

**SB**

**18**

<TARGET><BILL>SB 18</BILL><SUBJECT>SB  
18</SUBJECT><COMM>SHSS29</COMM></TARGET>

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 1/21/15

FURTHER: Labor and Commerce

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 3/11/15

Health and Social Services Committee considered SENATE BILL NO. 18

SB 18 HEALTH CARE SHARE MINISTRY NOT INSURANCE

"An Act exempting a health care sharing ministry from regulation as an insurer."

and recommends:

- be replaced with CS \_\_\_\_\_ (\_\_\_\_\_)  Same Title  New Title
- adopt previous CS \_\_\_\_\_ (\_\_\_\_\_)  Same Title  New Title
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
<u>CED</u>			✓	<u>1</u>

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	Giessel	X			
	Pete Kelly	✓			
	Blum			X	
	Stolte	✓			
CHAIR:	Sedman	✓			

**Senate Majority Leader**

# Alaska State Legislature

Joint Armed Services Committee

Co-Chairman

Judiciary Committee

Vice-Chairman

Resources Committee

State Affairs Committee

Legislative Council

Rules Committee




Session Address:  
State Capitol, Room 119  
Juneau, AK 99801-1182  
(907) 465-3719  
Fax (907-465-3258

Interim Address:  
1292 Sadler Way, Suite 340  
Fairbanks, AK 99701  
(907) 451-2997  
Fax (907) 451-3526  
877-465-3719

[www.aksenate.org](http://www.aksenate.org)

**Senator John Coghill**

TO: Senator Bert Stedman, Chair  
Senate Health and Social Services Committee

FROM: Senator John Coghill, Majority Leader 

DATE: February 11, 2015

SUBJECT: Request to Hear SB 18

I respectfully request a hearing for Senate Bill 18, "Health Care Sharing Ministry Not Insurance," at your convenience.

Attached to this memorandum:

- Current version of the bill
- Sponsor Statement
- Supporting documents
- Request for teleconferencing and witnesses

If you have any questions, please contact me or my staff Jordan Shilling at 465-5834.

# Alaska State Legislature

## Senate Majority Leader

### Joint Armed Services Committee

Co-Chairman

### Judiciary Committee

Vice-Chairman

### Resources Committee

### State Affairs Committee

### Legislative Council

### Rules Committee



## Senator John Coghill

Session Address:  
State Capitol, Room 119  
Juneau, AK 99801-1182  
(907) 465-3719  
Fax (907-465-3258

Interim Address:  
1292 Sadler Way, Suite 340  
Fairbanks, AK 99701  
(907) 451-2997  
Fax (907) 451-3526  
877-465-3719

[www.aksenate.org](http://www.aksenate.org)

## SPONSOR STATEMENT

### Health Care Sharing Ministry Not Insurance

Version H

Senate Bill 18 defines and exempts. It defines what health care sharing ministries are, and exempts them from the insurance statutes because they are charitable organizations. HCSMs are an alternative to federally-mandated insurance plans and are distinctly different from insurance:

- HCS is a payment arrangement for health care among persons of similar beliefs, administered by a not-for-profit organization.
- HCS is voluntary; there are no guarantees; this is not insurance.
- No HCSM participant is compelled by law to pay anyone's medical bills. They do not assume any risk and do not transfer risk through contracts.
- Participants are exempt from the individual mandate in the ACA. They do not have to purchase health insurance, and they will not be penalized for not purchasing it.

In addition, HCSMs seek to meet spiritual and emotional needs as a part of the sense of community which exists among participants, who pray for one another and send notes of encouragement.

Despite 375,000 individuals participating in HCSMs in all 50 states (including an estimated 3,400 Alaskans), overzealous insurance regulators occasionally attempt to subject HCSMs to the same requirements as insurance companies. It is impossible to meet such standards without destroying the voluntary, ministerial nature of these ministries. Because the ACA specifically exempts HCSM members from obtaining coverage, it seems appropriate for Alaska to join the majority of states in exempting HCSMs from insurance codes because HCSMs are not insurance.

**Senate Majority Leader**

# Alaska State Legislature

Joint Armed Services Committee

Co-Chairman

Judiciary Committee

Vice-Chairman

Resources Committee

State Affairs Committee

Legislative Council

Rules Committee



**Senator John Coghill**

Session Address:  
State Capitol, Room 119  
Juneau, AK 99801-1182  
(907) 465-3719  
Fax (907-465-3258

Interim Address:  
1292 Sadler Way, Suite 340  
Fairbanks, AK 99701  
(907) 451-2997  
Fax (907) 451-3526  
877-465-3719

[www.aksenate.org](http://www.aksenate.org)

## **Requested Witnesses**

**Health Care Sharing Ministry Not Insurance**

**Version H**

Joe Guarino, Government Affairs  
Alliance of Health Care Sharing Ministries  
Phone: 804-467-1880

Lori Wing-Heier, Division Director  
Department of Commerce, Community, and Economic Development  
Division of Insurance

The Language Exempting Members of Health Care Sharing Ministries  
From the Individual Responsibility Requirement  
Of the Patient Protection and Affordable Care Act

Public Law 111–148  
111th Congress

An Act  
Entitled The Patient Protection and Affordable Care Act.

**TITLE I**—QUALITY, AFFORDABLE HEALTH CARE FOR ALL AMERICANS

**Subtitle F**—Shared Responsibility for Health Care

**PART I**—INDIVIDUAL RESPONSIBILITY

**SEC. 1501.** REQUIREMENT TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

**(b) IN GENERAL.**—**Subtitle D of the Internal Revenue Code** of 1986 is amended by adding at the end the following new chapter:

“**CHAPTER 48**—MAINTENANCE OF MINIMUM ESSENTIAL COVERAGE

“Sec. 5000A. Requirement to maintain minimum essential coverage.

“**SEC. 5000A.** REQUIREMENT TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

“(d) **APPLICABLE INDIVIDUAL.**—For purposes of this section—

“(1) **IN GENERAL.**—The term ‘applicable individual’ means, with respect to any month, an individual other than an individual described in paragraph (2), (3), or (4).

“(2) **RELIGIOUS EXEMPTIONS.**—

“(A) **RELIGIOUS CONSCIENCE EXEMPTION.**—Such term shall not include any individual for any month if such individual has in effect an exemption under section 1311(d)(4)(H) of the Patient Protection and Affordable Care Act which certifies that such individual is a member of a recognized religious sect or division thereof described in section 1402(g)(1) and an adherent of established tenets or teachings of such sect or division as described in such section.

“(B) **HEALTH CARE SHARING MINISTRY.**—

“(i) **IN GENERAL.**—Such term shall not include any individual for any month if such individual is a member of a health care sharing ministry for the month.

“(ii) **HEALTH CARE SHARING MINISTRY.**—The term ‘health care sharing ministry’ means an organization—

“(I) which is described in section 501(c)(3) and is exempt from taxation under section 501(a),

“(II) members of which share a common set of ethical or religious beliefs and share medical expenses among members in accordance with those beliefs and without regard to the State in which a member resides or is employed,

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: SB 18  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB018-DCCED-DOI-02-13-15  
Title: HEALTH CARE SHARE MINISTRY NOT INSURANCE  
Sponsor: COGHILL  
Requester: (S) Health and Social Services

Department: Department of Commerce, Community and Economic Development  
Appropriation: Insurance Operations  
Allocation: Insurance Operations  
OMB Component Number: 354

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
---------------------------	--	--	--	--	--	--	--

**Estimated SUPPLEMENTAL (FY2015) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Not applicable, initial version.

Prepared By: Lori Wing-Heier  
Division: Division of Insurance  
Approved By: Catherine Reardon  
Agency: Division of Administrative Services

Phone: (907)465-2560  
Date: 02/13/2015 09:37 AM  
Date: 02/13/15

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. SB018

**Analysis**

SB 18 would exempt health care sharing ministries from regulation (Title 21) as an insurer.

This bill will not have an impact on the current organization or work load of the division, and there is no anticipated fiscal impact.

**Christie Jamieson**

---

**From:** Jordan Shilling  
**Sent:** Tuesday, February 17, 2015 9:37 AM  
**To:** Christie Jamieson  
**Subject:** HCSM article  
**Attachments:** Newspaper of the Archdiocese of Anchorage.pdf

Christie,

Yesterday, the Catholic Anchor published a fairly detailed analysis of SB 18 and HCSMs generally. I've formatted it and turned it into a .pdf (attached). This might be appropriate to include on BASIS and in members' packets. I'd be happy to deliver it to individual offices if you'd like.

Thanks,

**Jordan Shilling**  
Staff to Senator Coghill  
Phone: (907) 451-2997  
[@SenatorCoghill](mailto:JordanShilling@SenatorCoghill)

\* Lorie Wing-Heier  
Division of Insurance  
will be present  
today.

they see  
She said ~~there are~~ no  
problems w/ SB 18;  
the majority of the  
states are supporting  
these types of legislation;  
Exempting them from  
insurance; ~~the~~ fiscal  
note... this is for  
clarification of statutes  
and are allowed.

exempt

Present

\* Call Div  
on what

\* Find out if

here  
structure

# Catholic Anchor



Newspaper of the Archdiocese of Anchorage

---

## Legislation aims to free up faith-based health care options in Alaska

JENNIFER RANSOM / FEBRUARY 2015

Alaska Senate Majority Leader John Coghill (R – North Pole) has introduced a bill to exempt religious-based health care sharing ministries (HCSMs) from being regulated as health insurance in Alaska.

A distinctive and attractive aspect of HCSMs for many Catholics and non-Catholic Christians alike is that HCSMs are not subject to federal or state contraceptive or abortion mandates.

Senate Bill 18 would define HCSMs in the state, whereas now these ministries are ambiguous when it comes to state law. While not health insurance, membership in a HCSM satisfies the federal health care law's (Affordable Care Act) requirement that all individuals purchase health insurance or pay a penalty tax, via the act's penalty exemptions. HCSMs first came to Coghill's attention via his long-time affiliation and employment at Bible Baptist Church in Fairbanks and more recently via an article in a Rutherford Institute publication. HCSMs allow individuals of a common set of beliefs to share in health care costs via a "co-op" of sorts. After learning of the Affordable Care Act's penalty exemption for members of HCSMs the senator and

his staff did a little digging and found that while there was nothing preventing HCSMs from operating in Alaska, there was also nothing in place to protect these ministries from being treated like health insurance in an Alaska court of law.

“Our law is silent; nothing is quantified,” Coghill told the Catholic Anchor. “This is a good opportunity to solidify the definition of health care sharing ministries, to define it in Alaska.”

Both Samaritan Ministries International and Christian Care MediShare, which make up the Alliance of Health Care Sharing Ministries, have ministry members in Alaska. Each ministry provides health care cost sharing arrangements among Christians who have opted out of the insurance-based model of health care for a more personal, faith-driven approach to their own health care needs and that of sharing the cost of health care for others.

While based on the principle of shared burden bearing rooted in early Christianity, HSCMs’ modern-era roots date back to the 1960s’ Old Order Amish Church’s communal practice of shared medical costs. Nowadays, HCSMs have a pool of voluntary members who agree to pay a set monthly amount, called a “share,” to help members pay for medical expenses. Qualifying needs are published in a monthly newsletter; members without needs for that month are assigned a specific person to send their share to. Money, and usually prayers and letters, are sent directly from those who have a need and those who desire to share the burden of those expenses.

Samaritan Ministries International currently has more than 150,000 people participating in the ministry, with more than \$10 million available for needs each month. More than 350,000 people are served nationwide between the two ministries.

While members have a large portion of their medical costs covered by others willing to share, HSCMs are not insurance companies. There is no guarantee of payment, no risk assumed by a federally-regulated business — each month’s share payment is completely voluntary. Yet the Alliance of Health Care Sharing Ministries states that these ministries work because of the ecumenical sharing of not only the need but of the actual person who has the need; it makes Christian charity very tangible, both for the receiver and the recipient, who in turn could switch places the following month.

The health care sharing model has fiscal advantages as well; as high premiums, in-network provider limitations and increasingly large deductibles continue to frustrate many seeking health insurance. Because HCSMs are not-for-profit, membership shares are typically cheaper than for-profit health insurance. Share amounts depend on household types, with lower shares associated with singles, single-parent families and families with young parents (age 25 and younger).

This fall Samaritan Ministries International teamed with Christ Medicus Foundation to create the Catholic Living Health Care Ministry, or CMF CURO. CMF CURO is managed in compliance with Catholic moral teachings and the Ethical and Religious Directives of Catholic Health Care. CMF CURO Director Louis Brown was quoted in the National Catholic Register last October as stating that his group “will allow Catholics to practice their faith, utilize affordable access to health care for themselves and their family, protect religious liberty and the individual right of conscience and, most importantly, affirm the gospel of life.”

Monthly shares with CMF CURO are \$264 a month for individuals; a two-parent family’s share is \$489. Shares do not increase in HCSMs without a member vote. Qualified medical expenses between \$300 and \$250,000 are shared among members. Members are responsible for their first \$300 of their first three published needs, after that all published expenses are 100 percent shared. Medical costs greater than \$250,000 are shared through a separate SMI program, Save to Share, which all CMF CURO members are enrolled in. CMF CURO does not publish medical costs associated with procedures at odds with Church teaching, such as abortion or sterilization. Catholic members of CMF CURO must attend Mass regularly (at least three times a month) and all members — the ministry is available to non-Catholics as well — must pledge to abstain from sinful practices, such as sexual immorality, drug abuse, smoking tobacco — except for the occasional celebration smoke — and must either abstain from alcohol or from drinking to the point of drunkenness. A pastor or church leader must attest to the members’ adherence to these lifestyle choices in the form of a signed letter. CMF CURO is available in all 50 states.

If SB 18 passes, Alaska would be the 29th state to protect HCSMs from being regulated as an insurance provider. Coghill says he feels confident the bill will pass.

“When people help each other out they don’t need to be regulated,” said Coghill. “It’s not done under the business model of insurance ... unlike insurance, you’re taking some of the risk as an individual; it’s done by faith.”

## Health Care Sharing Ministries Should Not Be Subject to State Insurance Code Regulations

**THE ISSUE:** Participants of health care sharing ministries financially assist fellow participants with large medical expenses providing a result usually provided by health insurance. Due to their voluntary and ministerial nature, these ministries should be recognized in the insurance code as ministries and not as health insurance companies.

**HEALTH CARE SHARING MINISTRIES DEFINED:** A health care sharing ministry (HCSM) is a health-care cost-sharing arrangement among persons of similar and sincerely held beliefs, administered by a not-for-profit religious organization. Those sharing through HCSMs are called participants. The money sent by participants to other participants to help pay for their medical expenses is called a share. The sharing is accomplished through participants' monthly gifts directed to families in financial distress and not to an insurance reserve fund. In addition to addressing the financial needs of those facing health challenges, HCSMs also seek to help meet spiritual and emotional needs as a part of the sense of community which exists among participants.

- HCSMs take no government funding or grants.
- HCSMs are NOT insurance.
  - HCSMs do not assume any risk and do not use any contractual transfer of risk.
  - HCSMs engage in voluntary cooperative sharing and do not guarantee any payment of medical bills.
  - HCSMs have been exempted from the insurance codes in 28 states \*: AL, AZ, AR, FL, GA, ID, IL, IN, IA, KS, KY, LA, ME, MD, MI, MS, MO, NE, NH, NC, OK, PA, SD, TX, UT, VA, WA, and WI.
  - In *Barberton Rescue Mission v. Insurance Division of the Iowa Dept of Commerce* 586 N.W.2d 352 (Iowa S. Ct. 1998), the Iowa State Supreme Court affirmed that HCSMs are not insurance.
- HCSMs represent more than 250,000 individuals in all fifty states and internationally. \*
- HCSMs share more than \$200 million per year for health care costs. \*

The Alliance of Health Care Sharing Ministries represents some of the largest HCSMs in the nation.

**PROBLEM:** Overzealous insurance regulators occasionally attempt to subject HCSMs to the same requirements as insurance companies. It is impossible to meet such standards without destroying the voluntary, ministerial nature of these ministries. Fighting the regulators in court is extremely expensive and strains the finances of the HCSM participants who are already a financially stressed segment of the population. The uncertainty created by such litigation can also harm the functioning of the ministry.

**THE SOLUTION:** HCSMs are under the oversight and general regulation of both the Internal Revenue Service and each state's attorney general office since they are 501(c)(3) charities. They should not be subject to the additional requirements of the state insurance code, which should specifically recognize HCSMs as ministries and not insurance.

**REQUEST:** HCSMs request that each state explicitly recognize that "health care sharing ministries" are not insurance, and thus seek an **exemption from the insurance code**. Since HCSMs engage in voluntary sharing and not a contractual transfer of risk, they are not insurance. The public good would be served by explicitly acknowledging this through a specific exemption in the state's insurance code to avoid uncertainty and an unnecessary waste of legal expenses.

For more information, please contact the Alliance at the address below or by email at [info@healthcaresharing.org](mailto:info@healthcaresharing.org).

\* As of July 2014

The Language Exempting Members of Health Care Sharing Ministries  
From the Individual Responsibility Requirement  
Of the Patient Protection and Affordable Care Act

Public Law 111–148  
111th Congress

An Act  
Entitled The Patient Protection and Affordable Care Act.

TITLE I—QUALITY, AFFORDABLE HEALTH CARE FOR ALL AMERICANS

Subtitle F—Shared Responsibility for Health Care

PART I—INDIVIDUAL RESPONSIBILITY

**SEC. 1501.** REQUIREMENT TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

(b) IN GENERAL.—Subtitle D of the Internal Revenue Code of 1986 is amended by adding at the end the following new chapter:

“CHAPTER 48—MAINTENANCE OF MINIMUM ESSENTIAL COVERAGE

“Sec. 5000A. Requirement to maintain minimum essential coverage.

“SEC. 5000A. REQUIREMENT TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

“(d) APPLICABLE INDIVIDUAL.—For purposes of this section—

“(1) IN GENERAL.—The term ‘applicable individual’ means, with respect to any month, an individual other than an individual described in paragraph (2), (3), or (4).

“(2) RELIGIOUS EXEMPTIONS.—

“(A) RELIGIOUS CONSCIENCE EXEMPTION.—Such term shall not include any individual for any month if such individual has in effect an exemption under section 1311(d)(4)(H) of the Patient Protection and Affordable Care Act which certifies that such individual is a member of a recognized religious sect or division thereof described in section 1402(g)(1) and an adherent of established tenets or teachings of such sect or division as described in such section.

“(B) HEALTH CARE SHARING MINISTRY.—

“(i) IN GENERAL.—Such term shall not include any individual for any month if such individual is a member of a health care sharing ministry for the month.

“(ii) HEALTH CARE SHARING MINISTRY.—The term ‘health care sharing ministry’ means an organization—

“(I) which is described in section 501(c)(3) and is exempt from taxation under section 501(a),

“(II) members of which share a common set of ethical or religious beliefs and share medical expenses among members in accordance with those beliefs and without regard to the State in which a member resides or is employed,

“(III) members of which retain membership even after they develop a medical condition,

“(IV) which (or a predecessor of which) has been in existence at all times since December 31, 1999, and medical expenses of its members have been shared continuously and without interruption since at least December 31, 1999, and

“(V) which conducts an annual audit which is performed by an independent certified public accounting firm in accordance with generally accepted accounting principles and which is made available to the public upon request.

Found at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ148/pdf/PLAW-111publ148.pdf>