



# Congregations & Health Insurance

A GUIDE TO COMMON STRATEGIES



Cooperative Baptist  
Fellowship





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One of the biggest contemporary challenges of congregations is the attempt to discover a best course of action when it comes to providing health care coverage for staff members. More and more, health insurance costs are becoming one of the primary budget expenditures. As a result, the rising costs of premiums have created a yearly strain on churches in the ongoing attempt to balance care for staff with the equally important desire to keep expenses manageable.

To this end, three common strategies have emerged for congregations in their attempt to provide health insurance. This overview of these strategies is not meant to advocate for one course of action over another. Instead, the goal here is to explain the different approaches in an attempt to help church leaders decide which strategy might be best for them. At the same time, in explaining each strategy, we have also tried to be clear about what we view as the positive elements and challenges of each approach.

In the end, our hope is that this document will also encourage churches to think carefully about all three options. Many churches will likely choose to follow one of these three options. Some churches, however, may create a completely different approach born out of pondering the various models described here.

### The Full or Partial Coverage Approach (Individual/Family)

In this approach, the congregation covers either the full monthly premium cost or at least a significant portion of it. In most cases, what is being covered is the premium of the staff member only. In much rarer instances, some churches choose to cover the full or partial premium of both the staff member and the individual's other family members.

If the church chooses to cover other family members, they may also choose to pay a different percentage for the employee's premium than for other family members. For instance, the church may pay 90% of the staff member's monthly premium but only cover 75% of their family members' premiums.

The upside of the full coverage approach is certainly the fact that this is an incredibly strong benefit for the staff member. The challenge is that this is the most expensive approach for churches to take and particularly so in cases where the church chooses to cover family members beyond the employee.

When the church chooses to cover a percentage of premiums, this obviously lowers the congregational expense while still paying a majority of the premium. The challenge here falls mainly on the side of the staff member in that now they must shoulder a portion of their monthly health care cost. In a world where monthly premiums can easily surpass \$1,000, even paying 15-20% a month of the premium can be a significant added expense for many staff members to absorb.

Yet another strategy under the full or partial coverage approach is for the church to yearly tweak the deductibles and/or plans while attempting to continuously keep staff members or staff and their family members' monthly premiums as stagnant as possible. This approach allows the church to continue to pay all or most of the monthly premium while trying to keep employer cost increases to a minimum. Often this approach can work in that a constant willingness to change plans or to change deductibles can lead to finding a way to keep monthly costs flat from year to year.

There is a downside, however, in these yearly adjustments for both entities. For the church, a lot of time and energy can often be spent in constantly changing plans. In the same way, for the individual or family, there is a yearly need to learn the nuances of the latest coverage plan. Further, for the staff member, ultimately, they may have their premium cost covered, but, they also may find themselves living in fear of a major procedure due to the size of ever increasing deductibles.

## The Hybrid Church Plan/Reimbursement Approach

In the Reimbursement Approach, the church allows the employee to be covered through the church's plan or to be insured as a secondary figure on their spouse's insurance. When the employee chooses to utilize their spouse's insurance, the church simply reimburses the staff member for those costs as long as they don't exceed what the church would have spent to cover the staff member on the congregation's health care plan.

There are several values here for both parties. For the church, this is often a way to lower costs as many church employee's spouses have access to plans with much cheaper premiums than those that churches can provide. This is also another creative way for churches to continue to fully pay for premiums. For the individual, this strategy is sometimes seen favorably in that it allows them to not only be insured with premium costs covered by the church, but it also often gives access to better insurance.

The downside for the church is that this approach can create extra accounting work. Further, some churches worry about the fair/equitable aspect of this approach in that not all staff members would have access to a spouse's plan or the same quality of coverage. Finally, this approach is very fluid in that more and more employers are no longer allowing those who have access to insurance themselves to take advantage of their spouse's plan. So, this strategy might feel tenuous at best. Having said that, almost all health coverage plans have a short shelf life these days.

## The Additional Salary Approach

In this final strategy, the congregation chooses to raise an employee's salary in lieu of providing a specific health care plan. In other words, the church "gets out of the health care business" and leaves choosing a plan in the hands of their staff members. In theory, the salary raise provides the employee with the financial capability to purchase the plan they desire.

For the church, the positives are twofold. On the one hand, this approach allows for the congregation to simply exit the yearly stress and worry of trying to figure out healthcare costs. On the other hand, the church simplifies their employee's salary structure and often minimizes the congregation's needed yearly increase to care for staff from a health insurance perspective.

For the employee, the main benefit here is that the health care provider and plan are now firmly in the staff member's control. However, the downside for the employee is also worth noting. First, the amount of the church "raise" is often not enough to cover the staff member's full monthly premium. Second, with health care now factored into salary, new tax implications come into play that do not exist when the church is providing coverage or a method of reimbursement. Third, church yearly raises often don't keep pace with health care premium increases and thus the original amount of the "raise" for health care covers less and less of the actual monthly premium costs as the years go by.

## Church Health Insurance Approaches At A Glance

APPROACH	DESCRIPTION	POSITIVES	NEGATIVES
<b>Full/Partial Coverage</b>	Church pays all or significant portion of monthly premium.	Huge benefit to employees and possibly to employee's family. Partial coverage can lower church costs.	Most expensive for churches. Partial coverage can still be expensive for employee/family.
<b>Hybrid/Reimbursement</b>	Church reimburses some/all employees on spouses' plan when possible.	Lowers cost for church. Can allow employee access to high quality coverage.	Significant accounting involved. Can lead to questions related to fair/equitable.
<b>Additional Salary</b>	Church raises salaries to account for health insurance/employee chooses own plan.	Church gets out of health care business. Employee has full control.	Becomes taxable. Rarely keeps up with annual rise in health care costs.



## Further Resources

We strongly encourage churches to take advantage of experts in this field within your own congregation or community. Church or community members who are professionals within the health insurance industry or who work in the accounting field may add significant value to this conversation.

Beyond local experts, three resources, among others, that may be helpful as individuals or congregations continue to make best decisions related to Health Care are worth noting.

**Healthcare.gov** is the Federal Government website that helps individuals and families to search for affordable plans.

**Balanced Healthcare Solutions** is a partner organization of CBF Church Benefits. Balanced Healthcare can assist churches and individuals with a variety of health care solutions. They are licensed in AL, AZ, FL, GA, MD, NC, SC, TN, TX and VA. The contact person is Allyn Hogue. You can learn more at [churchbenefits.org/healthinsurance](http://churchbenefits.org/healthinsurance).

**The Pastor's Wallet** is a website dedicated to the personal financial health of ministers. The site includes a number of articles on the subject of health care as well as other important topics related to money matters. Visit the site at [pastorswallet.com](http://pastorswallet.com).





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Cooperative Baptist Fellowship  
160 Clairemont Avenue, Suite 500  
Decatur, GA, 30030

[www.cbf.net](http://www.cbf.net)