

A recent federal tax reform bill zeroed out the penalty for not having healthcare coverage. However, prior to congressional action that effectively eliminated the penalty, there were exemptions to the requirement to obtain coverage. Individuals were exempt, for example, if coverage was unaffordable, they experienced general hardships such as foreclosure, or they met a religious exemption. Members of health care sharing ministries (HCSMs) were also exempt.ⁱ HCSMs are faith-based, nonprofit organizations that offer an alternative to health insurance by allowing others in a ministry to help pay for medical expenses. HCSMs have been gaining in popularity in recent years, covering almost 1 million people.ⁱⁱ This fact sheet provides information on the HCSM benefit structure and coverage guidelines.

INTRODUCTION

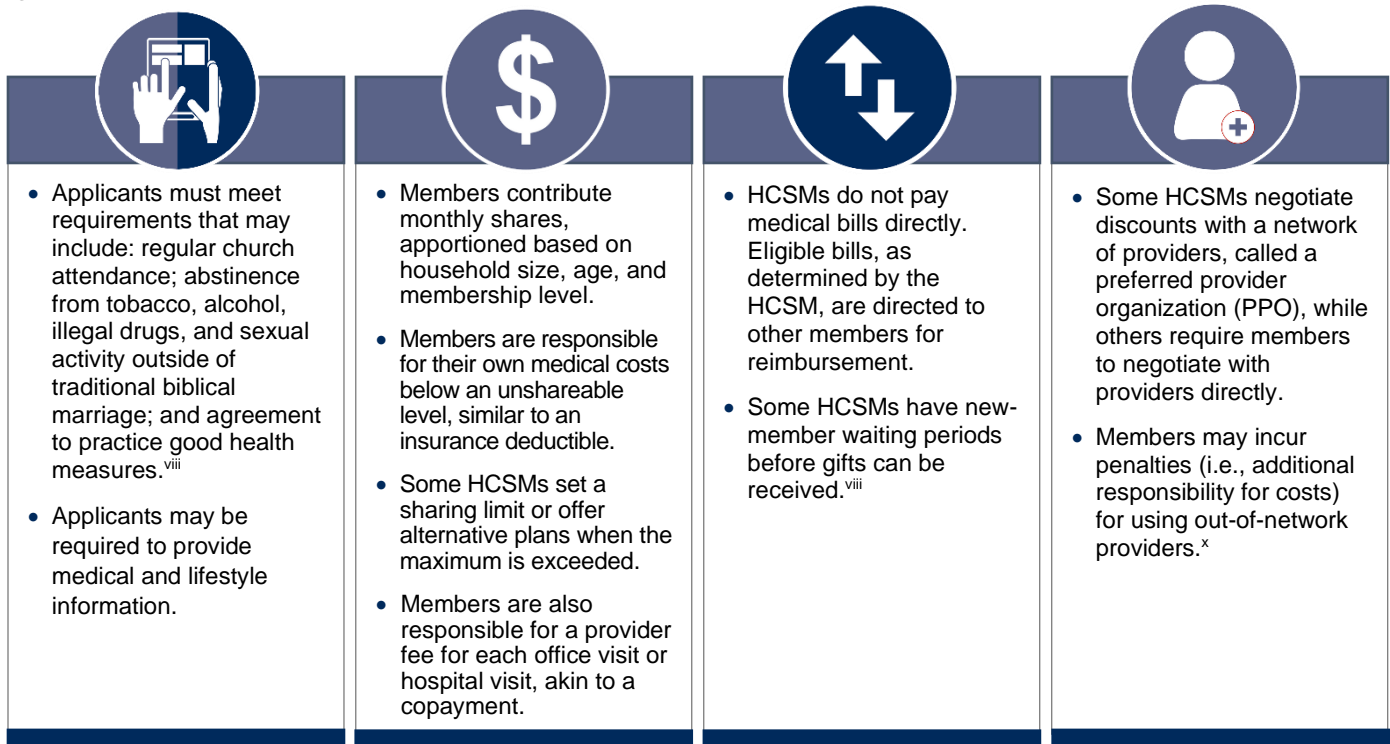
HCSMs have been in existence for over 30 years.ⁱⁱⁱ The three largest were active in 1999—the year cited in the ACA as the year by which an HCSM, a 501(c)(3) organization, must have been established in order for its members to qualify for the exemption.^{iv} HCSM origins are based on “the biblical principles of sharing others’ burdens.”^v HCSM members share a common set of ethical or religious beliefs. For example, one HCSM “limits its membership to individuals who are of a similar faith and who live by biblical principles.”^{vi}

Although HCSMs are intended to function as health insurance in many ways, HCSMs are charitable organizations not authorized to sell insurance. In fact, HCSMs are not subject to insurance regulations, and many states, including Arkansas, explicitly exempt HCSMs from regulatory oversight.^{vii} Members of an HCSM are responsible for their own medical bills, and HCSMs never guarantee that shared funds will be available for individual members.^{viii}

Enrollment in one HCSM climbed from 66,093 members in 2013, the year preceding ACA implementation, to 297,613 in 2017.

HOW A HEALTH CARE SHARING MINISTRY WORKS

The financial arrangements for each HCSM vary slightly. In general, members contribute a monthly share to cover medical expenses. If a member receives medical treatment and collects an eligible bill, the bill will be paid by shares sent directly to the member or through a sharing account, depending on the HCSM. The graphic below depicts the process.



MEDICAL COVERAGE AND GUIDELINES

HCSMs focus on shared expenses for unforeseen and acute illnesses rather than for routine care and chronic illnesses. HCSMs urge members to budget for their routine care expenses—wellness exams, immunizations, and screenings. HCSM guidelines vary regarding chronic conditions and the approval of members with preexisting conditions. Some may distinguish between the type of treatment (e.g., active versus maintenance) that is eligible for sharing.^{viii} Expenses for mental health care may be limited by the amount shared, number of sessions, time in treatment, or type of service.

“Expenses related to non-biblical lifestyles and choices” are typically not eligible for sharing.^v These include abortion, drug and alcohol illness or addiction treatment, sexually transmitted diseases, and intentionally self-inflicted injuries. Loss of coverage may result if the member has certain medical conditions—pregnancy outside of marriage, drug or alcohol addiction, or no significant progress toward stated health goals.

Members are encouraged, and often required, to seek third-party coverage as their first source of payment.^{viii} These sources may include Medicare, Medicaid, worker’s compensation, private health insurance, and local charity care. HCSMs may also require members to exhaust legal remedies by first seeking judgment against potentially liable parties who refuse to pay.

TAX IMPLICATIONS

Those purchasing traditional health insurance enjoy certain tax advantages, including a pre-tax salary deduction for health insurance premiums. Unlike health insurance, however, there is no federal tax deduction for monthly HCSM contributions.^{xi} HCSM advocates have been working with legislators on tax clarifications and treatment of HCSMs, including seeking parity with traditional health insurance.^{xii}

CONCLUSION

HCSMs have seen an increase in membership since 2014, when the ACA’s individual mandate went into effect. While the tax penalty remains in effect for the 2018 tax year, HCSM participation may decline as individuals will no longer be subject to a tax penalty for not having health insurance beginning in 2019. Alternatively, more HCSMs may enter the market since the participation in an HCSM that has been in existence since 1999 is no longer necessary to avoid a penalty. Even without the existence of a penalty, HCSMs may be an appealing alternative to traditional insurance if premiums continue to increase.

ⁱ Congress.gov. H.R.1 - An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018. Accessed January 19, 2018. <https://www.congress.gov/bill/115th-congress/house-bill/1/actions>

ⁱⁱ Verstein, Andrew. "Enterprise without Entities." *Mich. L. Rev.* 116 (2017): 247.

ⁱⁱⁱ Christian Healthcare Ministries. "History." Accessed January 2, 2018. <http://www.chministries.org/history.aspx>.

^{iv} Jost, Timothy Stoltzfus, "Loopholes in the Affordable Care Act: Regulatory Gaps and Border Crossing Techniques and How to Address Them," *Saint Louis University Journal of Health Law & Policy* 5, no. 1 (2011): 27-82

^v Medi-Share. "Program Guidelines & Frequently Asked Questions." Accessed January 19, 2018.

<https://mychristiancare.org/globalassets/media/medi-share/medi-share-guidelines.pdf>

^{vi} Christian Healthcare Ministries. "CHM Guidelines." Accessed February 26, 2018.

<http://www.chministries.org/guidelines.aspx>

^{vii} Ark. Code. Ann. § 23-60-104

^{viii} Galarneau, Charlene. "Health care sharing ministries and their exemption from the individual mandate of the Affordable Care Act." *Journal of Bioethical Inquiry* 12, no. 2 (2015): 269-282.

^{ix} Samaritan Ministries. "Guidelines for Health Care Sharing." Accessed January 19, 2018.

https://samaritanministries.org/uploads/documents/SMI-Guidelines-Dec2017_download.pdf

^x Boyd, Benjamin. "Health Care Sharing Ministries: Scam or Solution?" *Journal of Law and Health* (2013).

^{xi} Medi-Share. "Is MediShare tax deductible?" Accessed January 19, 2018. <https://www.medi-share.com/blog/is-healthcare-sharing-tax-deductible>

^{xii} Alliance of Health Care Sharing Ministries. "Statement of the Alliance of Health Care Sharing Ministries Hearing on Health Care Related Tax Reform Committee on Ways and Means." Accessed January 19, 2018.

<https://waysandmeans.house.gov/wp-content/uploads/2016/10/20160414SFC-SFRs.pdf>