



Date: September 12, 2013
To: Lead Pastors and Staff-Parish Relations Committee Chairpersons
From: Steve Zekoff, Conference Benefits Officer (szekoff@wisconsinumc.org)
Lisa King, Conference Treasurer (lking@wisconsinumc.org)
Re: **Exchange Notice Requirement—Affordable Care Act (*Local Church Must Take Action*)**

Accompanying this letter, please find various documents related to the *Exchange Notice Requirement*—a new requirement under the Affordable Care Act (ACA) that will likely directly affect your local church and its employees. These documents will help you understand and comply with the Exchange Notice Requirement.

The ACA requires all employers that are subject to federal wage and hour laws (the Fair Labor Standards Act, FLSA) to distribute a Notice to *all* full-time and part-time employees—whether or not they are covered in the employer's health plan. The Notice describes the new *Health Insurance Marketplaces* (often called "Exchanges") and how an employee can contact the Marketplace to purchase coverage. The Notice must also warn the employee of the loss of favorable tax treatment of his or her employer-sponsored health coverage, if any, if he or she purchases coverage through the Marketplace instead of through an employer-sponsored plan (if available).

Please read this material carefully. **Employers, including local churches¹ must provide this notice to all current employees NO LATER THAN OCTOBER 1, 2013** and to all future employees when hired/appointed. The Notice may be mailed or e-mailed to employees. (See enclosed *UMC Local Churches—Required Notification to All Employees* for more details.)

Accompanying this letter, and available at www.wisconsinumc.org/finance on the Health and Pension Information webpage under the section Health Care Reform Information/Exchange Notice Requirement, are the following:

1. A summary of the Notice Requirement to help you understand it (*UMC Local Churches—Required Notification to All Employees*).
2. A copy of the template forms from the U.S. Department of Labor—*Choose the one form that best suits your situation as an employer*:
 - a. The **Form for an employer that provides health insurance coverage to some employees**, including the pastor, or
 - b. The **Form for an employer that does not provide any health coverage to employees**.
3. A guidelines summary to help you complete the template form (*ACA Exchange Notice Requirement—Template Form Helpful Hints for Local Churches and SPUs*).

¹ Generally, the FLSA applies to church employers. However, if a local church is uncertain whether it is subject to the FLSA, the most prudent approach would be to provide this Notice to all employees.

Please note: The Wisconsin Annual Conference is providing these materials as an informational and educational service to its local churches and other salary-paying units (employers). This information should not be read to imply that the Conference is the employer of any employees receiving the Notice from local churches or SPUs. The materials should not be construed as, and do not constitute, legal advice or other professional advice on any specific matter. The Wisconsin Annual Conference expressly disclaims all liability in respect to actions taken or not taken based on the contents of this update.

4. Sample letters that your church can send to its clergy and lay employees with the Notice (printed front and back.

a. **Sample Exchange Notice Cover Letter for Employees Offered Health Insurance.**

b. **Sample Exchange Notice Cover Letter for Employees Not Offered Health Insurance.**

General ACA Information

The ACA establishes health benefit Exchanges (“health insurance marketplaces”) in every state. Exchanges will have web portals through which individuals can purchase qualified health plan (QHP) coverage. QHPs are qualified health plans that cover “essential health benefits” established under the ACA. QHPs must provide benefits at various levels—called “bronze” (60%), “silver” (70%), “gold” (80%) and “platinum” (90%).

The ACA provides federal subsidies (premium tax credits or PTCs) to assist lower- and middle-income taxpayers with purchasing coverage through the Exchanges. To be eligible for a PTC, an individual must have a household income for the taxable year between 100% and 400% of the federal poverty level (FPL) for the individual’s family size (estimated between \$12,000 and \$48,000 for an individual, or between \$24,500 and \$98,000 for a family of four in 2014). Household income is the modified adjusted gross income (MAGI, i.e., total earnings or adjusted gross income as appears on one’s income tax form (“adjusted gross income” on *IRS Form 1040* or “total income” on *IRS Form 1040EZ*).

However, PTCs are not available to anyone who is offered employer coverage that: 1) covers a minimum value as established by the ACA, and 2) is affordable to them, meaning the employer plan does not cost the individual employee more than 9.5% of his or her MAGI for self-only coverage. Coverage of this sort, when offered by an employer, disqualifies an employee (and the employee’s dependents who have been offered coverage regardless of the added cost for their coverage) from receiving a PTC for ACA coverage.

Conference Information

It is important to understand that the Wisconsin Annual Conference maintains a policy whereby local churches are required to cover all $\frac{3}{4}$ and full-time appointed clergy in the Conference health plan. This policy remains in effect despite establishment of the Exchanges under the ACA and the potential availability of PTCs for clergy. The Conference will continue to bill the local church for that coverage in 2014. The Conference’s policy is in place to maintain equity in benefits and costs across many local churches’ clergy in the conference and to ensure adequate health care is available to all $\frac{3}{4}$ and full-time pastors. The Conference is studying the impact of the ACA and Exchanges on its health coverage strategy for the future and will inform you if Conference policies change as a result.

Please contact either of us with questions at our email addresses above or 608-837-7320 or 888-240-7328 (toll-free). You can obtain more details about this requirement and about the ACA generally on the Conference Finance Office’s Health and Pension Information webpage at www.wisconsinumc.org/finance, on the General Board’s health care reform web page at www.gbophb.org/health_welfare/healthcarereform/index.asp, and on the federal government’s health care reform website at www.healthcare.gov.