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Healthcare Considerations for Churches – Revised September 2020

Churches and non-profits are not exempt from the Affordable Care Act (ACA).

Employers with 50 or more full-time employees, including full-time equivalent (FTEs) employees are required to provide health insurance to full time employees. Employers with less than 50 FTEs are not required by law to provide group health insurance.

For employers with fewer than 50 FTEs, which includes the vast majority of PCA churches, there remain several options for coverage. The church and the individual employees must make decisions based on a few factors including access to quality care and the desire to reduce tax liability (or cost), among other items. This will be a challenging decision on both parts.

Generally, all health insurance (employer-based or individually-based) must be ACA-qualified, meaning it is both: (a) affordable (premiums do not exceed 9% of household income), and (b) provides minimum essential coverage (ten categories of ACA-required coverage like preventive health benefits). However, there are exceptions for *individuals*, if one is enrolled in a medical sharing ministry plan (Medi-Share, Samaritans, Christian Health Care Sharing, etc.). While these are not medical insurance plans, if an individual is enrolled in one of these plans, the individual (or family) will not have to pay the “failure to enroll” penalty. We provide other information about these plans below.

Options

For larger employers, contact a group medical insurance agent. If the employer has more than 50 total employees, it is likely the employer must provide ACA-qualified group medical coverage. There are strict time and hour requirements so some organizations may reach the 50 full time equivalent (FTE) number with fewer than 50 actual full-time employees. Contact your insurance agent for more information.

For smaller employers and for individuals, there are many options as well. Smaller employers are not required to provide health insurance, but most still wish to do so. It is likely highly advisable for most PCA churches to continue to provide group medical coverage for those with staff sizes far fewer than the 50 number. How “small” one can be and still provide group coverage is a matter of law: two full time employees (30 hours a week or more) may purchase employer-based group medical coverage. So, within the 2 to 49 employee range, what will PCA employers decide to do? Due to Social Security laws, it is far more cost efficient for those with staff sizes of 20 or more to provide group coverage. And, for those with staff sizes of 10 to 20, it is likely easier to obtain deeper volume discounts with group coverage. For churches with fewer than 10 employees (most in the PCA), there are several options.

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PCA Retirement & Benefits

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Group coverage. As long as one employs two or more working 30 hours a week or more, there are group plans available.

Discontinue coverage. The ACA does not require small employers to provide coverage. While we doubt that any PCA church will do this (and we do not recommend it), it is legal to do so.

Discontinue coverage and increase salaries. While the new higher salary will be taxable at standard income tax rates, this will give small organizations and their staff the flexibility to do what they want. Some staff may choose to pay the tax penalty. Others may opt for a sharing ministry plan. Still others may access an ACA marketplace plan, with or without tax credits. And there are other routes: access to other employer plans through spousal coverage; Medicare for those of retirement age; military or veterans benefits for those with eligibility; and even state Medicaid for certain dependent children.

Establish a qualified small employer health reimbursement arrangement (QSEHRA). The QSEHRA partially restores a route many smaller employers formerly used to provide employer payments for health insurance without increasing income taxes. However, the QSEHRA has several caveats, including strict dollar limitations, a requirement of uniform access and applicability for all employees at the organization, and no ability to obtain ACA premium tax credits if the QSEHRA is used to purchase an ACA marketplace plan. An employer would need to speak with a local tax advisor to ensure this is setup appropriately.

Regardless of the route chosen, one must work within a range of several, sometimes competing alternatives: access to and desire for quality medical care, one's ability to afford and most tax advantageous plan. Consult your personal tax advisor to work through these options.

A word about sharing ministries

While medical sharing co-ops have been around for many years, their popularity "exploded" with the passage of the Affordable Care Act for many reasons. First, if one is enrolled in such a plan, there is no tax penalty for not having insurance. Second, since these are not insurance plans, they are exempt from most state and federal laws (and protections), which vastly reduces costs. Third, since they are largely unregulated, they can continue to do what some insurance plans used to do (laser coverage, restrict coverage, have higher or different limits, terminate coverage at any time, etc.). This means these plans are far cheaper (often 1/3 the price) of standard, "comparable" medical insurance. RBI does not offer a recommendation either way on these plans. We know many within the PCA and throughout the Christian community use these plans. They remain a valid consideration, but we strongly encourage you to review the benefits against the limitations before purchasing one.

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