The Health Care Sharing Accreditation Board Standards

The Health Care Sharing Accreditation Board (HCSAB) standards lay out the ideal for how a health care sharing ministry (HCSM) should be operated. The central tenets of these standards are non-negotiable, as they address the very essence of what a healthy HCSM should be. A HCSM cannot violate a central tenet of health care sharing and still become or remain accredited.

The full standards describe best practices which a HCSM may execute imperfectly and still be an accredited organization. As we assess the workings of the HCSM in detail, we derive a picture of how well the ministry performs in key areas of nonprofit management and fiscal responsibility. The report which the HCSM receives will delineate deviations from the ideal for their use in improving management and operation. In some cases, the report will give an accredited organization a deadline to resolve crucial divergences from standard practices.

The Central Tenets of Health Care Sharing

Health Care Sharing Ministries exist to serve their members. If they are found to be operating in any way which is duplicitous to their members, they are violating their own existential basis. It is incumbent upon every HCSM to serve their members in a way that holds preeminent the trust which their members have committed to them.

- ☐ Health Care Sharing Ministries shall be organized and operated as a nonprofit legal entity. The ministry shall not be controlled, directly or indirectly, in part or in whole, by a for-profit organization.
- ☐ A Health Care Sharing Ministry facilitates the voluntary payment of certain medical expenses incurred by its members through payments by other members, all in accordance with methods and criteria adopted by the organization and agreed to by its members.
- ☐ Health Care Sharing is not insurance, and the ministries facilitating sharing must make that clear continually, such that every member will have multiple opportunities to be cognizant of the differences between insurance and health care sharing. Health Care Sharing provides no assumption of risk or promise to pay among the members or by the organization. HCSMs avoid the use of terms and phrases specific to health insurance (for example, “coverage,” “deductible,” “premium,” etc.) that, in context, could be a concern in that a member or prospective member could reasonably conclude that the ministry program promises to pay medical expenses or otherwise constitutes an insurance plan.
- ☐ It is vital that the HCSM declare these differences frequently and with clarity to ensure that each member and potential member understands that a health care sharing ministry operates on a different basis than health insurance. The HCSM will obtain on its membership application the written acknowledgment of the member that health care sharing is not insurance.
- ☐ Criteria for membership in the HCSM must be publicly available, clear, and easily accessible. HCSMs terminate membership only for a violation of their own guidelines and never because of a member’s medical condition or medical costs incurred.
- ☐ Criteria for which medical needs are eligible for sharing must be publicly available and up to date on the HCSM website.
- ☐ The HCSM shall have a governing board where a minimum of a 2/3 majority consisting of at least 5 board members is independent and unrelated to anyone with operational control or a financial interest in the ministry.
- ☐ The HCSM must annually have a licensed CPA firm conduct an audit of its financial statements in accordance with Generally Accepted Auditing Standards (GAAS), which verifies that its financial statements are fairly stated in accordance with Generally Accepted Accounting Principles (GAAP). The most recent audit must be made available, either publicly on the HCSM’s website or when requested by any person.

Extensive Standards of Best Practices for Health Care Sharing

1. Mission Statement.

1.1 The organization shall have a clear, written mission statement stating in substance that the organization facilitates the sharing of medical expenses as an exercise and expression of belief in God or other shared institutional beliefs and as a protection of conscience stemming from such beliefs. The HCSAB believes that Health Care Sharing works best when communities that share strongly held beliefs unite in helping each other. For Christians, it is as a response to Jesus' commandment to love our neighbor that Health Care Sharing Ministries exist. In evaluating each organization for accreditation, we read and evaluate its mission statement to see that it communicates strongly held beliefs as a foundation for sharing.

2. Legal Structure and Governance.

2.1 The organization shall be organized and operated as a nonprofit legal entity (e.g., a nonprofit corporation) that is described in section 501(c)(3) of the Internal Revenue Code.

Comment:
The HCSAB believes that each Health Care Sharing Organization needs to be a nonprofit organization as described in section 501(c)(3) of the Internal Revenue Code. We review each organization's Articles of Incorporation and IRS Determination Letter to see that it meets this standard.

2.1.1 The organization shall not be controlled, directly or indirectly, in part or in whole, by a for-profit organization.

Comment:
The HCSAB believes that to be an effective charitable organization, a Health Care Sharing Ministry needs to be independent of any for-profit organization. A for-profit organization seeks to serve its owners. We believe Health Care Sharing Ministries should exist to serve its members. In evaluating each organization, we conduct due diligence on an organization's related entities and do further research for evidence that the organization is influenced by a for-profit organization.

2.2 The organization (or a predecessor) has been in existence and continuously shared medical expenses of its members 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 or the organization demonstrates longevity and reliability through the uninterrupted, faithful sharing of all eligible medical bills, preferably for at least ten years.

Comment:
To verify this, we review the organization's certification from the Department of Health and Human Services.

2.3 The organization shall have an independent governing board consisting of at least five members.

Comment:
A failure in governance is the most common reason that a Health Care Sharing Ministry fails or is involved in a scandal. The HCSAB believes that to have effective governance, the organization needs to have a Board of Directors that is comprised of at least 5 individuals, of which a majority are not related to any other board member, are not part of the organization's management, and are not related to any member of the organization's management. To effectively govern, the Board of Directors needs to meet a minimum of twice a year. We believe a Board of Directors which meets these standards is needed to maintain appropriate accountability for achieving the ministry's mission of serving its members.

In evaluating each organization, we review the organization's Bylaws to determine the structure and size of the organization's Board of Directors. We also review Part VII of the organization's Form 990, where the members of its Board of Directors are listed. Further, we review minutes of the Board of Directors to evaluate compliance.

2.3.1 The governing board of the organization shall include a majority of members being independent from each other and from the organization's management.

Comment:
We review appropriate parts of the organization's Form 990 where the independence of Board Members is described.

2.3.2 The governing board of the organization includes directors with experience and knowledge relevant to the operation of the organization, and the ministry provides continuing education to the board.

Comment:
It is desirable that the board of a HCSM has varied expertise in order to provide adequate oversight to the organization, and that regular education on the requirements of a non-profit director is provided to those directors. During site visits, information on the background of each board member is obtained and used to evaluate the variability of experience among the board members.

2.3.3 The governing board shall meet regularly (and at least twice per year) to review and provide direction regarding the performance, activities, policies and plans of the organization.

Comment:
In evaluating each organization, we review board minutes to verify that its governing board meets at least twice a year. Board of Directors meeting minutes also substantiate meeting content.

2.4. As required by the Sarbanes Oxley Act, the organization has a documented whistleblower policy that prohibits a broad range of retaliatory adverse employment actions, including discharging, demoting, suspending, threatening, harassing, or in any other manner discriminating against a whistleblower.

Comment:
We review the whistleblower policy of each applying organization to look at whether it provides ample protection for employees and other stakeholders who might raise internal concerns of note. We additionally look for any published allegations related to the HCSM's lack of adherence to the stated policy.

3. <u>Financial Management</u>.

The organization shall rigorously manage its financial operations, striving to implement best practices for budgeting and financial management, including:

Comment:
The most common effect of poor organization governance is financial weakness. There are Health Care Sharing Ministries that have gone into bankruptcy. That usually has a severe financial impact on the ministry's members. For that reason, we want each accredited Health Care Sharing Ministry to rigorously manage its financial operations. A proper audit by an independent CPA firm gives the Board of Directors, membership and interested public, the appropriate information for evaluating the financial condition of the ministry. But even more, the members of the Board should receive frequent financial reports from management that evaluate the organization's actual financial results against a budget approved by the Board.

While wanting it to maximize its benefits to its members, we also want each HCSM to have adequate financial reserves to continue its ministry in times of economic downturn. For that reason, we evaluate its administrative financial reserves and measure how long it can operate if income is reduced.

3.1 The organization shall engage an independent certified public accountant to audit its financial statements annually in accordance with generally accepted accounting principles;

Comment:
We review the latest audited financial statements to determine that the organization complies with this requirement.

3.2 The governing board shall communicate regularly with management and, when appropriate, with the organization's independent certified public accountant, regarding any material deficiencies or risks in the organization's financial management or operations;

Comment:
We review the latest management letter from the auditors to determine that the organization complies with this requirement. We also review the board minutes to verify this and other compliance requirements in our standards.

Using the audited financial statements, we also evaluate the extent to which the organization has financial reserves that would enable it to survive and continue serving its members in an economic downturn.

3.3 The organization shall institute separation of duties practices in the receipt and disbursement of all administrative funds and funds used for sharing medical expenses as established by GAAP and GAAS standards;

Comment:
We review the latest management letter from the auditors to determine that the organization complies with this requirement. We also rely on the attestation of the organization that it complies with this requirement. In addition, during site visits, we interview members of the accounting staff to evaluate their duties in relation to appropriate separation of duties.

3.4 The organization maintains PCI and/or NACHA compliance if it accepts credit card payments and/or ACH payments for any reason.

Comment:
Protecting the financial data of members is an important commitment for HCSMs. We expect accredited organizations to practice industry-accepted standards for protection of payment receipts.

4. Compensation.

The organization shall establish and maintain appropriate and reasonable compensation amounts that do not exceed comparable market values for all senior management and Board of Directors positions.

Comment:
We believe a Health Care Sharing Ministry exists to serve its members, not its leadership and staff. In saying this, we recognize and believe each staff member should be appropriately compensated. To accomplish that, we believe in setting the compensation of the organization's senior leadership, the board or a committee of the board, entirely made up of independent Board members, should obtain reliable comparability data for the positions for which compensation is set, evaluate that data taking into account the experience, education, skills, responsibility and performance of the person, and contemporaneously document its decisions on compensation including reasons for choosing the compensation level it chose.

To evaluate a ministry's compliance with this requirement, we review Parts VI and VII in the organization's latest Form 990 to evaluate the compensation paid for appropriateness and reasonableness and to evaluate the methodology used to establish compensation of the executive leadership.

5. Conflicts of Interest and Related Party Transactions.

5.1 The organization shall adopt and maintain a model policy for contracting with vendors who may provide essential functions of the organization, which assures arms-length negotiations, manages conflicts of interest, achieves competitive procurement, and establishes a transparent vetting and selection process. Such policy, at a minimum, shall include the following:

Comment:
Related party transactions are those that occur when a person or organization with ties to the ministry has an interest in forwarding the work of the Health Care Sharing Ministry, but also has a competing interest, usually financial. We believe such transactions need to clearly provide economic benefit to the ministry. Related party transactions that benefit the individual over the benefit to the ministry reduce the effectiveness of the ministry, and usually lead to the downfall of the organization.

5.2 Any transaction between the organization and any member of the organization's governing board or management (including any related person or organization) must be approved by independent members of the governing board based on a determination that the terms are fair and reasonable to, and in the best interests of, the organization; The Board may set a dollar amount below which the management can approve transactions that is reflected in an adopted policy (i.e. transactions less than $10,000 in a larger or organization or $1,000 in smaller ministries.)

Comment:
We review the organization's conflict of interest policy to see that it complies with this requirement. We also review Part VI of the organization's Form 990 to evaluate its compliance. Board of Directors minutes are examined for any discussion of a conflicting matter.

5.3 The organization maintains a code of conduct for staff, management and directors that includes a requirement to report real or apparent conflicts of interest and related party transactions.

Comment:
Guarding against conflicts of interest and self-dealing is a longstanding expectation for not-for-profit organizations. We review reporting policies to make sure that reasonable guidelines and transparent reporting are present.

6. Health Care Sharing Ministry Practices.

The organization shall operate a health care sharing ministry that:

6.1 Facilitates the voluntary payment of certain medical expenses incurred by its members through payments by other members, all in accordance with methods and criteria adopted by the organization or its members.

> **Comment:**
> Health Care Sharing Ministries (HCSMs) are mechanisms for people of faith to share in larger medical bills among a community. It is important that the membership is both voluntary and that the methodology is understandable, and communicated through understood guidelines to members.

6.2 Has guidelines which include methods and criteria for sharing under 6.1 with respect to:

6.2.1 Expenses that are eligible for sharing, including those expenses for conditions that predate enrollment;

> **Comment:**
> HCSMs have variable specifics around what needs they share. We examine the guidelines and make sure that what is shared among the members, and what is not, is clearly communicated. It's especially important that what is communicated concerning preexisting conditions and medical bills that began before enrollment in the HCSM are understood by prospective members.

6.2.2 Categories of expenses that are not eligible for sharing;

> **Comment:**
> Some groups have broad categories of expenses (dental needs, for example, are often not shared in an HCSM), and we make sure those categorical ineligibilities are clearly outlined in the guidelines.

6.2.3 Timing and methods for membership contributions, including the percent of contributions which are set aside for the cost of facilitating the sharing of expenses;

Comment:
We review the organization's membership guidelines to make sure there is a level of transparency around where the members' dollars are being spent. We independently figure the percentage of share dollars that go to the sharing of medical bills vs. operating the ministry and compare that to industry trends.

6.2.4 Timely submission and methods for members to have expenses shared by other members, including timelines for processing sharing requests and communicating about the status of those requests;

Comment:
We review the organization's guidelines and member communications to make sure the sharing process, with respect to how long it takes, is outlined reasonably.

6.2.5 Member financial participation thresholds, including different types of membership, and conditions under which the ministry recognizes members who have withdrawn themselves from membership by not sharing;

Comment:
We review the organization's guidelines and website to make sure there is an easy-to-understand structure for determining each member's monthly costs, for both administration and sharing in needs of others.

6.2.6 Dispute resolution and appeals processes;

Comment:
We require each applying organization to have a detailed appeals process for resolving member complaints concerning denied medical expense reimbursements. To evaluate the process, we do spot checks of online comments found through random searches on the internet related to the organization.

6.2.7 Procedures for amending the guidelines, including procedures that involve member participation or input;

Comment:
Organizational guidelines are not permanent. We review the procedures for amending those guidelines. We inquire about how much input members have in those changes and note the input or lack thereof in our overall evaluation.

6.2.8 Description of how the sharing procedures interact with any other methods members may have for paying medical expenses (such as an insurance plan or government program);

Comment:
HCMSs will accept members who have other mechanisms for payment in addition to their membership in the HCSM. It's crucial that how those other payers interact with the HCSM sharing process is understandable within the guidelines and other member communications. We review those communications for clarity and consistency.

6.2.9 Procedures for changing suggested contribution amounts;

Comment:
As noted in 6.2.3 and 6.2.5 above, there needs to be clear communication around the share amount and how the dollars are used. We also review what the process is for those monthly contribution amounts changing in the future and how that is communicated to the members before and after a change.

6.2.10 Definition of common terms used in the guidelines;

Comment:
We review the glossary of terms in the organization's membership guidelines and look for terms that are confusing, that may be missing or definitions that are ambiguous.

6.3 Establishes regular contribution amounts for its members, according to procedures described in the guidelines;

> **Comment:**
> This is partially redundant with 6.2.3 and 6.2.5, but this is also communicated in other ways than in the member guidelines. We review the clarity for members and potential members on what expected costs are.

6.4 Provides no assumption of risk or promise to pay among the members or by the organization;

> **Comment:**
> HCSMs need to clearly differentiate their services from an insurance product. The safe harbor laws under which they're exempted from regulations all require a clear disclaimer of such. We review communication materials and guidelines for both explicit statements around assumption of risk or promise to pay and for language that might imply otherwise.

6.5 Accepts only members who share beliefs based on biblical principles and other religious beliefs, as demonstrated through an attestation to a written statement of such beliefs.

> **Comment:**
> HCSMs are, in their nature, religious organizations with members utilizing them to practice their faith in a practical way. Each organization must have a clear statement of faith that members agree to as a part of the membership or enrollment application process.

6.6 Provides monthly to all members or on its public website:

6.6.1 The prior 12-month average number of days between when the member submitted eligible medical expenses and when they were shared.

6.6.2 The total amount of the eligible medical expenses that were shared by the organization or its members during the prior 12 months;

6.6.3 The total dollar amount of eligible expenses submitted by the members to the ministry in the prior 12 months that have not yet been shared, either by the organization or its members, due to insufficient funds;

6.6.4 The total amount of regular contributions referred to in 6.3 made by members during the prior 12 months;

Comment:
We review the organizations' websites and communications to verify that not only are the processes above in 6.1-6.5 in place, but that there is transparent communication around the sharing process and where there are surpluses and shortfalls.

6.7 Members of the organization retain membership even after they develop a medical condition;

Comment:
We will not accredit an organization that drops members based on health. All organizations need to clearly document that they retain members irrespective of the member's health and medical bills submitted.

6.8 Provides on or accompanying all applications and guideline materials distributed by or on behalf of the organization, the following statements (in substance):

6.8.1. The health care sharing ministry is not an insurance company, nor is it offered through an insurance company;

6.8.2. Whether anyone chooses to assist a member with the member's medical bills will be totally voluntary, as neither the ministry nor any other member will be legally obligated to contribute toward such member's medical bills;

6.8.3. The health care sharing ministry should never be considered to be health insurance;

6.8.4. Whether a member receives any payments for medical expenses and whether or not the health care sharing ministry continues to operate, the member is always personally responsible for the payment of the member's own medical bills;

Comment:
Clear disclaimers as to the non-insurance status of HCSMs are required. We review the disclaimers and ensure that they are prominent on the websites of the organization as well as in communications with members and prospective members. We make sure that the disclaimers, in addition to being easily visible, include each of the four components above in 6.8.1-4.

6.9 Requires each person who is authorized to solicit applications for membership, assist potential members in the application process, or enroll new members, to explain the following to each prospective member. In addition, each HCSM must monitor each such authorized person to ensure their compliance with these requirements:

> **Comment:**
> Some organizations contract out enrollment and marketing to third parties. We require that in those cases, the organization document the training of those contracted agents around the differences between HCSMs and insurance, and that the application process still includes prospective members seeing and acknowledging the important communication around the disclaimers in 6.8. We review this as part of the accreditation process.

6.9.1 How the health care sharing ministry differs from health insurance;

6.9.2 That each member of the health care sharing ministry must expressly acknowledge and agree that neither the organization nor any other member is assuming any legal obligation or risk, or providing any guarantee, to pay any of such member's medical expenses;

6.9.3 That the member shall remain solely liable for such member's medical expenses;

6.10 Authorizes a person to solicit applications for membership, or to assist potential members in the application process, only after such person has completed an initial and ongoing training program regarding the foregoing requirements, including:[1]

6.10.1 How a health care sharing ministry differs from health insurance;

6.10.2 The passage of a certification test administered by the organization verifying that the person understands such requirements.

[1]This standard is not to suggest a position on the use of licensed insurance agents/producers but rather that, if used, these safeguards must be applied.

6.10.3 Attested that the person understands, in soliciting applications on behalf of the ministry, the person is representing a religious organization and agrees that, in the course of such solicitation, the person will not make any statement or representation that contradicts or diminishes the religious beliefs held by the organization as described in Section 1.

> **Comment:**
> With HCSMs who utilize outside contractors or agents to enroll new members, we also review the training materials and processes to ensure they include the three criteria above as a protection against miscommunication to prospective members.

6.11 The organization obtains written acknowledgment from a prospective member, at the time of enrollment, that the prospective member has:

6.11.1 Read and agreed to the sharing guidelines governing the ministry;

6.11.2 Acknowledged the disclosures required in 6.9;

> **Comment:**
> Each member of a HCSM has to acknowledge reading both the governing guidelines and the disclosures that clearly differentiate HCSMs from Insurance. We look at the application process to make sure the enrolling members are assenting to having seen both.

6.12 Avoids the use of terms and phrases specific to health insurance that, in context, could create a material risk that an informed member or prospective member could reasonably conclude that the ministry program promises to pay medical expenses or otherwise constitutes an insurance plan.

> **Comment:**
> In the past, unaccredited HCSMs have borrowed terms from the insurance industry and utilized them in their materials, adding to potential confusion between the ministerial nature of an HCSM and an insurance product. We require that accredited organizations avoid use of terms like “cover” or “deductible,” which may be somewhat analogous but add to confusion around the fact that HCSMs lack specific consumer protections that come with regulated health insurance.

6.13 Ensures that the ratio of 6.6.2 to 6.6.4 is reasonable and appropriate, and that member contributions are used primarily to share in medical expenses, with a goal of at least 80%, while considering lower ratios due to certain ministry-specific factors such as size, periods of growth requiring significant infrastructure investment, or business model (such as aggressive bill negotiation, charitable contributions or advanced program features), if fully disclosed to members.

> **Comment:**
> We examine the trend around the ratio of needs met to total member dollars sent through HCSMs. We evaluate them based on the age of the organization and its membership size. In cases where the ratio is less than 80% of the dollars going to meeting member health needs, we require an explanation of long-term plans to achieve 80% as well as a proven trend in that direction.

6.14 Determines the eligibility of medical expenses submitted by its members for sharing and facilitates the voluntary payment of 90% of qualified medical expenses through payments by other members within 90 days.

> **Comment:**
> We examine not just the structure of expected sharing processes, but actual performance among the members as well as the time it takes. HCSMs report as a part of the accreditation process, the average time that it takes from member submission of an expense that meets sharing guidelines to members receiving help, with a goal of 90% of needs met within 90 days.

6.15 In the course of their membership solicitation activity, does not use false or misleading statements about other accredited Health Care Sharing Ministries to other persons or entities.

> **Comment:**
> Part of our mission is to provide some solidarity between the well-run and healthy organizations in the health care sharing space. We examine how the organizations speak of the others who are providing similar, faith-based charitable services and examine their communications for accuracy. We also look at public statements made by HCSM leaders when we come across them in our work.

6.16 The organization has appropriate protections in place to protect its members' data from intrusion, including member personally identifiable information and images, the organization has adopted privacy policies, a Stewardship of Data Agreement (SODA), and a response plan for a data breach.

Comment:
Member privacy is important for the continuing sound operation of HCSMs. We review their privacy policies, their Stewardship of Data Agreements (SODAs), and their data breach response plans for thoroughness.

6.17 Does not require members who have a conscience objection to accept government aid to pay a medical expense otherwise shareable under that ministry's guidelines.

Comment:
HCSMs are not a replacement for the government safety net, but there are religious groups that have religious exceptions to public programs, including some sects that have been exempted from the Social Security tax. Accredited ministries are expected to share bills for members who might qualify for a safety net program but who choose not to avail themselves of it for conscience reasons.

6.18 Explains to any employer providing the health care sharing ministry membership as an option for its employees that the health care sharing ministry is not health insurance and that providing this option does not satisfy legal requirements pertaining to the provision of health insurance, and obtains written acknowledgment of the disclosures required under 6.9;

Comment:
There have been churches and religious educational institutions that have provided HCSM membership instead of group insurance. We make sure that in those cases, the communication between the HCSM and the employer includes the proper requirements for disclosure to their employees. Each employee is also treated by HCSMs as an individual member with all of the other required communications under the rest of section 6.

6.19 The organization regularly educates its members on matters of health, healthy living, how to properly interact with medical personnel and providers, and how to navigate the healthcare system.

Comment:
HCSMs have a great opportunity to educate and improve their members' lives and to help them be healthy and navigate the healthcare system to achieve the best results.

7. Public Disclosures (Required and Voluntary).

7.1 The organization publishes its up-to-date sharing guidelines on its public website;

Comment:
We believe the information on a ministry's website needs to accurately communicate its policies, application process, and service delivery process.

We review the organization's public website in detail to see that all the information on the website is congruent with the organization's responses to all the standards. Any deviance is reviewed with the organization, and accreditation is not provided until any misinformation on the website is corrected.

7.2 The organization shall provide by mail or email a copy of its audited annual financial statements upon written request, or shall post such statements on the organization's website;

Comment:
We believe HCSMs should be transparent in their financial operations and willing to communicate them to the general public. This includes both its audited financial statements and its Form 990.

We review the organization's website and Part VI of its Form 990 to evaluate compliance with this requirement. We also review the audited financial statements, the Auditor's Management letter, and the minutes of the Audit Committee of the board of directors.

7.3 The organization completes and makes available upon request Form 990 for the last 3 years or the same information in a non-990 document if the organization is not required to file Form 990.

Comment:
Again, to further public transparency, we want to see each HCSM make its past 3 Form 990s available to the public. We review the organization's website and Part VI of its Form 990 to evaluate compliance with this requirement. If a ministry is exempt from preparing a Form 990, we request that it provide the same information in a document of some form. Even when not required to file a Form 990, many nonprofit organizations prepare a Form 990 to make the information available to grant providers, current and potential members, and the general public.

7.4 The organization has policies and procedures in place to ensure a timely and appropriate response to inquiries or requirements of all government entities.

Comment:
Public transparency also requires appropriate interaction with legislatures, regulatory bodies and courts. This requirement does not mean that an organization's response won't be to assert religious liberty to government overreach, but we expect the method and timing of responses to be courteous and helpful to these bodies.