

FREQUENTLY ASKED QUESTIONS

Q1: Does the new healthcare reform law affect The Episcopal Church?

A: Yes. The Episcopal Church and the Episcopal Church Medical Trust (the Medical Trust) will need to comply with certain aspects of the healthcare reform legislation. We are in the process of fully analyzing the legislation and will keep you posted. However, based on our analysis to date, none of the law's provisions appear to require any modifications to plans administered by the Medical Trust until January 1, 2011.

Q2: Will the healthcare reform law affect my current Medical Trust benefits during 2010?

A: No. The Medical Trust will not be making any changes to 2010 benefits. Any changes we may need to make in response to the new law will be communicated to you later this year but will not become effective until January 1, 2011.

Q3: Will the Medical Trust reduce benefits to comply with the healthcare reform law?

A: We have no intention of decreasing any current Medical Trust benefits that are in excess of new federal regulation requirements.

Q4: When do the majority of the reform changes take place?

A: The majority of the reform changes will take place in 2014, and include the following:

- Establishment of health insurance exchanges that would be set up in states to offer competitive pricing on health policies for individuals and small businesses that don't have coverage.
- Large employers that do not provide coverage to their employees and certain individuals that are not covered by insurance would be assessed a penalty.
- Tax subsidies would become available for qualified individuals.
- People with a pre-existing condition would no longer be denied coverage.
- All lifetime and annual limits on coverage would be eliminated.
- Medicaid would be expanded to cover more low-income Americans.

Q5: How will the healthcare reform law affect the coverage of dependents?

A: The healthcare reform legislation requires health plans that cover participants' dependent children to offer that coverage to those children up to age 26. This new provision of the Health Reform Acts is effective January 1, 2011 for Medical Trust administered health plans. However, to prevent any unnecessary interruption in coverage for older children currently covered (covered on or after May 1, 2010), the plan will continue coverage for certain children currently covered until the new provision takes effect on January 1, 2011.

Rather than terminate the coverage of dependents who would otherwise cease to be eligible under the current rules of the Medical Trust, only to re-enroll them in November (during Open Enrollment) for coverage effective January 1, 2011, the Medical Trust has decided to bridge the dependents' coverage (keep their coverage intact) until the provision of the Health Reform Acts takes effect on January 1, 2011. This also applies to children who reach age 19, who do not enroll in college and who would otherwise "age out" of dependent eligibility; they will also be permitted to remain covered through the remainder of 2010.

Bridging this coverage gap will alleviate an unnecessary disruption in health insurance coverage for young adults and any inconvenience for their parents. It will also save participants, their children,

diocesan administrators, and the Medical Trust the administrative burden of terminating and then re-enrolling young adults.

Children who became ineligible due to age or dependent status before May 1, 2010 may not be re-enrolled until Annual Open Enrollment in November 2010.

On January 1, 2011, the Medical Trust will begin offering coverage to participants' children who are under age 26, regardless of their student, marital or dependent status. Participants whose children are not currently covered in the Medical Trust, but who would be eligible for this coverage, may enroll the child or children during the Open Enrollment period in November 2010 for coverage beginning January 1, 2011.

Q6: Will the benefits provided by the Medical Trust be subject to the “Cadillac” plan excise tax?

A: The “Cadillac” tax will take effect on January 1, 2018 and until we get closer to that date, we cannot assess how the Medical Trust could be affected.

Q7: Will there be a premium cost increase to employers because the healthcare reform law bars annual and lifetime caps on coverage?

A: No. The cost of enhancing our plans to remove such limits will be minor, so there will be no premium increase for this modification for the 2011 plan year.

Q8: How does the healthcare reform legislation affect health Flexible Spending Accounts (FSAs)?

A: A health flexible spending account allows employees to pay for certain non-reimbursed medical care expenses on a pretax basis, and they offer significant tax advantages to employees. There are two ways in which the 2010 healthcare reform legislation affects health FSAs. First, as of January 1, 2011, it will no longer be possible to obtain reimbursement from a health FSA for over-the-counter medications. So if you offer health FSAs to your employees, you should communicate this change to them during Open Enrollment. Second, contributions to a health FSA will be limited to a maximum of \$2,500 a year as of January 1, 2013.

Q9: How does the healthcare reform legislation affect health savings accounts (HSAs)?

A: An HSA is a tax-favored account and can be opened by anyone with a qualifying high-deductible health insurance plan. There are many tax advantages with an HSA, including, within a limit, money deposited into an HSA account is exempt from income tax; the money withdrawn to pay medical expenses is also tax free; HSA money is portable and can be moved with you when changing jobs; and any unused funds stay in the account earning interest that also not taxed. The healthcare reform legislation stipulates that as of January 1, 2011, it will no longer be possible to obtain reimbursement from an HSA for over-the-counter medications. So if you offer HSAs to your employees, you should communicate this change to them during Open Enrollment.

Q10: How will the “exclusion of pre-existing conditions for children” provision of the healthcare reform law affect my benefits?

A: You'll be reassured to know that the health plans sponsored and administrated by the Medical Trust do not exclude coverage for children with pre-existing conditions. Therefore, the new law will have no impact on plans administered by the Medical Trust.

Q11: What is the CLASS Act?

A: Long-term care can be very expensive and the real amount you will spend depends on the level of services you need and the length of time you need care. Long-term care insurance is generally available through groups and to individuals. Group insurance is typically offered through employers, and this type of coverage is becoming a more common benefit. The Community Living Assistance Services and Support (CLASS) Act, which was originally introduced by the late Senator Edward Kennedy, creates a

government-run long term care insurance program, basically a “public option” for long term care insurance. **Employers (dioceses, congregations, agencies and institutions) may elect to offer the program and participation will be voluntary.** However, if the employer elects to offer the program, employees will be automatically enrolled, meaning that if the employee doesn’t want to participate, he or she will have to take the action of opting out. The applicable contribution will automatically be deducted from the employee’s pay. After five years of participating in the program, participants would become eligible to receive benefits. The program is scheduled to take effect in January 2011.

Q12: When do employers need to report the value of health benefits provided to their employees on the Form W-2?

A: Employers must report the value of health benefits provided to employees on the Form W-2 for tax year 2011. (Employees should anticipate seeing this information on their Form W-2s in early 2012.) The IRS will provide further guidance on the reporting obligation in the future. Based on our current information, the inclusion of the value of these benefits on any Form W2 would be for informational purposes only. We have not been notified that there will be any tax consequences in 2011 or in the future for the health insurance benefits referenced on a Form W2.

Q12: Will the Episcopal Church be able to participate in the Early Retiree Reinsurance Program?

A: The recently enacted Federal healthcare reform legislation establishes a temporary Early Retiree Reinsurance Program (the “Program”) to reimburse employment-based plans for certain healthcare costs of early retirees (pre-Medicare) and their spouses and dependents. The legislation requires the plan sponsor to use the reimbursements 1) to lower its health benefit premiums (for insured plans) or costs (for self-funded plans), 2) to lower costs directly for plan participants, or 3) any combination of 1 and 2.

The Program commences on June 1, 2010, and reimbursements will be made on a first-come, first-served basis. Given the expectation that claims for reimbursements will substantially exceed the \$5 billion in funding allocated to the Program, Health and Human Services (“HHS”) reserves the right to deny applications if projected reimbursements exceed available funding. Therefore, there is no guarantee that applicants will receive any reimbursements under the Program.

Only the sponsors of employment-based plans may submit applications under the Program. The Episcopal Church Medical Trust (the “Medical Trust”), as the Plan Sponsor, intends to submit an application for the health plans it sponsors (the “Medical Trust Plans”) as soon as possible following the release of the application by HHS. Since the Medical Trust, and not the participating employers, is the sponsor of the Medical Trust Plans, Episcopal employers participating in the Medical Trust Plans should not submit their own applications. Given the small amount of money available through this program, the Medical Trust will need to act quickly. Receiving multiple applications for the same eligible members will only result in confusion and may slow down the application process, which may result in the loss of program funds.

Episcopal employers not currently with the Medical Trust should contact their own health insurance issuers for assistance in determining whether or not they should apply for this Program.

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