



## **Impact of Health Insurance Reform on Congregations and Rabbis**

The Patient Protection and Affordable Care Act establishes provisions for covering most U.S. citizens and legal residents, defines what essential benefits will be included in insurance policies, and determines who will be responsible for providing coverage. This memo reviews key provisions affecting synagogues, their staffs and leaders.

Before this new law, no federal program made health coverage available to all individuals, and the concept of a “qualified health plan” did not exist. The new law:

- establishes standards by which health plans will be measured;
- bans annual or lifetime caps on essential benefits;
- prohibits refusal of coverage to Americans based on a pre-existing condition;
- allows inclusion of young adults on their parents’ insurance plans until age 26; and
- limits waiting periods for coverage to 90 days.

### **Synagogue Health Plans**

Synagogue health insurance plans will generally be subject to the same regulations as other employers’ plans. More specifically, faith-based employers’ self-insured plans are not expected to be exempt from ERISA (Employee Retirement Income Security Act) compliance. In 2018, employers will be subject to an **excise tax** on “Cadillac” plans equal to 40% of the premium over \$10,200 for individuals or \$27,500 for families; \$11,850 for individuals and \$30,950 for retirees and those in certain high risk professions. The amounts are indexed to general inflation.

### **Requirements for Congregations as Non-Profit Employers<sup>1</sup>**

Beginning in 2011, employers will be required to report the value of health insurance on employees’ W-2 forms, but the value of that coverage remains tax-free. (This is the same treatment as parsonage currently received.)

#### **For Congregations with Fewer Than 25 Full-Time Employees:**

- Effective immediately, employers with fewer than 25 employees (who pay average annual wages of less than \$50,000 to each full-time equivalent employee and who pay at least 50% of each employee’s insurance premium) may qualify for a FICA tax credit of up to 25% of the employer’s contribution to health insurance. In 2014, the percentage rises to 35%. The premiums of rabbis who are treated as contractors for payroll purposes are not eligible.<sup>2</sup>

#### **For Congregations with more than 50 Full-Time Equivalent Employees:**

- Beginning in 2014, employers with more than 50 full-time-equivalent employees (FTEs) will be required to offer health insurance providing certain minimum benefits – both a specific set of services and 60% of employee health costs overall – or pay a penalty for each FTE.
- Part-time employees are counted proportionally for determining the employer’s employee count. If, for example, an employer has six part-time employees working 20 hours each week, the 120 part-time

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<sup>1</sup> There are additional rules for those organizations with more than 200 employees. For more information, visit the Center on Budget and Policy Priorities’ website at [www.cbpp.org](http://www.cbpp.org).

<sup>2</sup> For more information and guidelines regarding the small business tax credit, please refer to the IRS and the Department of Treasury’s resource: [http://www.politico.com/static/PPM153\\_fact\\_sheet.html](http://www.politico.com/static/PPM153_fact_sheet.html)

hours are counted as four full-time employees. Thirty hours a week qualifies as full time for this legislation.

- The legislation imposes no new requirements to cover part time employees, and counting their hours as illustrated above does not necessarily qualify them to participate in the employer plan.

### **Requirements for Individuals, Including Clergy**

As of late June 2010, individuals who have been uninsured for more than six months because of preexisting conditions may purchase insurance in a federal high-risk pool. These pools will be discontinued when the exchanges are implemented in 2014.

After 2014, the law will require most U.S. citizens and legal residents to have health insurance whether provided by employers, Medicare, Medicaid, other government programs, or purchased by the individual through the new insurance exchanges or individual private policies. Some will be exempt from this mandate.

- Clergy will be treated as other individuals and will be expected to have insurance if they can afford it.
- Exempt individuals will not be required to pay a penalty for lack of coverage:
  - Those with religious objections to insurance
  - Members of religious sharing ministries (groups of people of faith who share one another's medical expenses through voluntary contributions)
  - Members of religious sharing ministries (groups of people of faith who share one another's medical expenses through voluntary contributions)
  - Those without coverage for fewer than three months
  - American Indians
  - Undocumented immigrants
  - Those who cannot afford insurance: Americans for whom the lowest cost plan available exceeds 8% of individual income, or those who earn too much to qualify for Medicaid but earn below the threshold for filing federal taxes

In 2014, sliding scale subsidies will be available to those purchasing insurance through the exchanges and earning up to 400% of the federal poverty level (about \$88,000 for a family of four).

Some may choose to remain uninsured and pay the penalty:

- 2014 – the higher of \$95 or 1% of income
- 2015 – \$325 or 2% of income
- 2016 – \$695 or 2.5% of income
- thereafter indexed by cost of living

### **These guidelines and answers are general and may not apply equally to all congregations.<sup>3</sup>**

Synagogues structure themselves differently – from independent congregational governance with local responsibility for clergy and lay employees to those that share responsibility for clergy and lay employees through state, regional or national structures. All congregations should clarify which provisions apply when making decisions about their insurance plans and employees. Additionally, many provisions do not apply immediately, and may be amended in the coming years

Check with your group insurance company for additional information, including changes in your plan or the administration of the plan. Companies may elect to handle implementation of the provisions of the new law differently.

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<sup>3</sup> The Patient Protection and Affordable Care Act makes significant changes, however as a federal law, it does not remove any state from adding its own additional policies and requirements.