants just like the high-risk group already in the Plan would not solve the problem. It appears that this goal is unattainable based on the history of the participation in the Medical Plan and the recent efforts expended in trying to increase denomination-wide participation.

Of equal concern is the reserve balance of the Brethren Medical Plan. The Brethren Medical Plan experienced catastrophic years in 2003 and 2004 which could have been anomalies. However, it is clear that the Plan's reserves would be rapidly depleted if the Plan suffered a year of similar losses.

The study committee concludes that the Brethren Medical Plan's medical coverage component is neither feasible nor viable in its current state.

C. The Brethren Medical Plan offers long-term disability insurance and life insurance in addition to the medical insurance, which, has been the major topic of discussion. The study committee evaluated the disability and life insurance components of the Plan as well and concludes that these elements are necessary, feasible, and viable.

### **Recommendations**

Based on the two years of study, the Brethren Medical Plan Study Committee makes the following recommendations:

1. That the medical insurance component of the Brethren Medical Plan for active ministers group be phased out while allowing BBT to continue to explore the viability of

the Plan for the church-related agencies and for members of the Minister's Group who are currently retired or retire in the future and who are age 65 or older.

2. That the long-term disability, life, vision and dental insurance elements of the Brethren Medical Plan continue;

3. That BBT be directed to mutually assist in finding alternative medical coverage for those current participants who would not otherwise be able to obtain or afford medical insurance.

**Conclusion**

The members of the study committee would like to thank the many people who wrote letters of concern or suggestions and those who attended the Annual Conference listening session. In addition, the study committee thanks the denominational members, pastors, congregations, district advocates and related church agencies who shared their thoughts and comments with the committee.

The committee looked at all suggestions and discussed them among ourselves and with outside consultants before making a decision on our recommendations. The committee is also grateful for the representatives from BBT, the Pastoral Compensation and Benefits Advisory Committee, the General Board, and the Council of District Executives who contributed invaluable research, data, suggestions, and ideas to the committee.

Respectfully submitted,

Donna L. Shumate, Chair  
Willie Hisey Pierson  
James C. Gibbel  
Brian Markle

**Committee expenses for travel, lodging, meals and misc.**

|                                 |                   |
|---------------------------------|-------------------|
| July, 2005 to July, 2006        | \$4,687.00        |
| July, 2006 to July, 2007        | 289.00            |
| <b>Total Committee Expenses</b> | <b>\$4,976.00</b> |

**Action of the 2007 Annual Conference:** Annual Conference approved the report of the Brethren Medical Plan study committee with one amendment that has been incorporated in the text above.