



Office of the Secretary
Evangelical Lutheran Church in America
God's work. Our hands.

September 21, 2012

To: Bishops of synods of the Evangelical Lutheran Church in America
Vice Presidents of synods of the Evangelical Lutheran Church in America
Secretaries of synods of the Evangelical Lutheran Church in America
Members of the Church Council of the Evangelical Lutheran Church in America
Administrative Team of the churchwide organization
Chief executive officers of separately incorporated ministries
Regional Coordinators

From: Secretary David D. Swartling

Subject: Report of Actions of the Church Council (September 18, 2012)

The Church Council of the Evangelical Lutheran Church in America (ELCA) met at the Lutheran Center at Chicago, Illinois, and by conference call. Its purpose was to consider two proposed actions regarding amendments to the ELCA Medical and Dental Benefits Trust and the Restated ELCA Medical and Dental Benefits Plan. Here are those actions with some background information.

Background:

Since the formation of this church, the ELCA Board of Pensions (Portico Benefit Services) has provided retirement and health care coverage for staff and employees of the ELCA's separately incorporated seminaries. (When Lutheran Theological Southern Seminary, Columbia, S.C., became part of Lenoir-Rhyne University, Hickory, N.C., its staff and employees became members of the university's retirement and health plans.) Portico provides benefits through one program that includes most ELCA congregations, synods, and the churchwide organization, as well as seminaries. Health care coverage is identical for plan members in each of those organizations, if they participate in the plan. The terms and conditions of health care coverage are described in the ELCA Medical and Dental Benefits Plan.

Seminary presidents asked the Rev. Jeffrey D. Thiemann, president of Portico Benefit Services, and Portico staff to engage in discussions about the need of seminaries to better manage their

health care costs as part of their overall compensation and benefits strategies. Because each seminary is different in such employee issues as composition, pay structure, and mobility, Portico and the seminaries began to explore various ways to identify new, creative, cost-effective, and flexible ways to meet the needs of the seminaries and their employees. They also took into account important issues such as employee recruitment, satisfaction, retention, stewardship of finances, and other considerations. As these discussions continued, Portico and the seminaries focused on three key areas: alternative plan designs; pricing that more closely reflects the claims experience of the seminaries; and policies regarding benefit eligibility and level of employee contribution. These issues translated into three variables that could be adjusted: plan design, funding, and cost sharing.

Portico submitted to the seminary presidents a Proposal for Providing Health Benefits to Faculty and Staff of ELCA Seminaries. The pilot proposal

for seminaries provides two plan options—the current plan (Participating Provider Option or PPO) and a high deductible plan with health savings accounts (HD/HSA). Seminaries would have the option to select either or both the PPO and HD/HSA plans.

Portico staff has stated that the pilot seminary plan proposal is timely in light of anticipated health care reform. It also took into account the underlying guiding principles and reality of the changing market place in providing health care benefits. The pilot proposal is to allow seminaries and Portico to anticipate and prepare for the transition to health care reform, which will provide invaluable assistance and insight to this church as it looks toward health care changes in 2014. In addition, the proposed pilot program strengthens the relationship between wellness and costs, and therefore represents good stewardship of Portico and seminary resources and models a focus on healthy leaders.

A criterion for moving forward with Portico's proposed pilot program was agreement by all seminaries. All seminaries have now agreed and will participate in the new rate structure, if the Church Council approves the recommended action. Luther Seminary, St. Paul, Minnesota, and Pacific Lutheran Theological Seminary, Berkeley, California, have indicated an intention to use the HD/HSA option. Church Council action is required at this time to provide Portico and the seminaries sufficient time to educate seminary plan members regarding the pilot program and to hold an open enrollment period beginning on November so that the coverage may take effect on January 1, 2013.

In order to implement the Portico proposed pilot program for seminaries, the ELCA Medical and Dental Benefits Plan must be amended in accordance with ELCA bylaw 17.20.02.b. The amendments were in Section 17.20 and the Appendix of the plan documents.

The potential implications of the proposed pilot program for seminaries also prompted a reexamination of the ELCA Philosophy of Benefits. At its November 2011 meeting, the

Church Council appointed a Philosophy of Benefits task force consisting of Church Council members Ms. Marjorie B. Ellis and Mr. John R. Emery; Portico staff members the Rev. Robert D. Berg, assistant to the president for church relations, and Mr. Bradley J. Joern, director for products and services; the Rev. Jon V. Anderson, bishop of the Southwestern Minnesota Synod, the Rev. Elizabeth A. Eaton, bishop of the Northeastern Ohio Synod, and the Rev. Robert A. Rimbo, bishop of the Metropolitan New York Synod; and Treasurer Linda O. Norman and Secretary David D. Swartling of the churchwide organization. The task force met and considered possible revisions to the ELCA Philosophy of Benefits. Given uncertainties regarding the substance and timing of health care reform, it is anticipated that the task force will defer bringing a final report and recommendations to the Church Council until its spring meeting in 2013.

Church Council action is also required at this time to address two proposed amendments to implement the proposed pilot plan for seminaries in 2013. One proposed amendment is to Section 11.06 of the ELCA Medical and Dental Benefits Plan and provides additional Medicare supplement benefit options for members. The other proposed amendment is to the Restated ELCA Medical and Dental Benefits Trust to clarify that payments for wellness-related programs and activities can be made for members of the ELCA Pension and Other Benefits Program.

The board of trustees of Portico approved the proposed amendments and requested their approval by the Church Council.

At a conference-call meeting on August 29, 2012, the Legal and Constitutional Review Committee heard from Portico staff regarding the proposed plan and trust amendments. The committee recommended the actions below to the Church Council.

Church Council Action:

To receive the Proposal for Providing Health Care Benefits to Faculty and Staff of ELCA Seminaries as recommended by the

Portico Benefit Services (Portico) board of trustees and endorsed by the presidents of the separately incorporated ELCA seminaries;

To thank and commend Portico and the seminaries for engaging in discussions of issues that are complex and difficult for this church and for society as a whole;

To approve proposed amendments to the ELCA Medical and Dental Benefits Plan, as reflected below, and to authorize a pilot program for providing health care benefits to staff and employees of ELCA seminaries that provides greater flexibility in plan design, contribution policy, and eligibility and cost-sharing options;

To commit that the Church Council will prepare proactively to address the challenges of health care reform and will encourage constructive discussion regarding the implications of health care reform among Portico plan members, congregations, synods, the churchwide organization, and agencies and institutions of this church;

To invite and encourage Portico and the seminaries of this church to engage in further conversations in order to search for imaginative solutions that recognize the evolving terrain of health care reform and economic realities; to explore and develop options that provide greater flexibility in plan design, contribution policy, eligibility, and cost-sharing options; to balance the sometimes conflicting considerations that exist in providing health care coverage and in delivering health care services within the expressions and institutions of this church; and to recognize the ongoing commitment of this church to healthy leaders and healthy institutions; and

To request that Portico and the seminaries present an interim report on the progress in implementing the pilot program at the April 2013 Church Council meeting and to provide a report and recommendations regarding implementing plan changes as the result of

health care reform at the November 2013 Church Council meeting.

Church Council Action:

To approve proposed amendments (1) to Section 11.06 of the ELCA Medical and Dental Benefits Plan to provide additional Medicare supplement benefit options for members, as reflected below, and (2) to the Restated ELCA Medical and Dental Benefits Trust, as reflected below, to clarify that payments for wellness-related programs and activities can be made for members of the ELCA Pension and Other Benefits Program.

ELCA Medical and Dental Benefits Plan

**ARTICLE XI:
MEDICARE SUPPLEMENT BENEFITS**

Section 11.06

Medicare Supplement Benefit Options. The Plan shall provide the Medicare Supplement Benefit Options for Members as shown in the Appendix. A Retired Member or Coverage Continuation Member may choose from Medicare Supplement Benefit Options for the following calendar year during an annual enrollment period designated by the Plan or for the remainder of the calendar year upon new eligibility for ELCA Medicare-Primary Benefits midyear. Once a Medicare Supplement Benefit Option is selected, such option cannot be changed midyear. Notwithstanding the above, a Sponsored Member, Sponsored Disabled Member or a Member who is On Leave from Call will have the standard Medicare Supplement Benefit only.

Members who do not choose a Medicare Supplement Benefit Option during the designated enrollment period or within 60 days of new midyear eligibility for ELCA Medicare-Primary Benefits shall be enrolled in the standard Medicare Supplement Benefit.

**ARTICLE XVII:
MISCELLANEOUS PROVISIONS**

Section 17.20

Special Provisions for Members Employed by an ELCA seminary.

- (a) **Effective January 1, 2013, Sponsored Members who are employed by an ELCA seminary may have benefit option(s) provided by the Plan which may have different Deductible Amounts, Percent Copayments, Copayments and Out-of-Pocket Amounts than those described in Article X. The Deductible Amounts, Percent Copayments, Copayments and Out-of-Pocket Amounts for ELCA seminary options are specified in the Appendix.**
- (b) **Deductible Amounts and Percent Copayments incurred while covered under an ELCA seminary option that is not ELCA-Primary Medical and Mental Health Benefits shall be applied to the Member who changes mid-year to ELCA-Primary Benefits Coverage due to a change in employment.**
- (c) **Notwithstanding the provisions of Section 3.01, an ELCA seminary shall determine which employees, in a manner approved by Portico Benefit Services, are eligible to participate in the Plan as Sponsored Members.**
- (d) **During an enrollment period specified by Portico Benefit Services, ELCA seminary Sponsored Members will elect an option for the following calendar year. Such election cannot be changed midyear while the employee is sponsored by the ELCA seminary.**
- (e) **Notwithstanding Section 7.03, where two Members are married to each other or are in an Eligible Same Gender Partnership and one is employed by an ELCA seminary; or where a Sponsored Member is employed by two or more Participating Employers including an ELCA seminary, the ELCA**

seminary shall pay the full contribution rate based on the Sponsored Member's Defined Compensation.

- (f) **Notwithstanding Section 7.01, the ELCA seminary may require that Sponsored Members pay a portion of contributions associated with this Plan.**
- (g) **The provisions of this Section 17.20 do not affect ELCA seminary Sponsored Member's participation in the ELCA Retirement Plan, the ELCA Disability Benefits Plan, or the ELCA Survivor Benefits Plan, or his/her eligibility for benefits under this Plan before or after a period of employment with an ELCA seminary.**

APPENDIX		
Certain Amounts Related to Benefits		2013
<u>Section 11.02</u>	<u>Deductible for Eligible Medical Expenses Under Medicare Supplement Coverage</u>	
	● <u>Option 1—Per Member</u>	<u>\$0</u>
	● <u>Option 2—Per Member</u>	<u>\$180</u>
	● <u>Option 3—Per Member</u> *Member is responsible for Medicare Part B deductible and 25% of Medicare Part A deductible	<u>*</u>
<u>Section 11.02</u>	<u>Percent Copayments for Eligible Expenses Under Medicare Supplement Coverage</u>	
	● <u>Option 1—Per Member</u>	<u>0%</u>
	● <u>Option 2—Per Member</u>	<u>20%</u>
	● <u>Option 3—Per Member</u>	<u>25%</u>
<u>Section 11.03</u>	<u>Maximum Out-of-Pocket Amount for Eligible Medical Expenses Under Medicare Supplement Coverage</u>	
	● <u>Option 1—Per Member</u>	<u>\$0</u>
	● <u>Option 2—Per Member</u>	<u>\$3,500</u>
	● <u>Option 3—Per Member</u>	<u>\$2,330</u>

<u>Section 17.20</u>	<u>Special Provisions for Members Employed by an ELCA seminary—High Deductible Health Plan Option</u>	
	● <u>Deductible for In-network Eligible Medical and Mental Health Expenses and Prescription Drug Expenses Other Than Preventive Services</u>	
	○ <u>Per Member</u>	<u>\$2,000</u>
	○ <u>Family Maximum</u>	<u>\$4,000</u>
	● <u>Percent Copayments for In-network Eligible Medical and Mental Health Expenses and Prescription Drug Expenses</u>	
	○ <u>Member percent copayment for applicable in-network medical and prescription drugs in excess of the deductible</u>	<u>20%</u>
	● <u>Maximum Out-of-Pocket Amount for In-network Eligible Medical and Mental Health Expenses and Prescription Drug Expenses</u>	
	○ <u>Per Member</u>	<u>\$2,500</u>
	○ <u>Family Maximum</u>	<u>\$5,000</u>
	● <u>Deductible for Out-of-network Eligible Medical and Mental Health Expenses and Prescription Drug Expenses Other Than Preventive Services</u>	
	○ <u>Per Member</u>	<u>\$4,000</u>
	○ <u>Family Maximum</u>	<u>\$8,000</u>
	● <u>Percent Copayments for Out-of-network Eligible Medical and Mental Health Expenses and Prescription Drug Expenses</u>	
	○ <u>Member percent copayment for applicable in-network medical and prescription drugs in excess of the deductible</u>	<u>40%</u>
	● <u>Maximum Out-of-Pocket Amount for Out-of-network Eligible Medical and Mental Health Expenses and Prescription Drug Expenses</u>	
	○ <u>Per Member</u>	<u>\$5,000</u>
	○ <u>Family Maximum</u>	<u>\$10,000</u>

Restated ELCA Medical and Dental Benefits Trust

ARTICLE I: GENERAL

Section 1.03

Purpose. This Medical Benefits Trust is formed exclusively for religious and charitable purposes and in connection therewith exclusively for the benefit of, and to assist in carrying out the purposes of, the Evangelical Lutheran Church in America (the “ELCA”), an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, by providing medical and dental benefits and wellness-related programs and activities to employees of the ELCA and other organizations described in Section 501(c)(3) of the Internal Revenue Code of 1986, that are affiliated with the ELCA (including its member congregations, colleges, schools, and social service organizations), ordained ministers on the ELCA roster, ELCA rostered laypersons, other eligible employees, and to other 501(c)(3) organizations operated exclusively for religious purposes. . . .

ARTICLE II:

MEDICAL AND DENTAL BENEFITS TRUST

Section 2.04

No Diversion. This Medical Benefits Trust shall be for the exclusive purpose of providing benefits to members under the Medical Benefits Plan and their beneficiaries, for providing wellness-related programs and activities for members of the ELCA Pension and Other Benefits Program and defraying reasonable expenses of administering or operating the Medical Benefits Plan. For purposes of this Medical Benefits Trust, the expenses of administering or operating the Medical Benefits Plan shall be paid from contributions made to the Medical Benefits Plan or from assets held in this Trust under the Medical Benefits Plan. Such expenses shall include, without in any way limiting the generality of the foregoing, any and all expenses relating to the preparation of Medical Benefits Plan

amendments (whether required by law or otherwise), and any costs relating to the design, maintenance or termination of the Medical Benefits Plan (including the costs associated with a change in the persons or organizations from time to time providing services to the Medical Benefits Plan). Such expenses may also include premiums for the bonding of officials of the Medical Benefits Plan as required by any applicable law. No part of the corpus or income of this Medical Benefits Trust may be used for, or diverted to, purposes other than for the exclusive benefit of members or their beneficiaries and for providing wellness-related programs and activities for members of the ELCA Pension and Other Benefits Program.

ARTICLE III: TRUSTEE

Section 3.01

General Responsibility. Except as expressly otherwise provided, the general responsibilities of the Medical Benefits Trustee shall be as follows:

. . .

- (c) The Medical Benefits Trustee shall disburse monies and other properties from this Medical Benefits Trust on direction of Portico Benefit Services pursuant to the provisions of the Medical Benefits Plan and for wellness-related programs and activities established by Portico Benefit Services, to the payee or payees specified by Portico Benefit Services in directions to the Medical Benefits Trustee, in such form as the Medical Benefits Trustee may reasonably require. The Medical Benefits Trustee shall be under no liability for any distribution made by it pursuant to such directions and shall be under no duty to make inquiry as to whether any distribution made by it pursuant to any such direction is made pursuant to the provisions of the Medical Benefits Plan. The payee’s receipt of the distributions shall constitute a full acquittance to the Medical Benefits Trustee.

Section 3.04

Expenses. The Medical Benefits Trustee shall be entitled to reimbursement for all reasonable and necessary costs, expenses, and disbursements incurred by it in the performance of its services as Medical Benefits Trustee or in any other capacity in connection with the Medical Benefits Plan or wellness-related programs and activities established by Portico Benefit Services as may be agreed upon with Portico Benefit Services. Such reimbursements shall be paid from this Medical Benefits Trust if not paid directly by Portico Benefit Services or Participating Employers in such proportions as Portico Benefit Services shall determine, and shall constitute a lien upon this Medical Benefits Trust until paid.

ARTICLE VI: MISCELLANEOUS

Section 6.04

Fiduciary Standards. Each fiduciary shall discharge her/his duties with respect to this Medical Benefits Trust, solely in the interests of the members and in accordance with the following requirements:

- (a) For the exclusive purpose of providing benefits to members and their beneficiaries in the Medical Benefits Plan, for providing wellness-related programs and activities for members of the ELCA Pensions and Other Benefits Program, and defraying reasonable expenses of administering this Medical Benefits Trust,

...

- (d) In accordance with the provisions of this Medical Benefits Trust and the ELCA Medical and Dental Benefits Plan and any wellness-related programs and activities established by Portico Benefit Services.

Section 6.05

Administrative Fee Paid to Portico Benefit Services. The Portico Benefit Services shall be paid a reasonable fee by this Medical Benefits Trust for the administrative services provided

by Portico Benefit Services to the Medical Benefits Plan, wellness-related programs and activities established by Portico Benefit Services and this Medical Benefits Trust, including a fee for informing the employees and employers of the availability of the Medical Benefits Plan. The fee charged to this Medical Benefits Trust shall constitute a lien upon this Medical Benefits Trust until paid.

ARTICLE VII:

AMENDMENTS AND TERMINATION

Section 7.01

Amendments. This Medical Benefits Trust may be amended at any time and from time to time as follows; provided, however, that no such amendment shall cause any part of the corpus or income of this Medical Benefits Trust to be diverted to purposes other than the payment of benefits to members under the Medical Benefits Plan and their beneficiaries, for providing wellness-related programs and activities for members of the ELCA Pension and Other Benefits Program, or reasonable expenses of administration of the Medical Benefits Plan:

...