

Health Reimbursement Arrangement Accounts Policy

for active clergy receiving coverage through a non-church source or spouse

Adopted August 25, 2005



Upon recommendation of the Insurance Task Force, at its August 2005 Executive Council meeting, the following policy was accepted:

Policy: Congregations of the Diocese of Fond du Lac with Active Clergy who receive health and/or dental insurance through a non-church source or spouse coverage should establish a segregated **Health Reimbursement Arrangement Account (HRA)** financed from the congregation's budget at least at the same level as a family-level Health Saving Account maximum contribution as defined by the Treasury Department. The annual rate for 2012 is \$6,250. The fund is fully owned by the congregation. The active cleric may submit medical bills not covered by the other insurance provider for reimbursement by the congregation, subject to the maximum annual amount of the Health Reimbursement Arrangement Account. Reimbursements should be made directly to the healthcare provider. If made directly to the active cleric, there must be clear documentation and notification that payment is for reimbursement of healthcare expenses, otherwise it may be viewed as a taxable event by the IRS.

Why have a Health Reimbursement Arrangement Account?

When a cleric is provided health insurance through means other than the congregation, this can have a number of unintended negative effects for both the cleric and the congregation:

- If the coverage through other means is weaker in areas where an Episcopal Church Medical Trust plan is stronger, there might need to be some pastorally sensitive negotiations that may not happen.
- If coverage through other means ends for any reason, the congregation can be hit with a significant budget crisis overnight.
- If coverage through other means is provided, a cleric may attempt to negotiate additional salary or other compensation to make up for the benefit they are providing to the congregation by not needing to provide coverage. This can skew pension assessments, clergy salary schedules, taxes, not to mention what can happen if that other coverage is terminated. How does the congregation then reduce the salary or other arrangements? By how much?
- Deployment processes can be compromised when there is currently coverage through other means. Will a congregation tend to look for someone who will have other insurance coverage? Will this become a factor in deployment because a congregation can't afford to pay for coverage because they haven't done so for the past ten years?

When a Health Reimbursement Arrangement Account is used this can have positive effects.

- The cleric has a tangible benefit that can be used to cover unforeseen medical expenses; the congregation has a tangible benefit in meeting the needs of the cleric and also building an asset for future use for health insurance.
- This mechanism that benefits both the cleric will let congregations meet Diocesan Canon 4.6(1) without taking significant time to compare insurance policy coverages.
- If coverage through other means ends for any reason, the congregation has a resource to offer coverage to the cleric without a significant budget crisis overnight.
- An HRA also allows for better equity between congregations and to build up a fund to cushion the effects of engaging a new priest who may not have his/her own insurance.

Two Examples:

A single Priest 'A' serves a congregation for eight years, but had health insurance coverage from a previous secular employer. Over those eight years, the congregation funded a separate HRA for \$44,600, and Priest 'A' had requested a total of \$20,000 in reimbursements, leaving \$24,600 in the account, plus interest as the congregation had the fund in a savings account.

Priest 'B' is then called to serve this congregation, is married with children and has no health insurance. Instead of needing to budget about \$24,000 for the first year, the congregation budgeted \$7,000, using \$17,000 from the HRA to make up the difference. The next year, they can budget \$17,000 using \$7,600 from the HRA. The third year they would need to budget the entire amount, as the HRA fund would be at a zero balance.

How to set up a Health Reimbursement Arrangement Account:

- 1) Put a line item in the congregation's budget.
- 2) To keep purpose and accounting as simple as possible, open a separate account for the funds, preferably an interest-bearing account.
 - a. Transfer the amount budgeted per month into the account
 - b. When funds are necessary to reimburse a bill
 - i. Pay the bill from the account, or;
 - ii. If the account is a savings account, transfer the amount from savings into checking and then write the check.
- 3) Create a reimbursement request form for the cleric to submit, along with a copy of the invoice to pay. The cleric should reimburse the request after all other payments have been made. Payment should be made directly to the provider, and not to the cleric.

If you need any assistance in understanding or implementing this policy, please do not hesitate to contact the Diocesan Office.