EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

92ND PUBLIC POLICY FORUM
MAY 11, 2023

AGENDA

11:00 a.m. — **Welcome**

11:05 a.m. — **An Update From the Employee Benefits Security Administration**

11:25 a.m. — **Caregiving and Retirement Confidence**

11:40 a.m. — **Caregiving and Financial Security**

12:30 p.m. — **Lunch**

1:30 p.m. — **The Tax Efficiency of Employment-Based Health Benefits**

1:40 p.m. — **The Value of the Employment-Based Health Benefits System**

2:40 p.m. — **Refreshment Break**

3:00 p.m. — **Pop-Up Talks**

3:30 p.m. — **SECURE Acts: Moving From 1.0 to 2.0**

4:20 p.m. — **Closing Remarks and Wrap-Up**

THANK YOU, PUBLIC POLICY ADVISORY COMMITTEE!

Chair, PPAC: **Melissa Kahn**, State Street Global Advisors

Reagan Anderson, American Funds/Capital Group
Meenu Annamalai, T. Rowe Price
Ben Barasky, Vanguard
Rhonda Berg, Mercer
Nicky Brown, HealthEquity, Inc.
Chris Byrd, WEX Health
Rob Capone, Legal & General Investment Management America
Kathryn Carleson, HealthEquity, Inc.
Drew Carrington, Franklin Templeton
Kelsey Chin, Millennium Trust Company
David Cruz, New York Life
Liz Davidson, Financial Finesse, Inc.

Mark Dennis, Financial Finesse, Inc.
John Desser, HealthEquity, Inc.
Jody Dietel, HealthEquity, Inc.
Michael Doshier, T. Rowe Price
Jillian Enoch, Fidelity
Jennifer Flodin, Mercer
Josh Freely, TIAA
Fiona Greig, Vanguard
Laura Grogan-O'Mara, Bank of America
Kris Haltmeyer, Blue Cross Blue Shield Association
Brett Hammond, Capital Group
Bob Holcomb, Empower Retirement
Sarah Holden, Investment Company Institute

Kirsten Hunter, Fidelity Investments
Marla Kreindler, Morgan, Lewis & Bockiu LLP
Lisa Margeson, Bank of America
Geoff Manville, Mercer
J.D. Piro, Aon
Aliya Robinson, T. Rowe Price
Jennifer Shapiro, New York Life
Chantel Sheaks, U.S. Chamber of Commerce
Christopher T. Stephen, National Rural Electric Cooperative Association
Todd Taylor, New York Life
Liz Varley, Ameriprise Financial
Pete Welsh, Millennium Trust

AN UPDATE FROM THE EMPLOYEE BENEFITS SECURITY ADMINISTRATION

Lisa M. Gomez,
Assistant Secretary for the Employee Benefits Security Administration, Department of Labor

EBRI

Retirement Confidence Survey Caregivers

Craig Copeland, Ph.D.

Employee Benefit Research Institute

2023 RCS Overview

33rd Annual Retirement Confidence Survey (RCS)

- The RCS is the longest-running survey of its kind, measuring worker and retiree confidence about retirement, and is conducted by the Employee Benefit Research Institute (EBRI) and Greenwald Research.

- The 2023 survey of 2,537 Americans was conducted online January 5 through February 2, 2023. All respondents were ages 25 or older. The survey included 1,320 workers and 1,217 retirees – this year included an oversample of 944 completed surveys among caregivers (598 workers and 346 retirees).

- Data were weighted by age, sex, caregiver status, household income and race/ethnicity. Unweighted sample sizes are noted on the figures to provide information for margin of error estimates. The margin of error would be ± 2.8 percentage points for workers, ± 2.9 retirees, and ± 3.3 for caregiver respondents in a similarly-sized random sample.

- Please note percentages in the following tables and charts may not total to 100 due to rounding and/or missing categories. Any trend changes or differences in subgroups noted in text are statistically significant.

Source: 2023 Retirement Confidence Survey.

2023 RCS Sponsors

EBRI and Greenwald would like to thank the 2023 RCS sponsors who helped shape this year's survey.

American Funds / Capital Group	Mercer
Bank of America	Mutual of America
BlackRock	Nationwide
Columbia Threadneedle Investments	NEFE
Empower	New York Life
Fidelity Investments	PGIM
FINRA	PIMCO
Jackson National	Principal Financial Group
J.P. Morgan Chase & Co	T. Rowe Price

Source: 2023 Retirement Confidence Survey.

Who are caregivers? Who have they provided care for in the last 12 months?

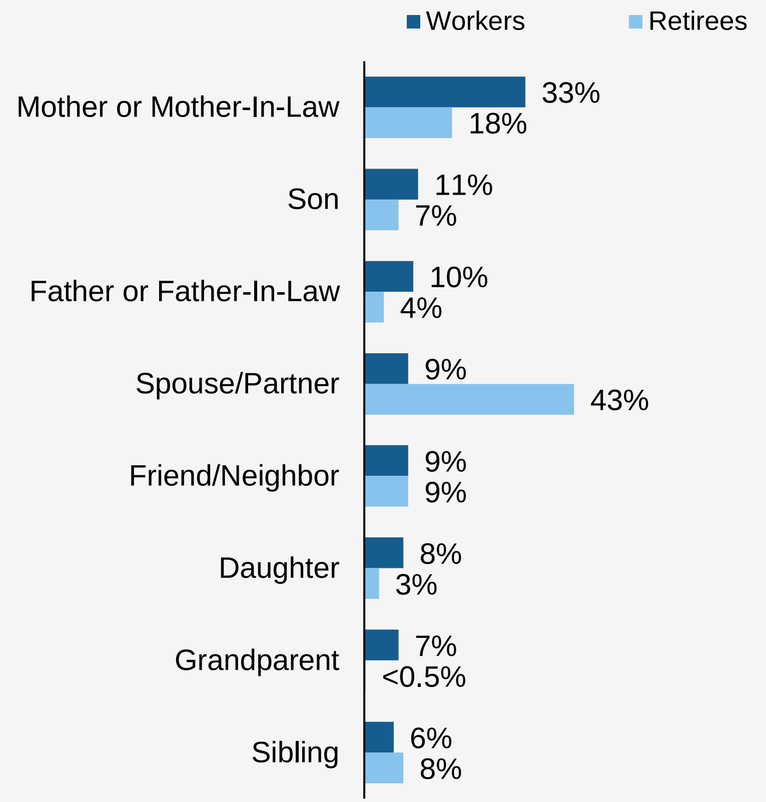
21%
Report Being Caregivers

RCS defines caregivers as those who provided unpaid care for an adult and/or child within the last 12 months in a non-institutional setting and helped their care recipient with ***at least one activity of daily living***.

Caregiver Characteristics
(Compared with non-caregivers)

More likely to be (have):	Less likely to be (have):
Ages 35-44	75 or older
Female	
Hispanic	White
Household incomes less than $150,000	
Less than $500 in savings	$500,000 or more in savings
A problem with debt	

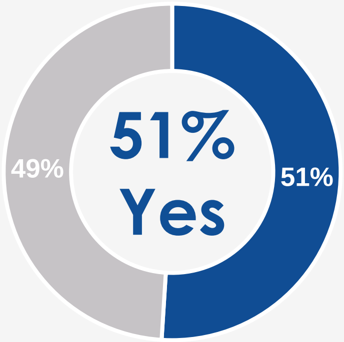
Who is the individual you provided the most care for in the past 12 months? Please select one relationship.
Caregiver; Workers n=598, Retirees n=346



Source: 2023 Retirement Confidence Survey.

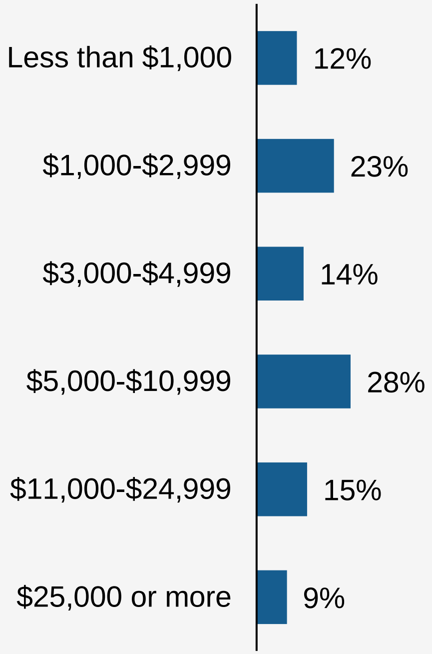
Caregivers Financial Support to Care Recipients

Do you provide financial support to your (Care Recipient)? n=944

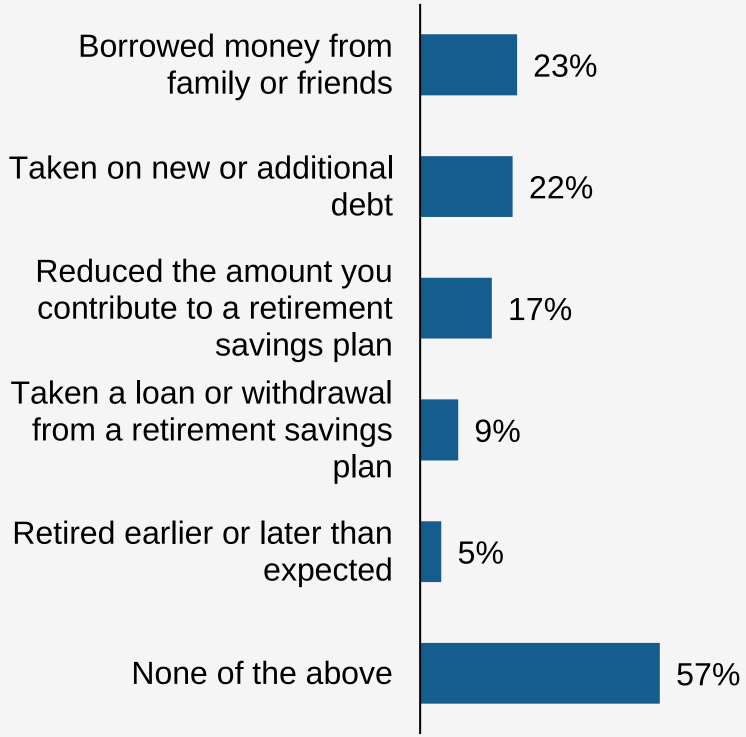


Approximately how much financial support have you provided in the past 12 months?

Caregiver who provides financial support to recipient; n=382



Have you done any of the following as a result of being an unpaid caregiver for your (Care Recipient)? Please select all that apply. n=944



Figures and n-sizes presented exclude those who answered ‘Don’t know’

Source: 2023 Retirement Confidence Survey.

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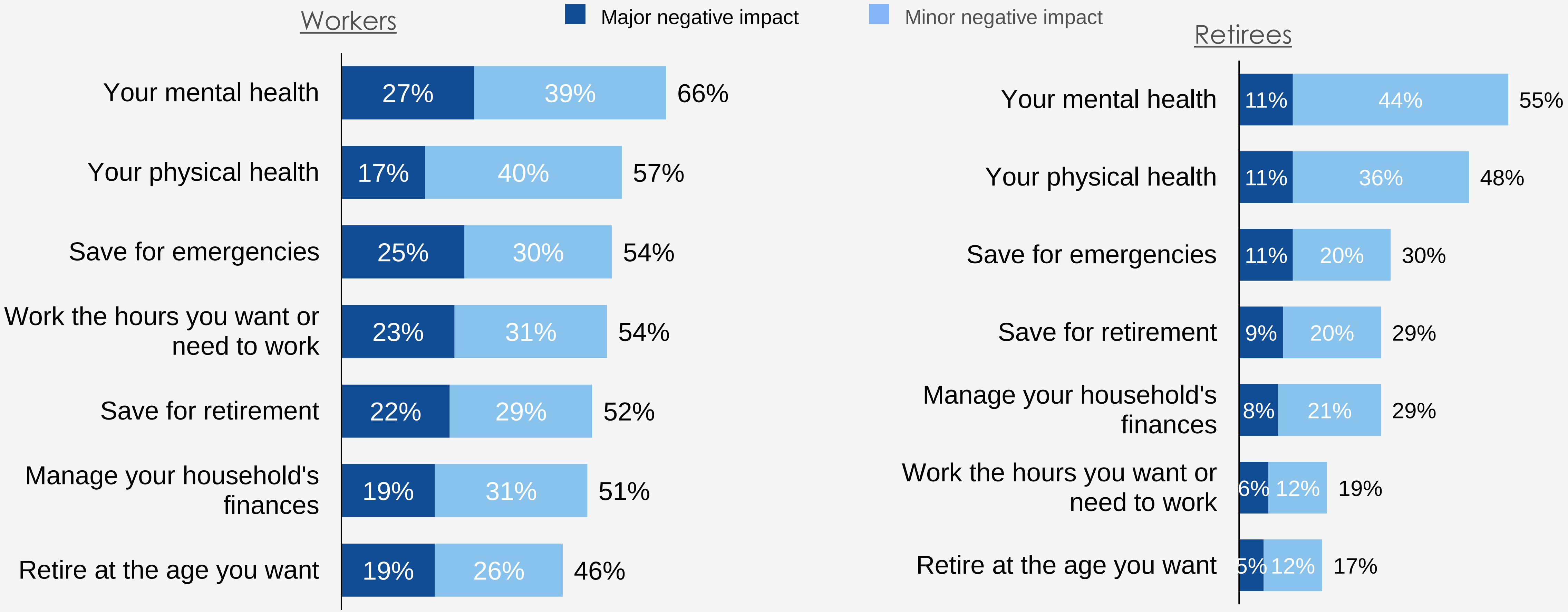
Impact on Physical, Mental and Financial Health on Caregivers

To what extent has your role and responsibilities as an unpaid caregiver had a negative impact on your ability to do the following?
Caregiver; Workers n=598, Retirees n=346



Source: 2023 Retirement Confidence Survey.

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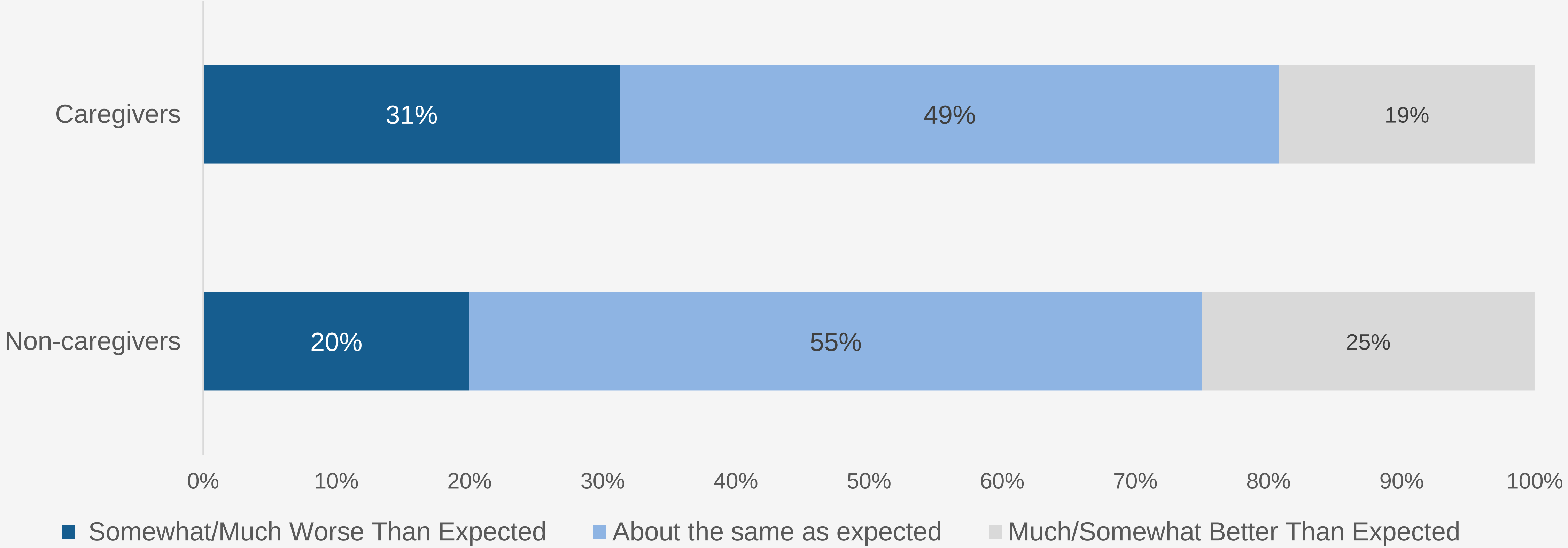
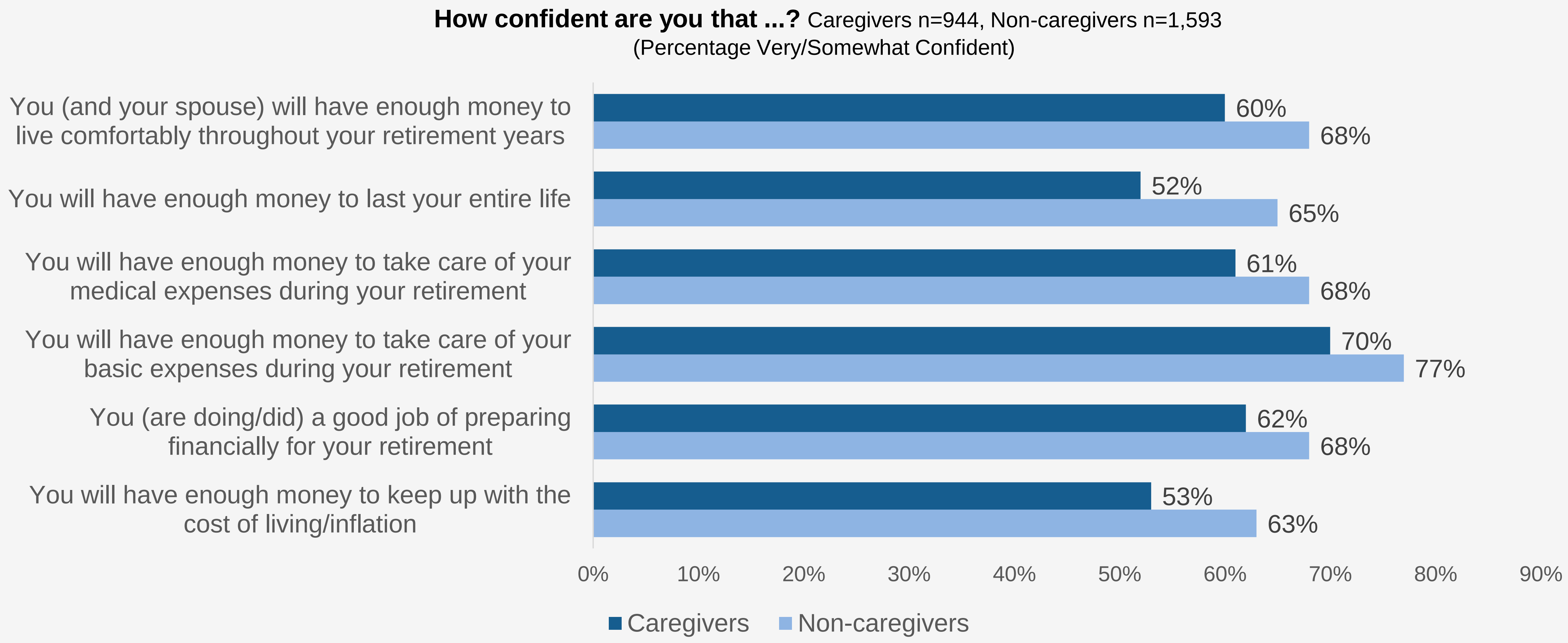
Impact of Caregiving on Retiree Lifestyle

How does your overall lifestyle in retirement now compare to how you expected it to be before you retired? For example, are you traveling, spending time with family, or volunteering as much as you expected?
Retirees: Caregivers n=346, Non-caregivers n=871



Source: 2023 Retirement Confidence Survey.

Caregiving Impact on Overall Retirement Confidence and Other Aspects of Retirement



Source: 2023 Retirement Confidence Survey.

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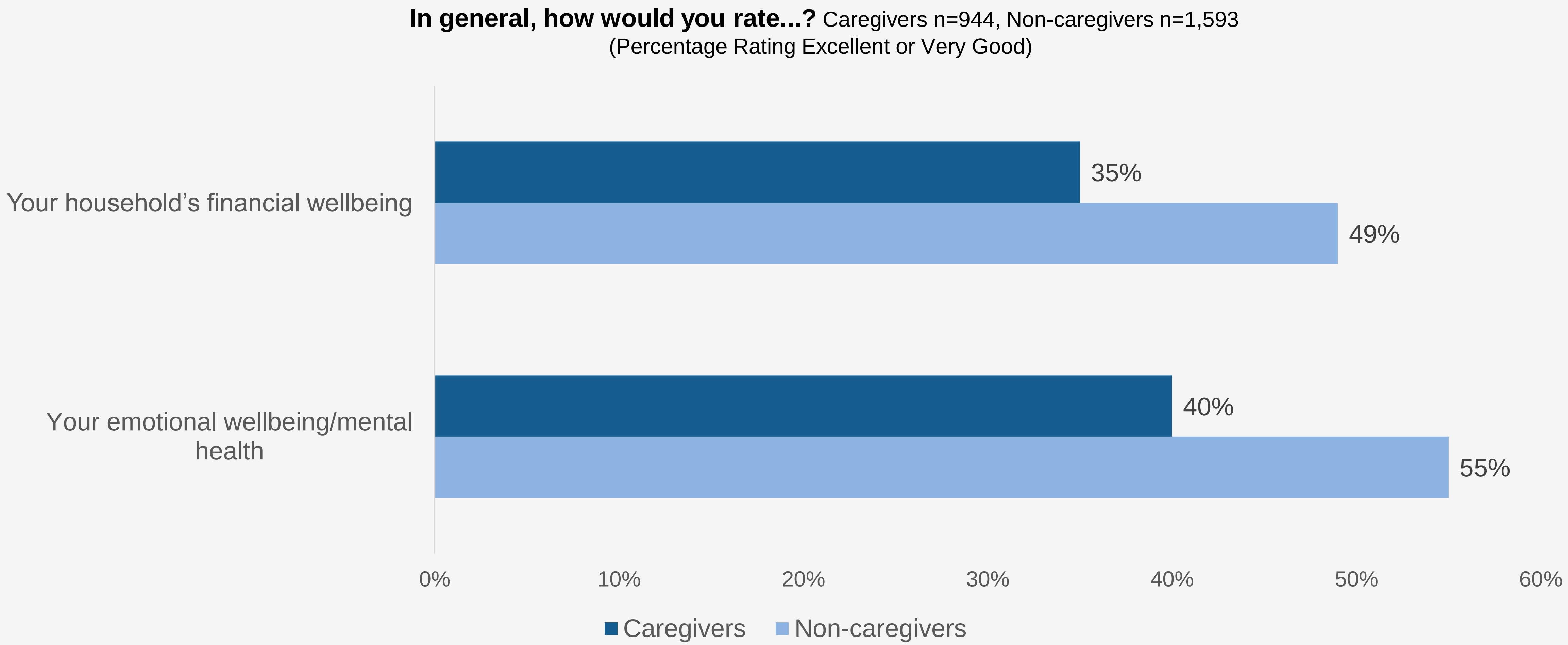
Caregiving Wellbeing Compared With Non-caregivers



Source: 2023 Retirement Confidence Survey.

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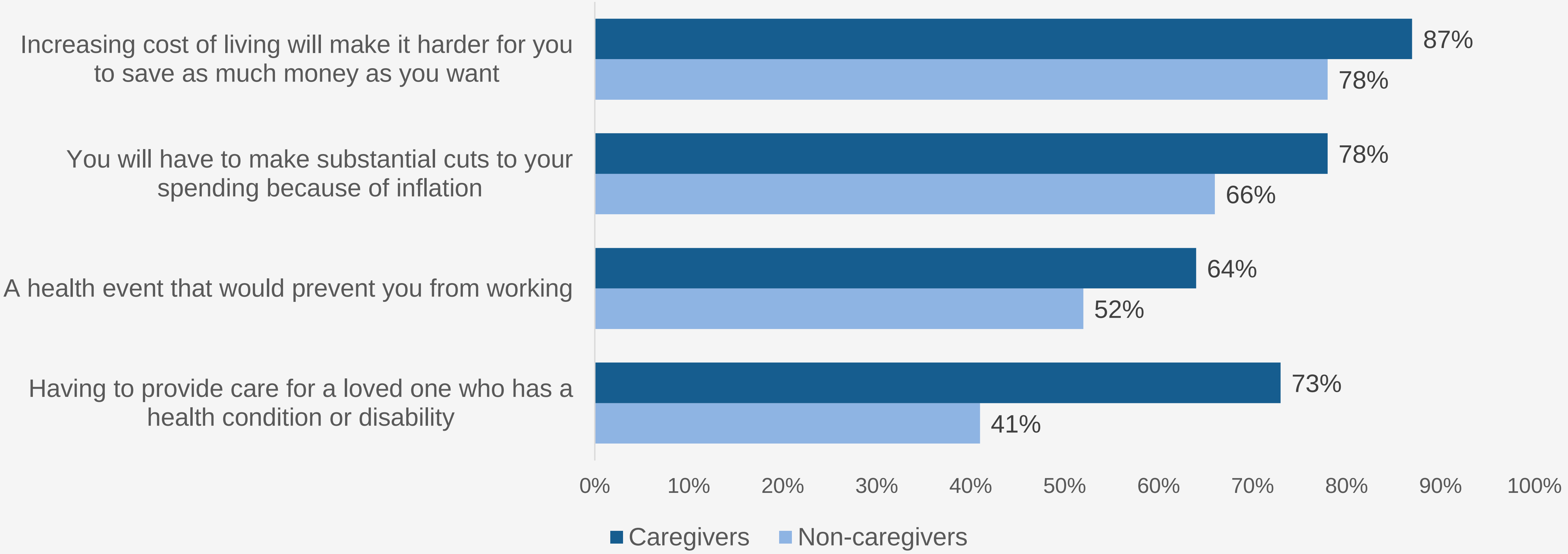
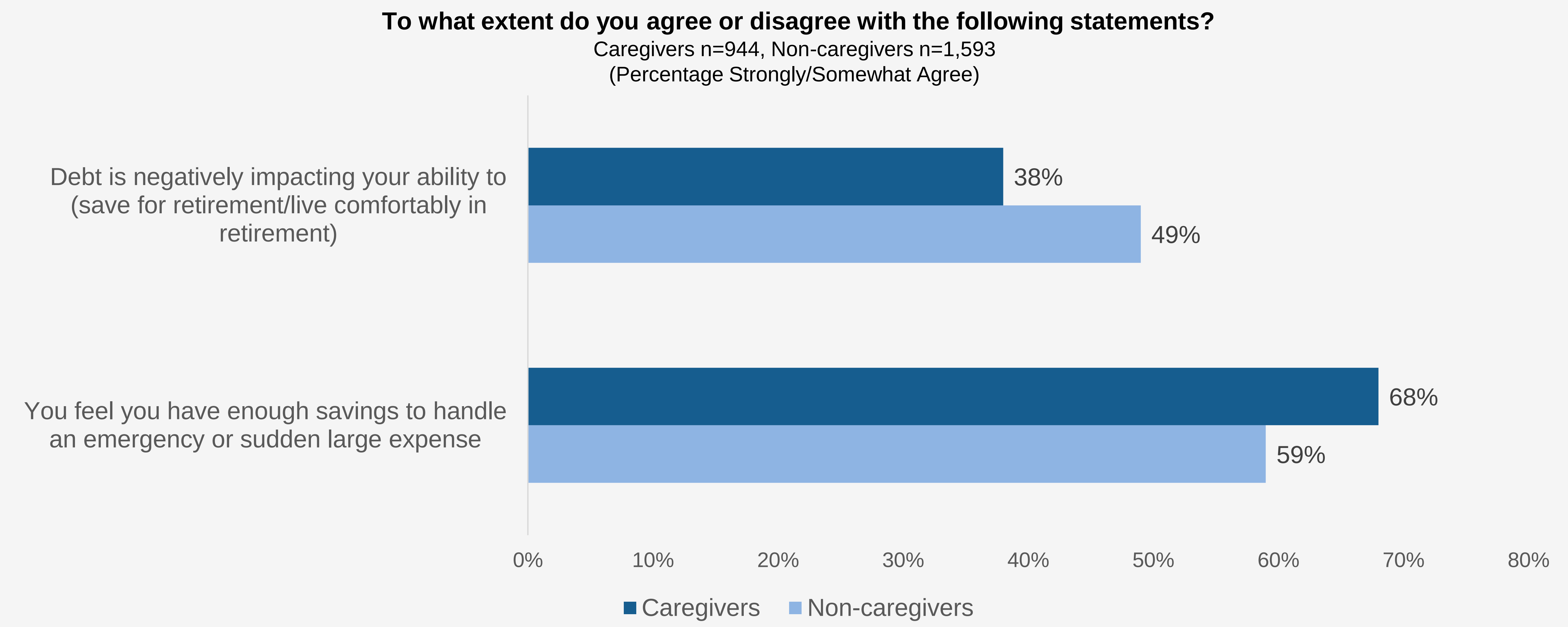
Caregiver Perceptions of Actions Impacting Retirement Compared With Non-caregivers

How concerned, if at all, are you personally about each of the following potential scenarios impacting your retirement? Caregivers n=944, Non-caregivers n=1,593



Source: 2023 Retirement Confidence Survey.

Debt Concern and Emergency Savings Caregivers Vs. Non-caregivers

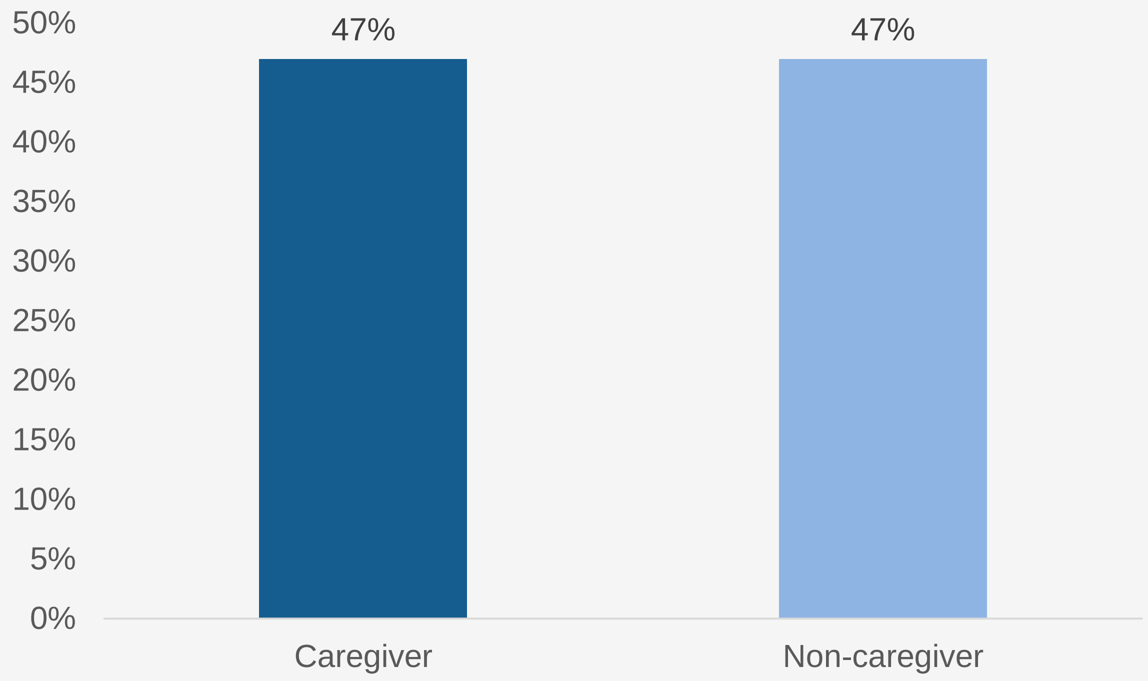


Source: 2023 Retirement Confidence Survey.

Retirement Needs Calculation and Having Ever Saved for Retirement

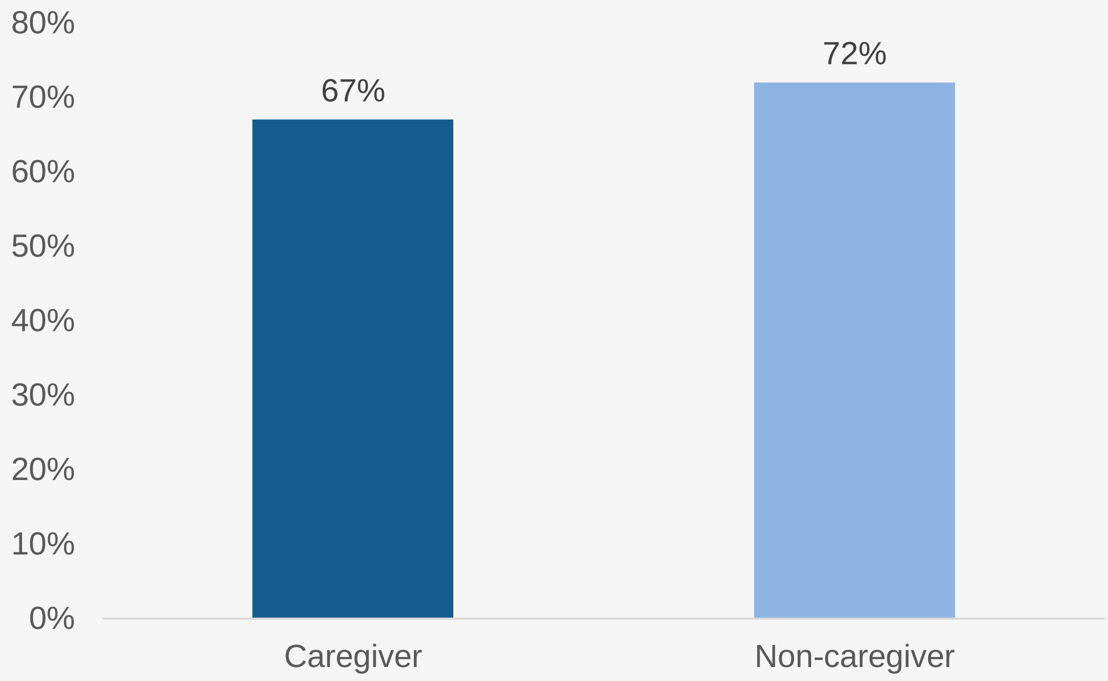
Determined How Much Money is Needed for Retirement

Have you (or your spouse) tried to figure out how much money you will need to have saved by the time you retire so that you can live comfortably in retirement? / To prepare for retirement, did you (or your spouse) try to figure out how much money you needed to have saved by the time you retired so that you could live comfortably in retirement?
Caregivers n=944, Non-caregivers n=1,593



Have Ever Saved for Retirement

Not including Social Security or employer-provided money, have you (or your spouse) personally saved any money for retirement? / Not including Social Security or employer-provided money, did you (or your spouse) personally save any money for retirement before you retired?
Caregivers n=944, Non-caregivers n=1,593



Source: 2023 Retirement Confidence Survey.

Takeaways

- Caregivers are less confident in their retirement prospects and other retirement related aspects than non-caregivers.
- Caregivers are more likely to be concerned about potential scenarios impacting their retirement and less likely to feel their wellbeing is excellent or very good than non-caregivers.
- Caregivers' mental and physical health is negatively impacted by their caregiving responsibilities, and many caregivers are contributing to their care recipient's expenses.
- Even with all the stressors, caregivers are equally likely to have tried to figure out much they need to save for retirement. Yet, they are less likely to have ever saved for retirement.

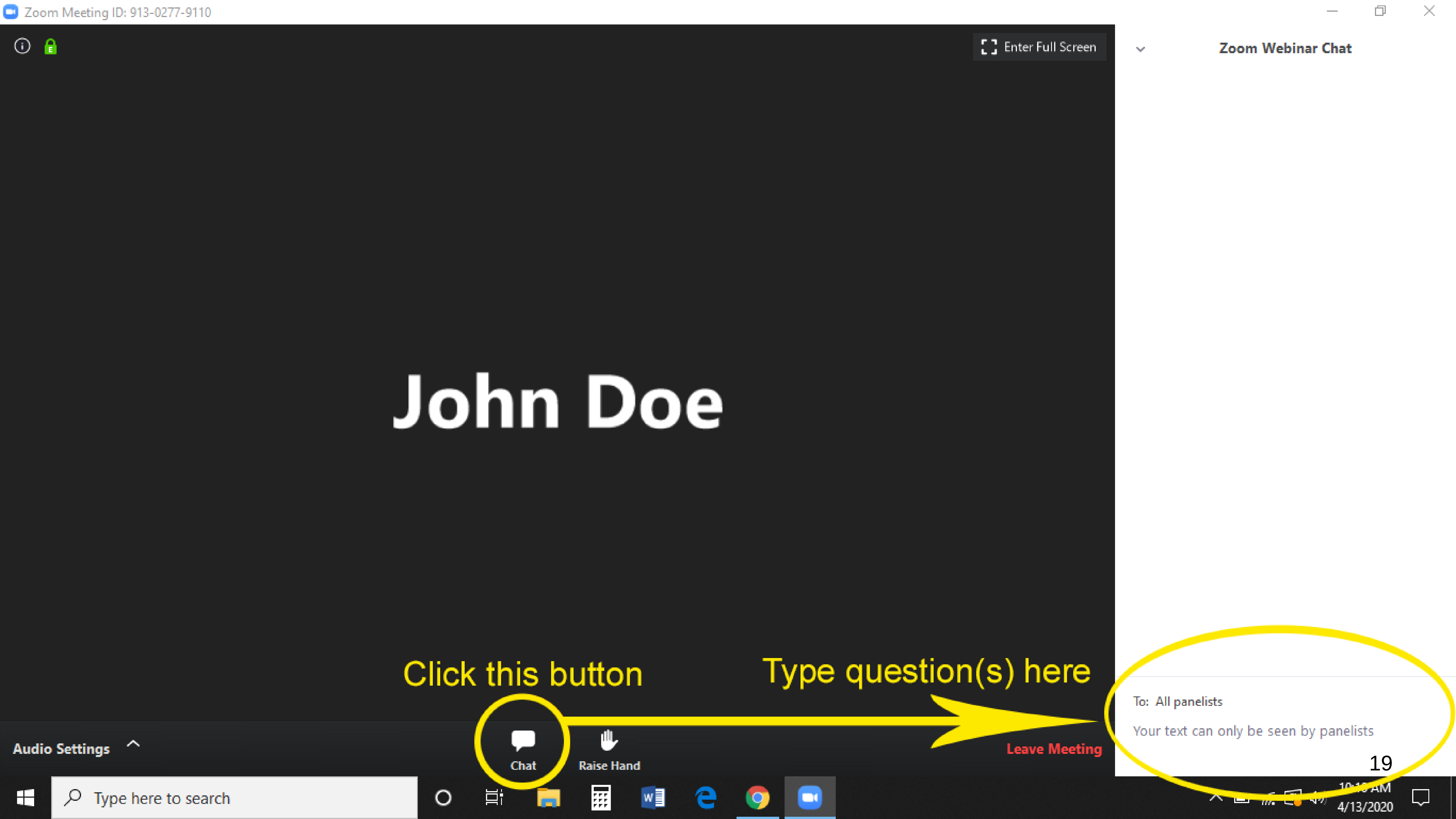
CAREGIVING AND FINANCIAL SECURITY

Lily Liu, Family Caregiver

Jason Resendez, President and CEO, National Alliance for Caregiving

Cynthia Hutchins, Director of Financial Gerontology, Bank of America

Moderated by:
Holly Verdeyen, Partner, US Defined Contribution and Financial Wellness Leader, Mercer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4/13/2020

THE CONSEQUENCES OF CAREGIVING

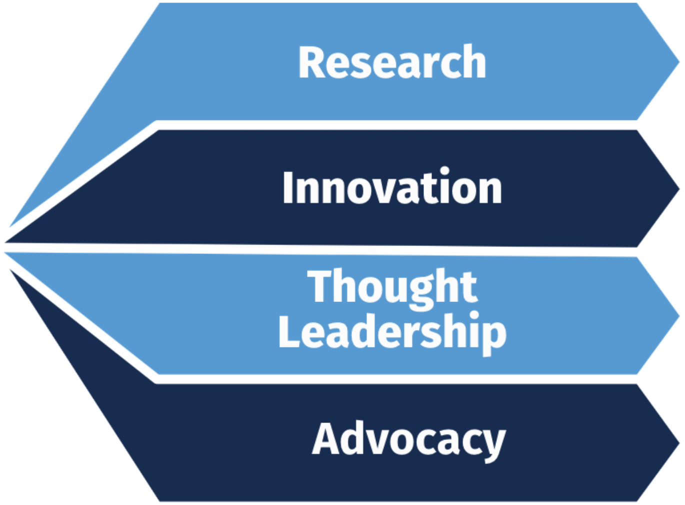
National Alliance for Caregiving

April 2023

ABOUT NAC

Established in 1996, the National Alliance for Caregiving (NAC) is a membership-based organization catalyzing system change to build health, wealth, and equity for America's 53 million family caregivers.

National Alliance for Caregiving



CAREGIVING CONNECTS US ALL

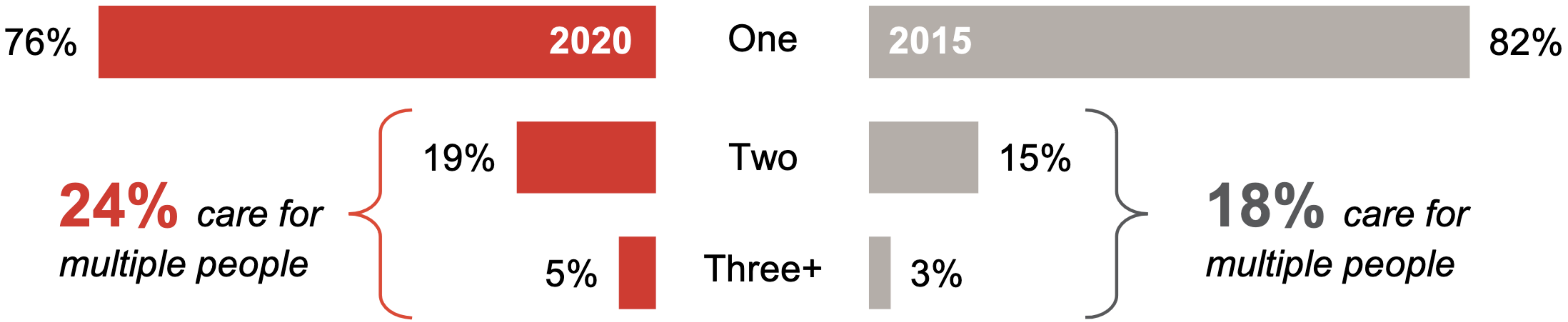
GROWING COMMUNITY

The number of Americans providing unpaid care has increased over the last five years

Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

CARE RESPONSBILITIES

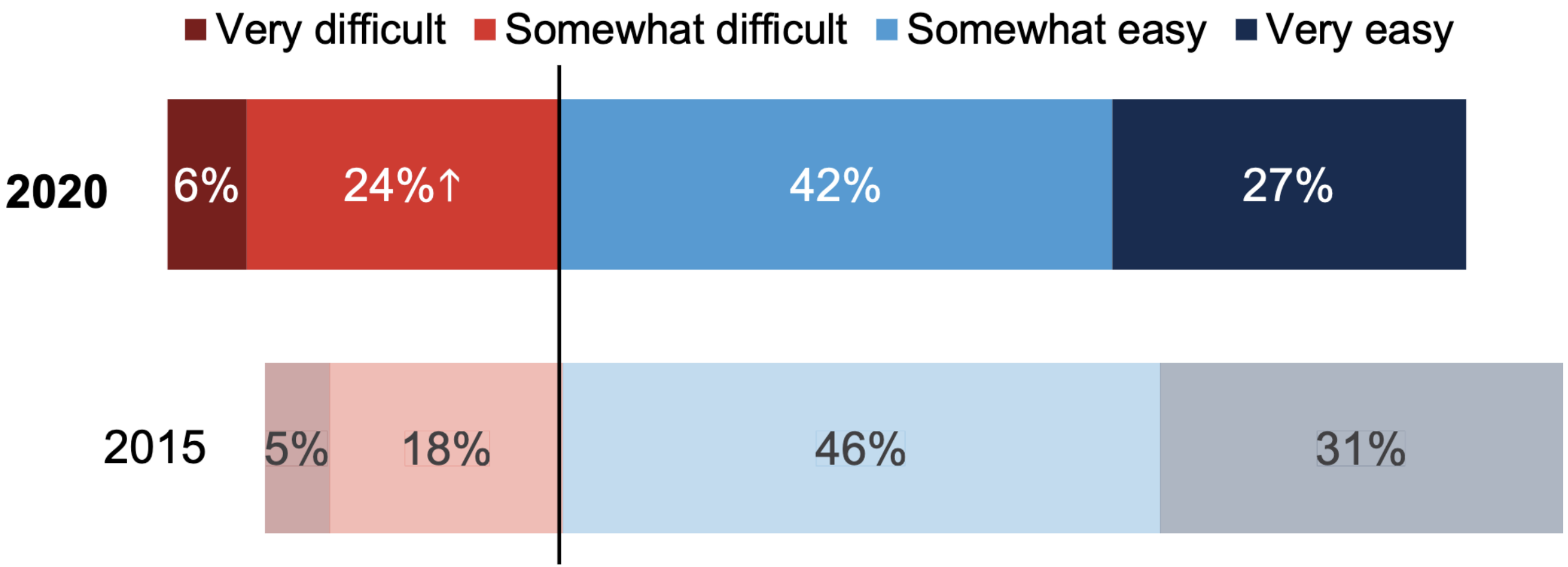
More family caregivers are caring for more people



Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

CARE COORDINATION

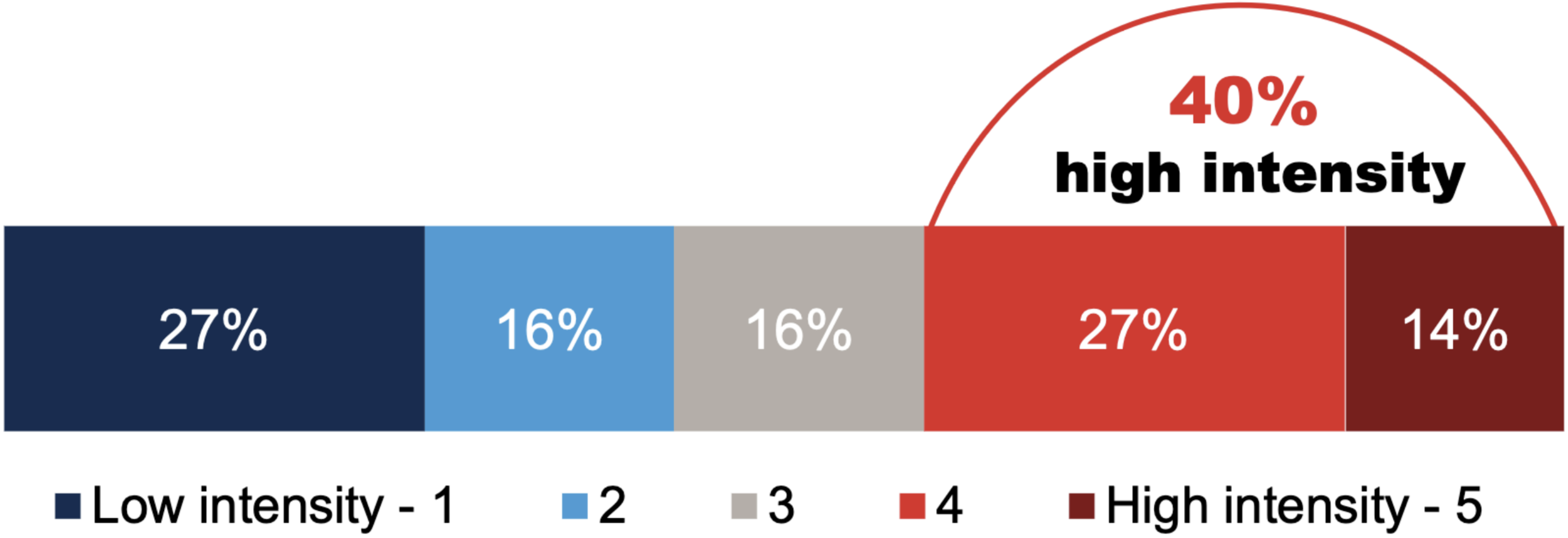
More family caregivers are finding it difficult to coordinate care for their loved ones



Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

INTENSITY OF CAREGIVING

4 in 10 family caregivers are in high-intensity situations



Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

CAREGIVING IS BECOMING

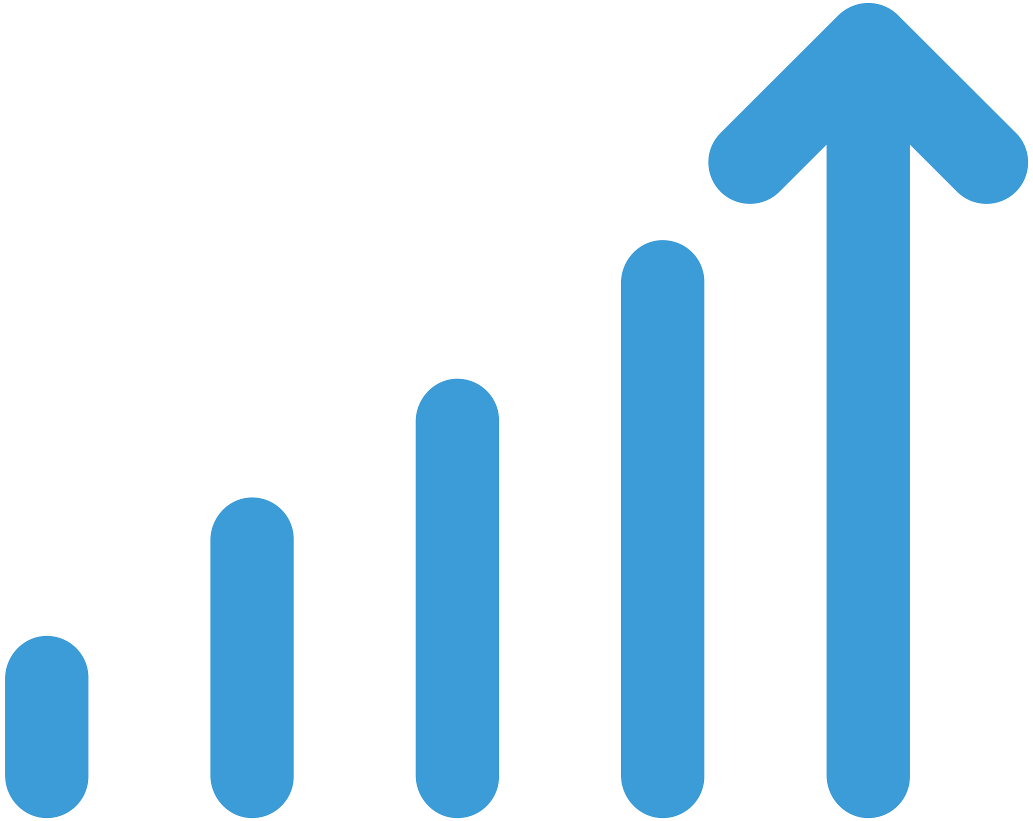
More…

prevalent

complex

intense

inequitable

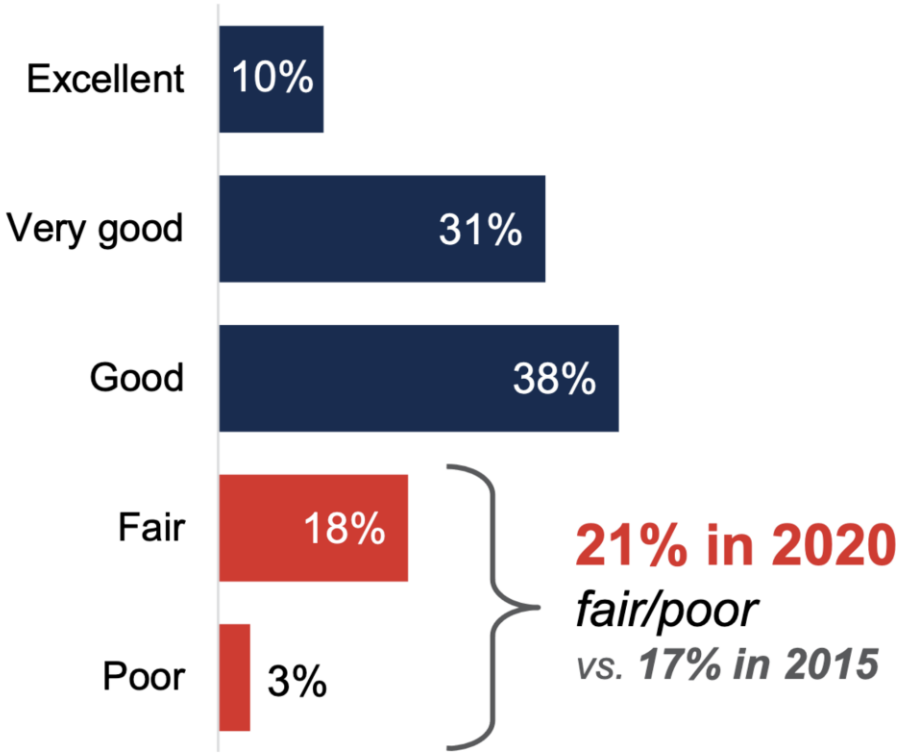


CAREGIVING HAS CONSEQUENCES

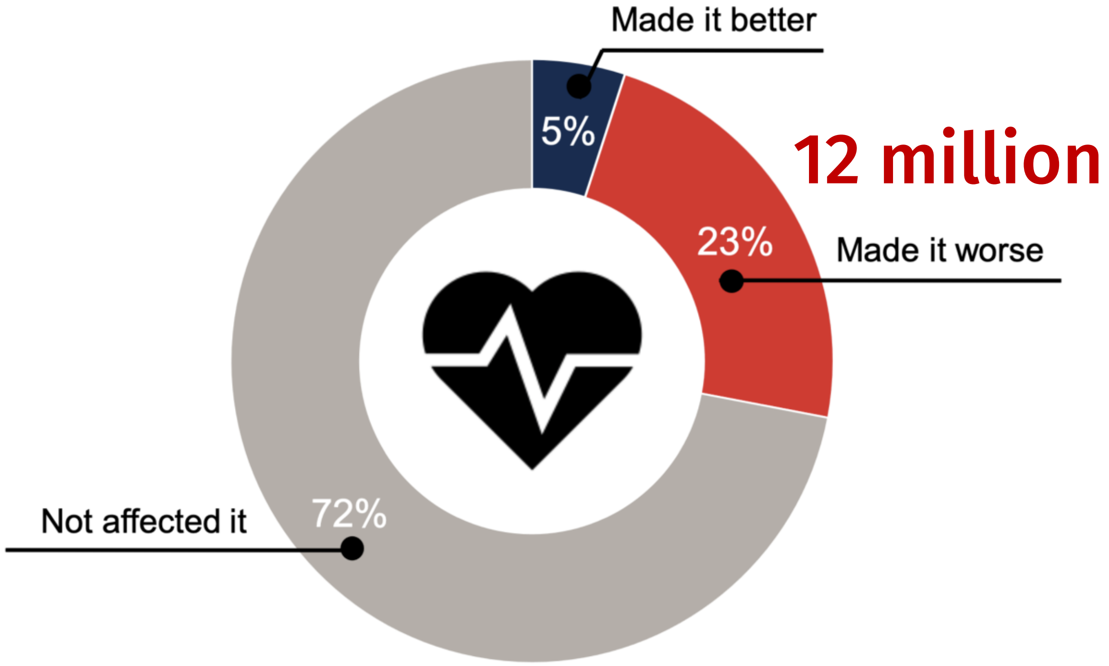
HEALTHCARE CONSEQUENCES

1 in 5 family report worse health due to caregiving

Caregiver Self Rated Health



Caregiver Health Changes

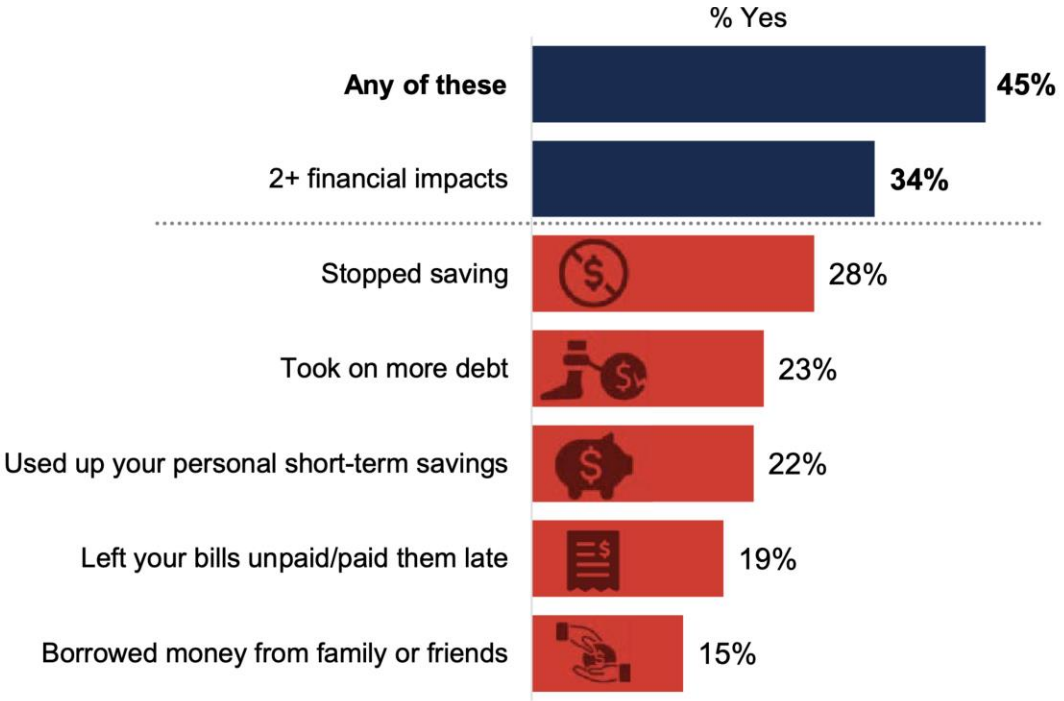


Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

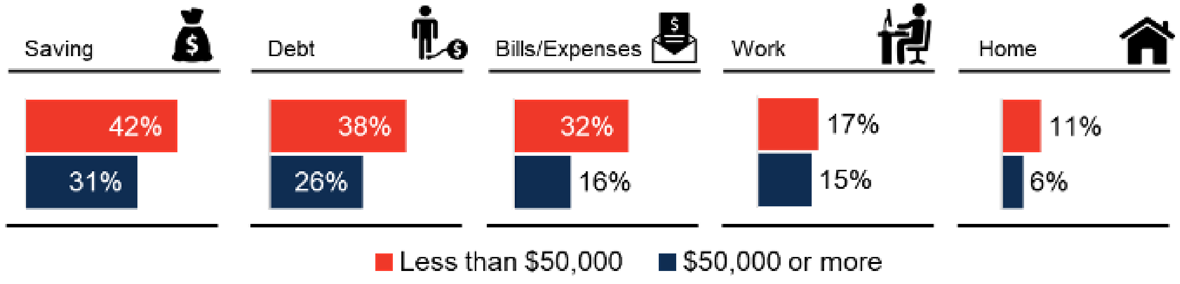
FINANCIAL CONSEQUENCES

4 in 10 family caregivers experience at least one financial impact due to caregiving

Top Financial Impacts



Financial impacts by household income

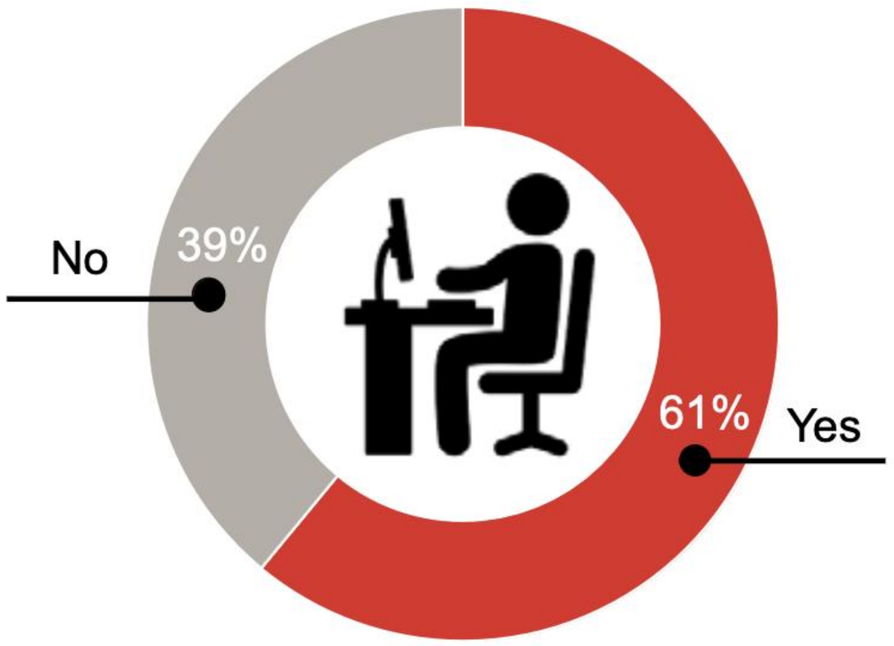


Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

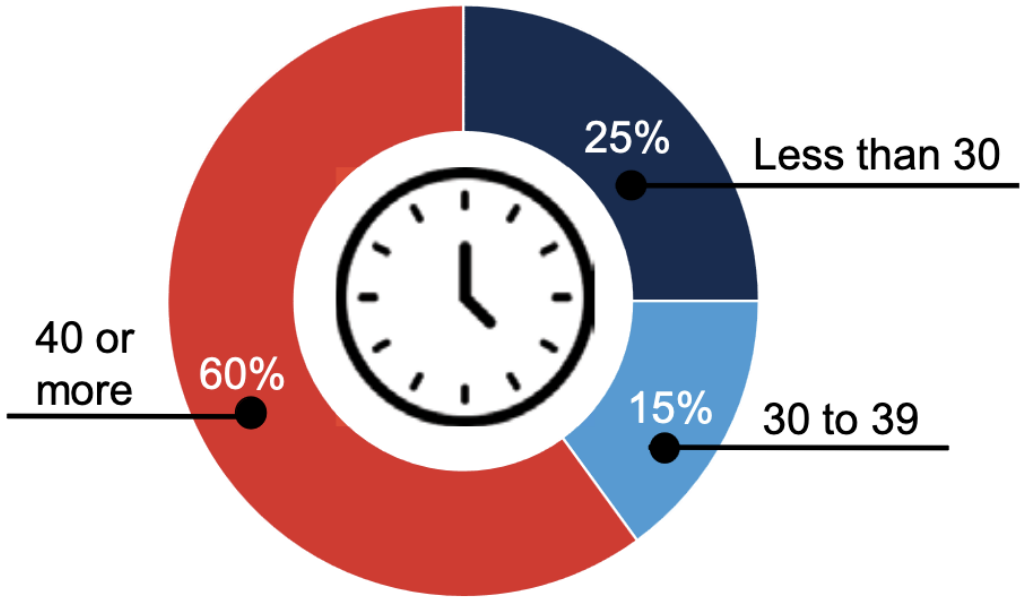
CAREGIVING & WORK

32 million family caregivers are balancing work and caregiving

Working while caregiving



Average hours worked per week while caregiving

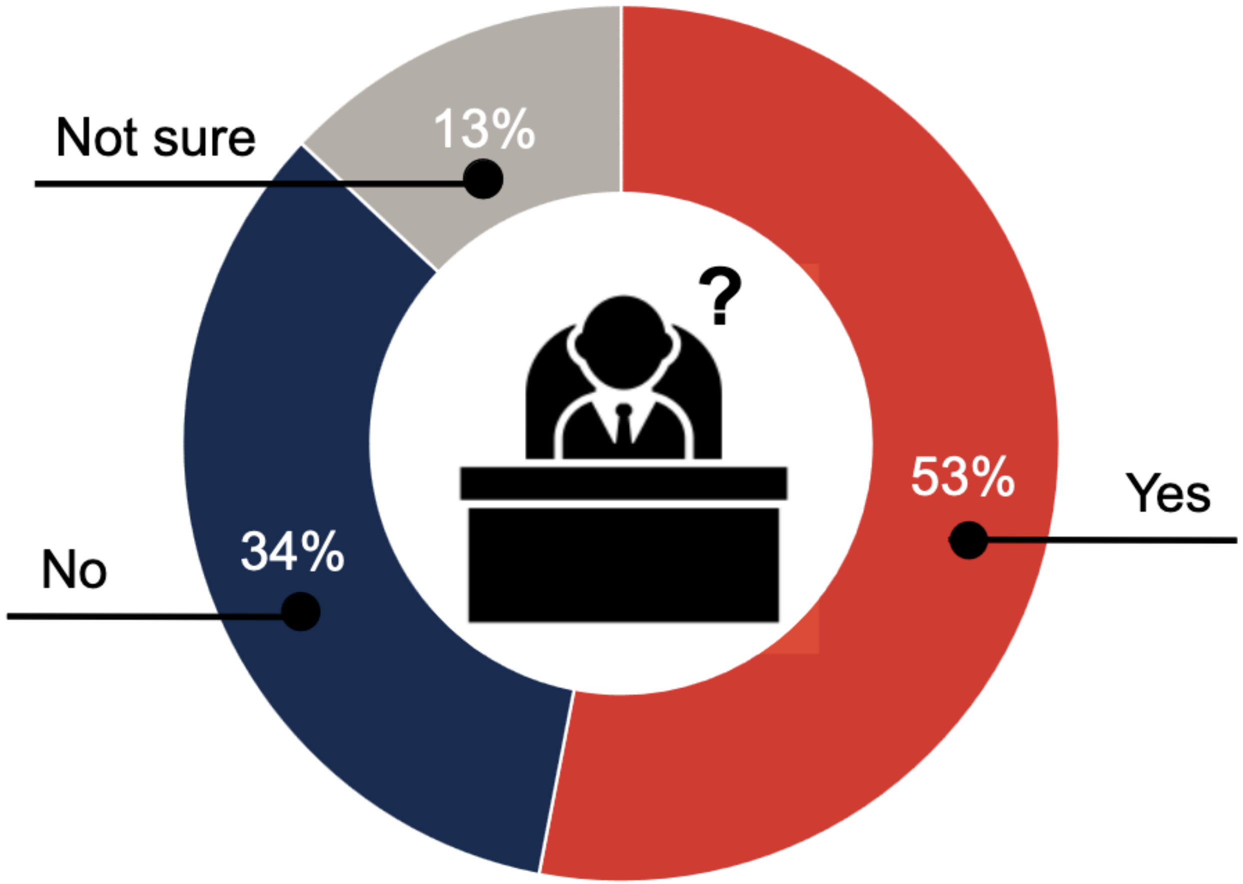


Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

CAREGIVING & WORK

1 in 3 working caregivers are **providing care in the shadows**

Supervisor Knowledge of Caregiver's Role

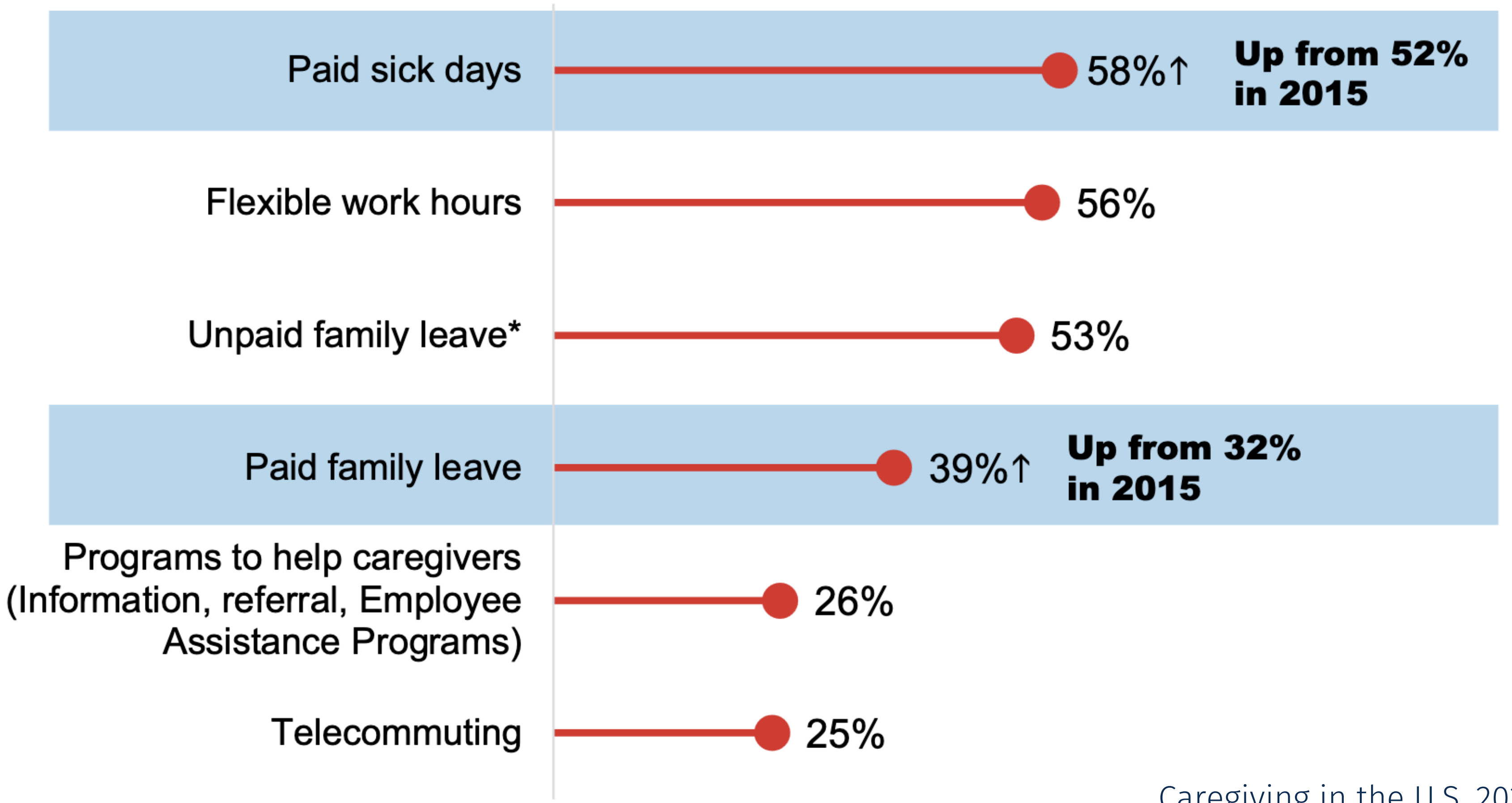


ng in the U.S. 2020, National
Alliance for Caregiving and AARP, 2020

CAREGIVING & WORK

Workplace **benefits for family caregivers are on the rise** but gaps exist

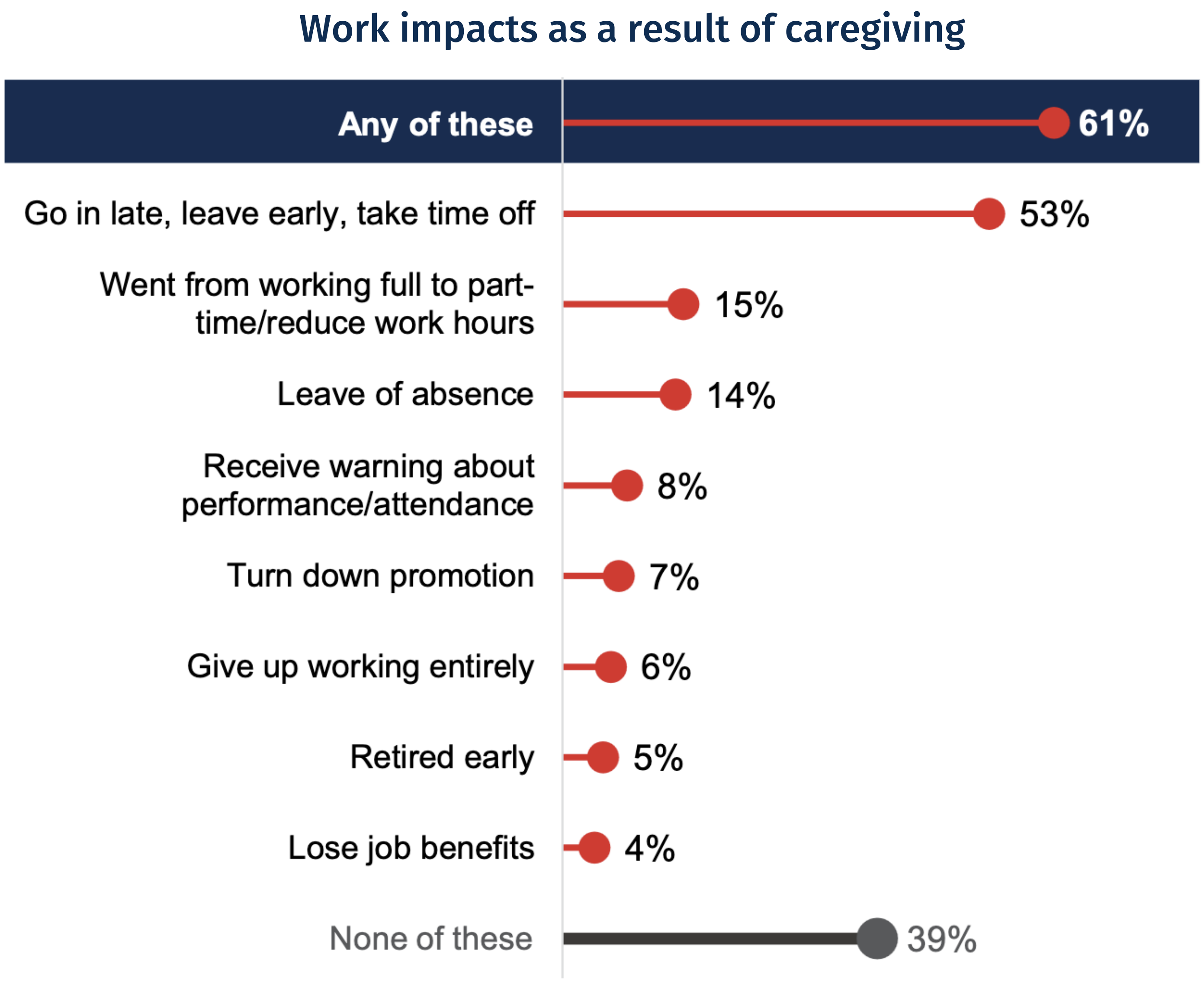
Workplace benefits for caregivers



Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

CAREGIVING & WORK

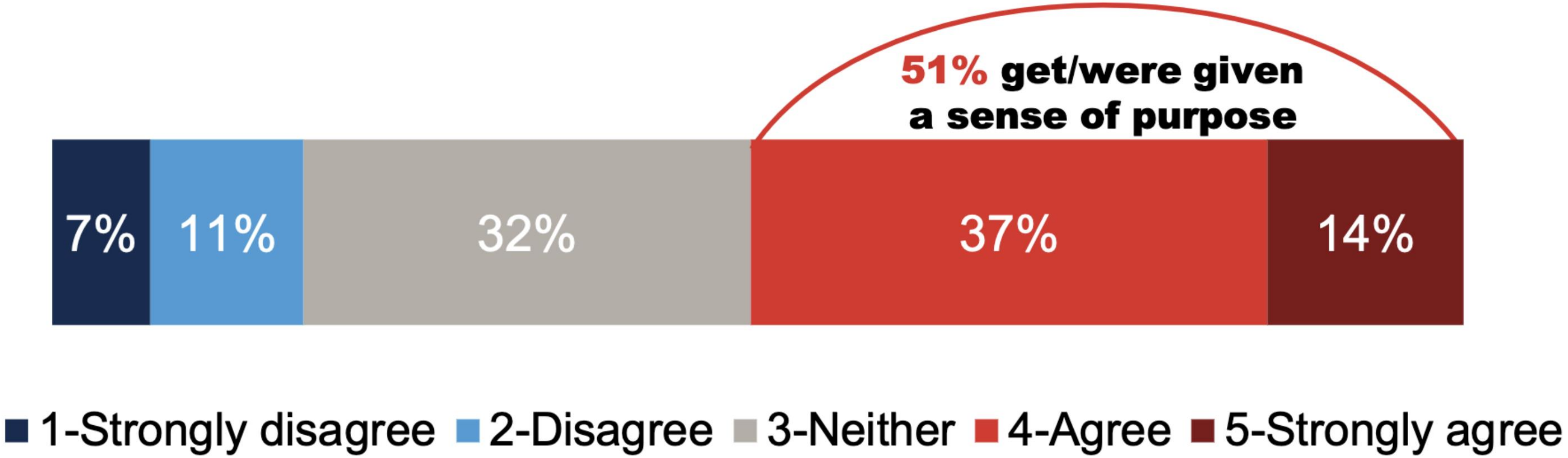
More than 1 in 2 family employed caregivers have felt a negative impact at work due to caregiving.



Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

CAREGIVER FULFILLMENT

More than half of caregivers report caregiving gives them a sense of purpose



Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

INVESTING IN INFRASTRUCTURE TO MAKE CAREGIVING MORE…

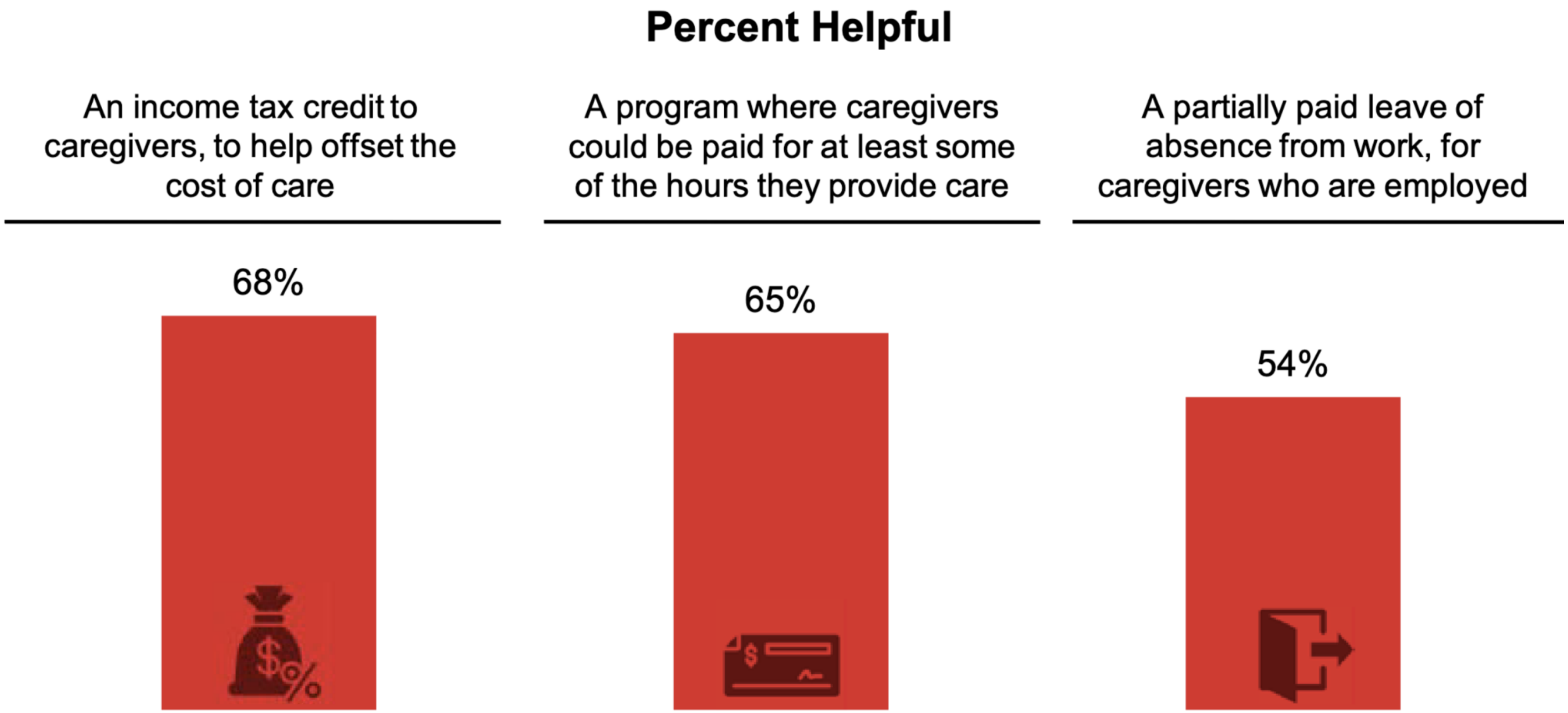
Sustainable

Dignified

Equitable

ECONOMIC SUPPORT IS KEY

Most family caregivers want financial incentives to support caregiving



Caregiving in the U.S. 2020, National Alliance for Caregiving and AARP, 2020

RECOMMENDATIONS

- ✓ Understand your employee caregiver population
- ✓ Integrate caregivers into Diversity, Equity & Inclusion programs
- ✓ Engage company leaders as well as front-line managers in creating a more supportive culture
- ✓ Ensure you are offering benefits and resources for caregivers across the lifespan

THANK YOU!

Email Address

jason.resendez@caregiving.org

Website

www.caregiving.org

National Alliance for Caregiving

A path to financial well-being for working caregivers

Presented by:

Cynthia L. Hutchins
Director of Financial Gerontology
Bank of America

inclusion investment innovation intersection

inclusioninvestmentinnovationintersection

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Who are the working caregivers?

6 out of 10 employees are caring for family or friends

60% of working caregivers are employed full time

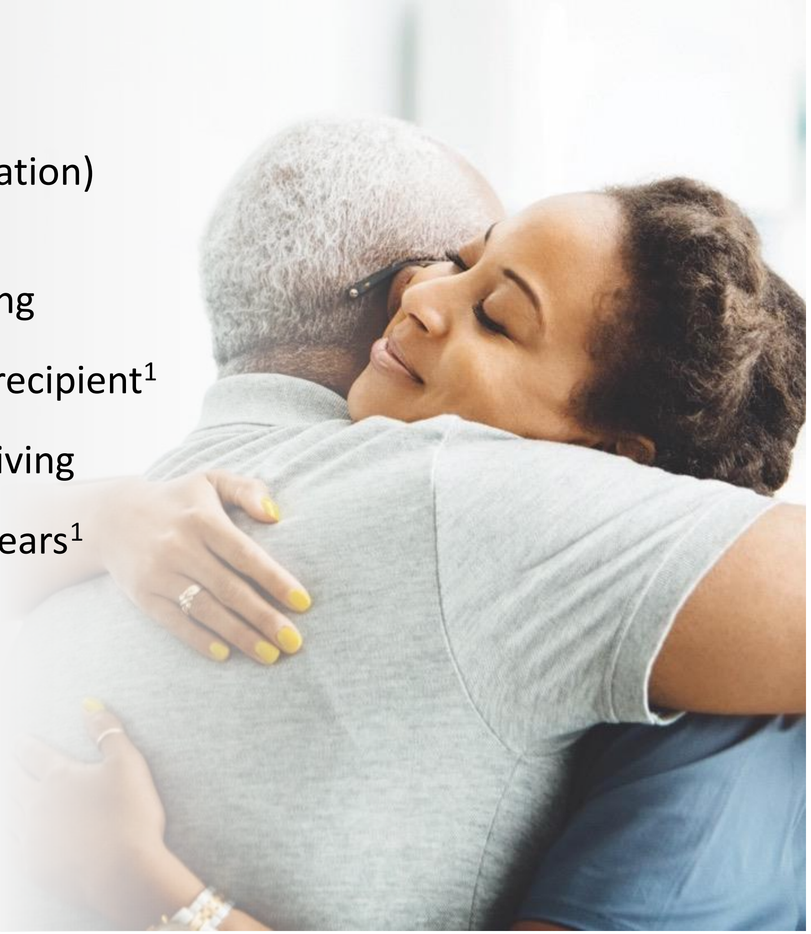
58% of working caregivers are women

More than **80%** of all caregivers are “sandwiched” between generations

1/3 have no paid help

50% are the sole providers of support

The working caregiver experience



- Caregiving responsibilities can include:
  - Assisting with activities of daily living (food, medication)
  - Coordinating services (medical)
  - Supporting basic needs such as bathing and dressing
- 11% of caregivers live an hour or more from the care recipient[1]
- Full-time employees devote 24 hours a week to caregiving
- Three in 10 employees provide care for five or more years[1]

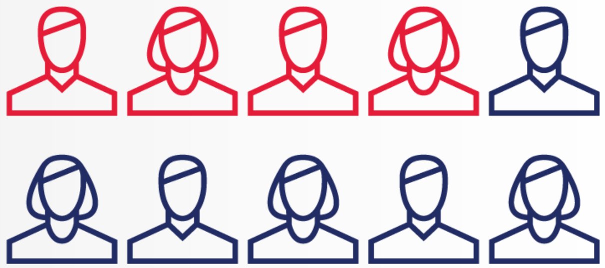
Average full-time worker's week

36 hrs (employment) + 24 hrs (caregiving) = 60 hrs

[1] AARP and National Alliance for Caregiving. (2020). *Caregiving in the United States 2020*. May 2020. Washington, DC: AARP. https://www.aarp.org/ppi/info-2020/caregiving-in-the-united-states.html

The impact on working caregivers

- 38% consider caregiving highly stressful
- Consequences include obesity, hypertension, tobacco use, anxiety, depression and other mental health issues[1,2]
- One in four find it hard to take care of their own health[3]
- African American and Hispanic caregivers face greater stress-related disorders[3]



4 in 10

employees consider caregiving highly stressful

[1] Blue Cross Blue Shield Association. *The Health of America Report*. (September 2020). The impact of caregiving on mental and physical health. https://www.bcbs.com/the-health-of-america/reports/the-impact-of-caregiving-on-mental-and-physical-health

[2] Haley, W. E., Roth, D. L., Sheehan, O. C., Rhodes, J. D., Huang, J., Blinka, M. D., and Howard, V. J. (2020). Effects of Transitions to Family Caregiving on Well-Being: A Longitudinal Population-Based Study. *Journal of the American Geriatrics Society*, 68(12):2839-2846. https://aspe.hhs.gov/reports/economic-impacts-programs-support-caregivers-final-report-0#:~:text=The%20%20available%20empirical%20evidence%20suggests,cost

[3] AARP and National Alliance for Caregiving. (2020). *Caregiving in the United States 2020*. May 2020. Washington, DC: AARP. https://www.aarp.org/ppi/info-2020/caregiving-in-the-united-states.html

The effects of working caregivers on employers

6 in 10
say caregiving responsibilities have disrupted their work[1]

3 in 10
have missed six or more days of work in one year[2]

1 in 3
have left jobs at some point due to caregiving[3]

8 in 10
say caregiving has kept them from performing at their highest level[3]

40%
Job performance is disrupted 40% of the time[4]

[1] AARP and National Alliance for Caregiving. (2020). *Caregiving in the United States 2020*. May 2020. Washington, DC: AARP. https://www.aarp.org/ppi/info-2020/caregiving-in-the-united-states.html

[2] Witters, D. (2011). "Caregiving costs US economy $25.2 billion in lost productivity." *Gallup Well-Being*. Retrieved from https://news.gallup.com/poll/148670/caregiving-costs-economy-billion-lost-productivity.aspx

[3] Fuller, J. B., and Raman, M. (2019). *The Caring Company*. Harvard Business School.

[4] Lerner, D., Lavelle, T. A., Adler, D., Chow, W., Chang, H., Godar, S. C., and Rogers, W. H. (2020). A Population- Based Survey of the Workplace Costs for Caregivers of Persons With Treatment-Resistant Depression Compared With Other Health Conditions. *Journal of Occupational and Environmental Medicine*, 62(9): 746-756

How financial stress complicates the lives of working caregivers

Financial contributors (who pay out of pocket)

- More than 75% of caregivers incur substantial costs
- Annual average: $7,242[1]

Financial coordinators (who handle paying bills, monitoring accounts)

- Many lack the legal authorization to access accounts
- Most have never discussed their role with the care recipient

"It's a rare client who's thinking ahead. Many don't want to talk about it until they're in crisis."

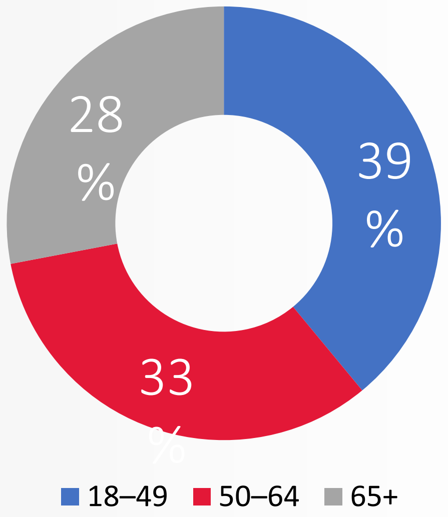
— Cean Tan
Owner, CarePatrol of Greater Boston/MetroWest

[1] Skufca, L., and Rainville, C. (June 2021). *Caregiving Out-of-Pocket Costs Study 2021*. Washington, DC: AARP Research.

Additional financial effects on caregivers

- Changes in employment status
- Personal sacrifices — using leave, skipping vacations
- Taking on debt, eroding savings[1]
- Financial strain varies by age and income

Responders whose savings are affected as a result of caregiving, by caregiver age[1]



[1] AARP and National Alliance for Caregiving. (2020). *Caregiving in the United States 2020*. May 2020. Washington, DC: AARP. https://www.aarp.org/ppi/info-2020/caregiving-in-the-united-states.html

What are employers doing to help?

Data on workplace benefits and their effectiveness are limited, but:

- 56% of employers claim an "extreme sense of responsibility" for employees' financial wellness[1]
- 21% of employees have access to financial planning through their employers (38% among larger employers)[2]
- Caregiving benefits are gaining momentum, with some companies offering:
  - A caregiving concierge
  - Paid leave for caregivers
  - Backup child and adult care

[1] Bank of America. (2021). *2021 Workplace Benefits Report*. Financial wellness in an increasingly diverse workplace.
[2] U.S. Bureau of Labor Statistics. (2021). *National Compensation Survey: Employee Benefits in the United States. September 2021*. Washington, DC. Retrieved from https://www.bls.gov/ncs/ebs/benefits/2021/home.htm

Future trends that will affect caregivers and employers

- The demand for caregiving support is rapidly growing
- This growth is occurring while the caregiving workforce is shrinking
- The “Care at Home” movement is likely to increase caregiving responsibilities
- Technology will both positively and negatively affect unpaid caregivers
- Major disruptions in paid caregiving will have a ripple effect on unpaid caregivers

Roadmap from financial stress to financial well-being

inclusioninvestmentinnovationintersection

Inclusion:
Ensuring solutions are centered on the challenges of an increasingly diverse group of working caregivers and designed to promote their trust

Investment:
Prioritizing meaningful engagement of working caregivers in designing and implementing solutions aligned with their needs

Innovation:
Promoting the testing of novel solutions and widespread sharing of findings

Intersection:
Maximizing critical partnerships to align the needs of working caregivers with solutions offered by other sectors

Conclusion

Prepare now

Employers should begin preparing now to support the rapidly growing number of employees who will face increased caregiving responsibilities.

Accelerate the opportunity

They are uniquely positioned to play a leading role.

It makes business sense

Acting on this opportunity is not just the right thing to do for employees; it is a business imperative.

Thank you

BANK OF AMERICA

EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

NETWORKING LUNCH

PLEASE BE BACK BY 1:30 PM

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The Tax Efficiency of Employment-Based Health Benefits

Paul Fronstin, Ph.D.

Employee Benefit Research Institute

Brief History Lesson on Employment-Based Health Benefits

- Employer interest in worker “health” dates back to the 1800s
- Growth in health “insurance” occurred during World War II wage and price controls
- 1943, War Labor Board ruled that employer contributions to health insurance were not subject to wage controls
- Employers added health insurance during shortage of labor
- Health coverage tripled by the end of the war
- 1954, IRS clarified that employer contributions were deductible as a business expense, and that worker contributions were to be excluded from taxable income

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Tax Break on Employment-Based Health Benefits is the Largest "Tax Expenditure" in the Federal Budget

- Health insurance premiums for employment-based health coverage excluded, without limit, from workers' taxable income.
- Premiums not subject to federal and state income tax or payroll taxes for Social Security and Medicare.
- Out-of-pocket expenses can be paid with pretax dollars via FSA, HSA and HRA.
- $316 billion in forgone federal tax revenue in 2022 due to exclusion.
- $300 billion for pension contributions and earnings.
- $27 billion for mortgage deduction (falling because of 2017 Tax Cuts and Jobs Act).

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Employee Benefit
Research Institute

July 2011 • No. 360

Issue BRIEF

Employment-Based Health Benefits and Taxation: Implications of Efforts to Reduce the Deficit and National Debt

By Paul Fronstin, Employee Benefit Research Institute

HEALTH INSURANCE THE BIGGEST TAX EXPENDITURE: The tax preference associated with employment-based health coverage is the largest tax expenditure in the U.S. budget, accounting for $1.1 trillion in foregone tax revenue during 2012–2016. In contrast, retirement plans account for about $700 billion in foregone tax revenue and the mortgage interest deduction accounts for about $600 billion. This makes the tax treatment of health coverage an almost inescapable target.

DEBT COMMISSION TARGETS HEALTH BENEFITS: President Obama's bipartisan National Commission on Fiscal Responsibility and Reform proposed changes that would achieve $4 trillion in deficit reduction by 2020 and reduce the debt to 30 percent of GDP by 2040. As part of the proposal, the commission would reduce the preferential tax treatment of employment-based health benefits as it applies to workers, first by capping, then

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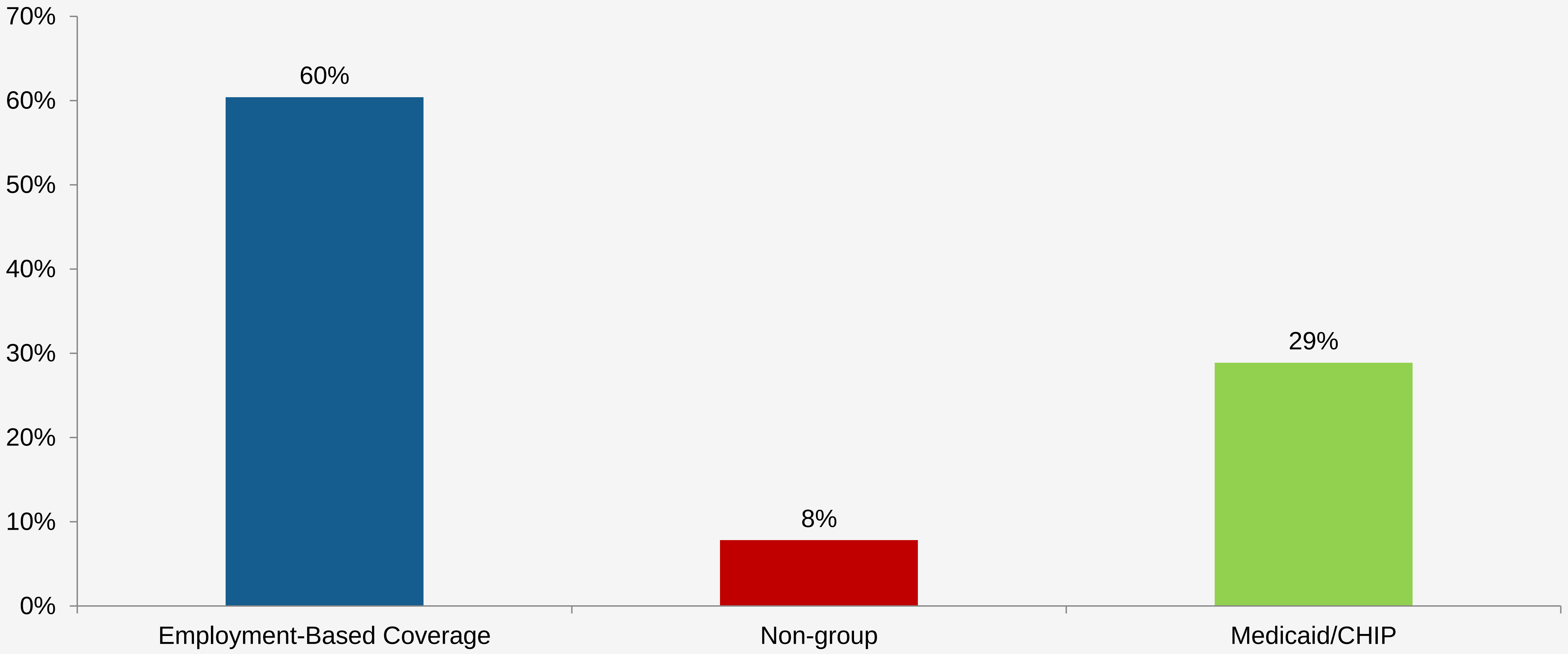
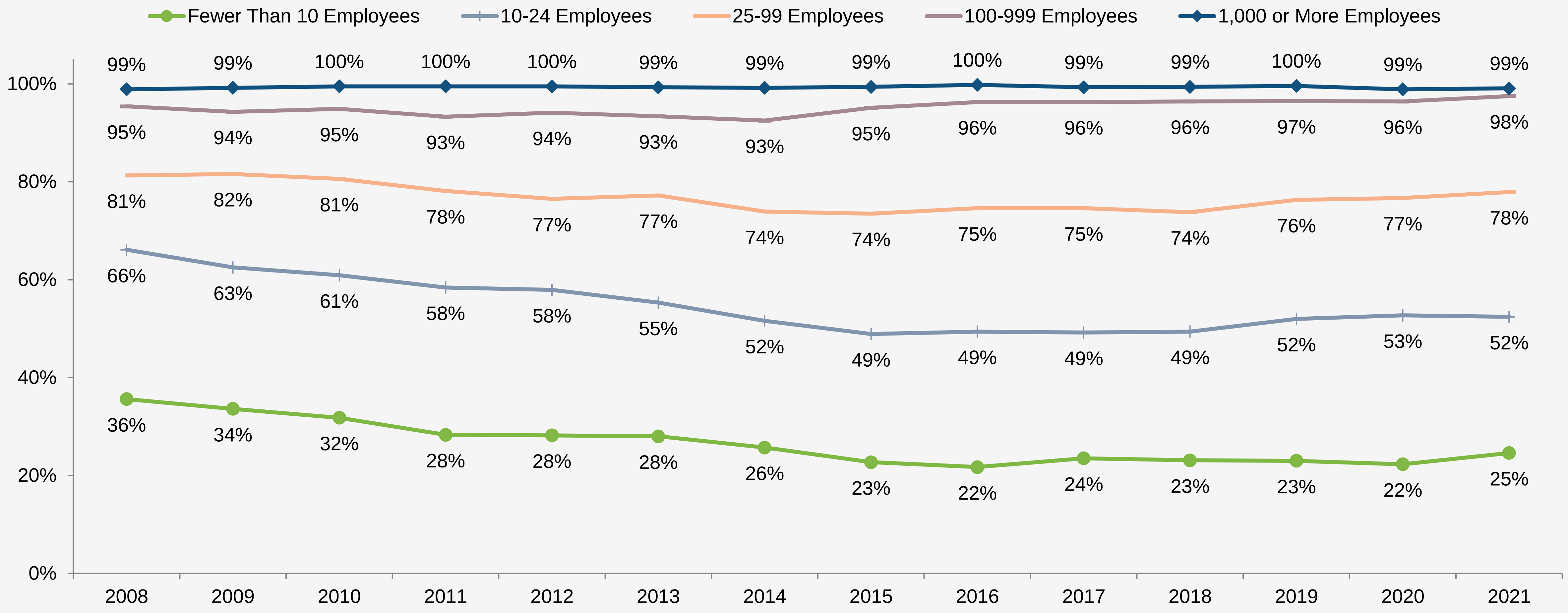
Employment-Based Health Benefits Are by Far the Most Common Source of Coverage for Individuals Under Age 65, 2021



Source: Employee Benefit Research Institute estimates of the Current Population Survey, March 2022 Supplement and CBO.
Note: Individuals may receive coverage from more than one source.

Percentage of Private-Sector Establishments That Offer Health Insurance, by Firm Size, 2008-2021



Source: Medical Expenditure Panel Survey - Insurance Component (MEPS-IC).

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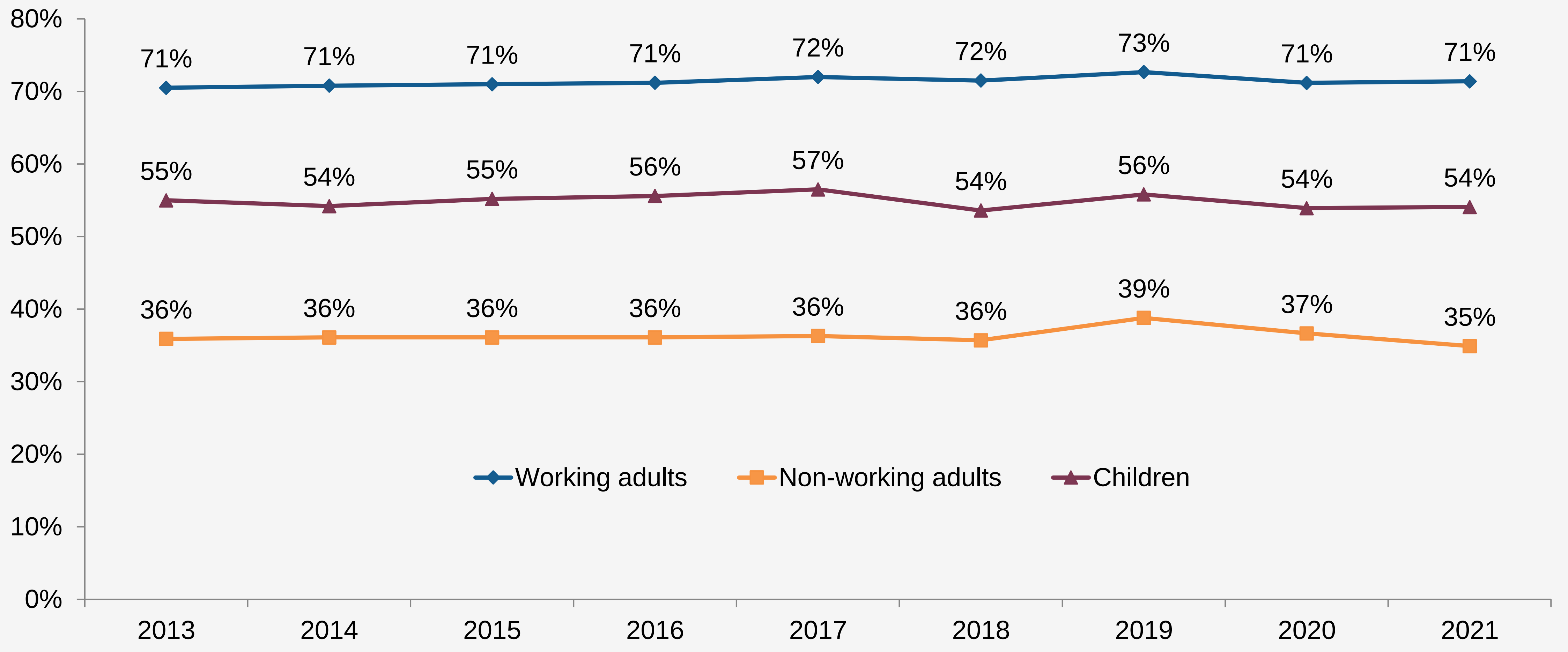
Percentage of Workers, Non-Workers, and Children With Employment-Based Health Coverage, 2013–2021



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Source: Employee Benefit Research Institute estimates from the Current Population Survey, March 2014–2021 Supplements.

Historical Bi-Partisan Support for Changing the Tax Treatment of Employment-Based Health Coverage

Proposals to change the way health coverage is taxed could have far-reaching implications for worker wages, the number of people with employment-based health coverage, other forms of health coverage, the future of the employment-based health coverage system, and **government tax collections**

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Comparison of Subsidies Under Current Law

	Total Subsidy	Lives Covered	Average subsidy
Employment-Based Coverage	$316 bil.	164 mil.	$2,000
Non-group	$89 bil.	21 mil.	$5,820
Medicaid/CHIP	$462 bil.	78 mil.	$5,790

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How is it Possible that Subsidies for Employment-Based Coverage Average Only $2,000?

Average Subsidy	Tax Rate	For Single Filers, Taxable Income (2021)
$738	10%	Up to $9,950
$886	12%	$9,951 to $40,525
$1,624	22%	$40,526 to $86,375
$1,771	24%	$86,376 to $164,925
$2,362	32%	$164,926 to $209,425
$2,583	35%	$209,426 to $523,600
$2,731	37%	Over $523,600

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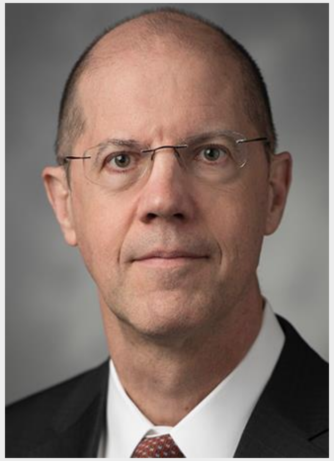
Based on $7,380 average employee-only premium in 2021 from MEPS-IC.

THE VALUE OF THE EMPLOYMENT-BASED HEALTH BENEFITS SYSTEM

Karen Pollitz, Senior Fellow, Kaiser Family Foundation



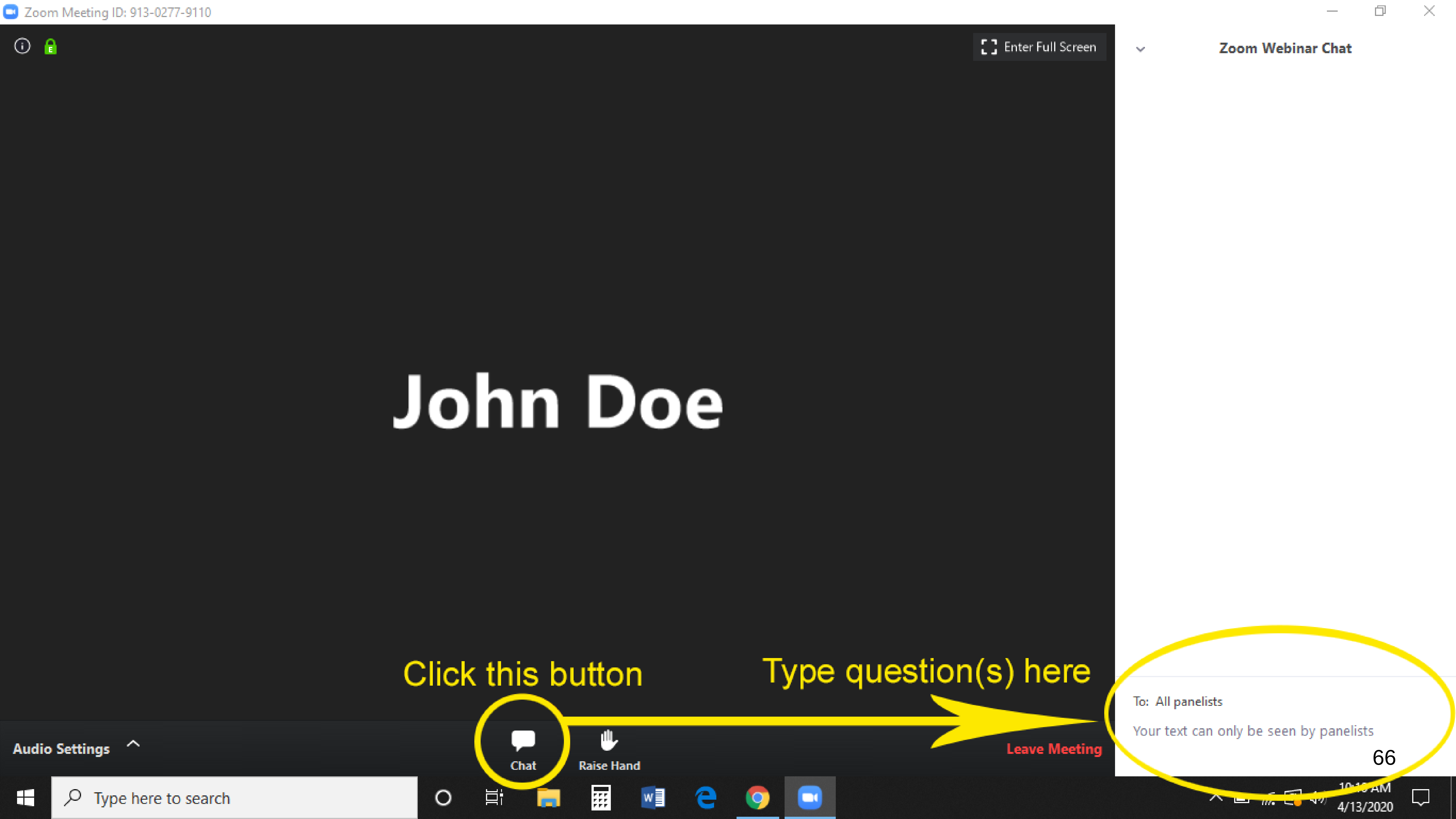
Kurt Giesa, Partner, Oliver Wyman

Nicholas Knab, President & CEO, OneBridge Benefits

Josh Bivens, Director of Research, Economic Policy Institute

Moderated by: **Nicky Brown**, VP, Advocacy and Government Affairs, HealthEquity

EBRI


Zoom Meeting ID: 913-0277-9110
Enter Full Screen
Zoom Webinar Chat
John Doe
Click this button
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To: All panelists
Your text can only be seen by panelists
Audio Settings
Chat
Raise Hand
Leave Meeting
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4/13/2020

OliverWyman

The Value of the Employment-Based Health Benefits System

Pooling, Taxes, Stability, and Convenience

May 11, 2023

Kurt Giesa, FSA, MAAA

A business of Marsh McLennan

WHY EMPLOYMENT-BASED HEALTH BENEFITS?

- **Risk pooling:** Groups formed for purposes other than purchasing insurance will be subject to less adverse selection
- **Tax-favored treatment:** If an employer pays the cost of an accident or health insurance plan for his/her employees (including an employee's spouse and dependents), then the employer's payments are not wages and are not subject to social security, Medicare, and unemployment taxes, or federal income tax withholding[1,2]
- **Stability:** The group market has been stable relative to the alternative individual market which has seen the demise of the co-ops, carrier exits and re-entry, drastic policy swings, and high premium rate increases
- **Convenience:** Payroll deduction, employer narrowing choice, simplified enrollment process all favor group coverage
- **Benefits:** Employment-based health benefits provide much greater access to providers than is generally found in the individual market

1. Fronstin, Paul, “The Tax Efficiency of Employment-Based Health Benefits, EBRI Policy Forum presentation, May 11, 2023
2. https://www.irs.gov/businesses/small-businesses-self-employed/employee-benefits

THE BENEFITS OF POOLING IN THE GROUP MARKET

Comparing small group and individual morbidity

Developing relative morbidity from ACA risk scores

Nationwide data for plan year 2021

	Individual	Small Group
Risk Score	1.471	1.186
÷ Allowable Rating Factors	1.675	1.410
÷ Actuarial Value	0.679	0.765
÷ Induced Utilization	1.026	1.068
= Morbidity	**1.262**	**1.029**

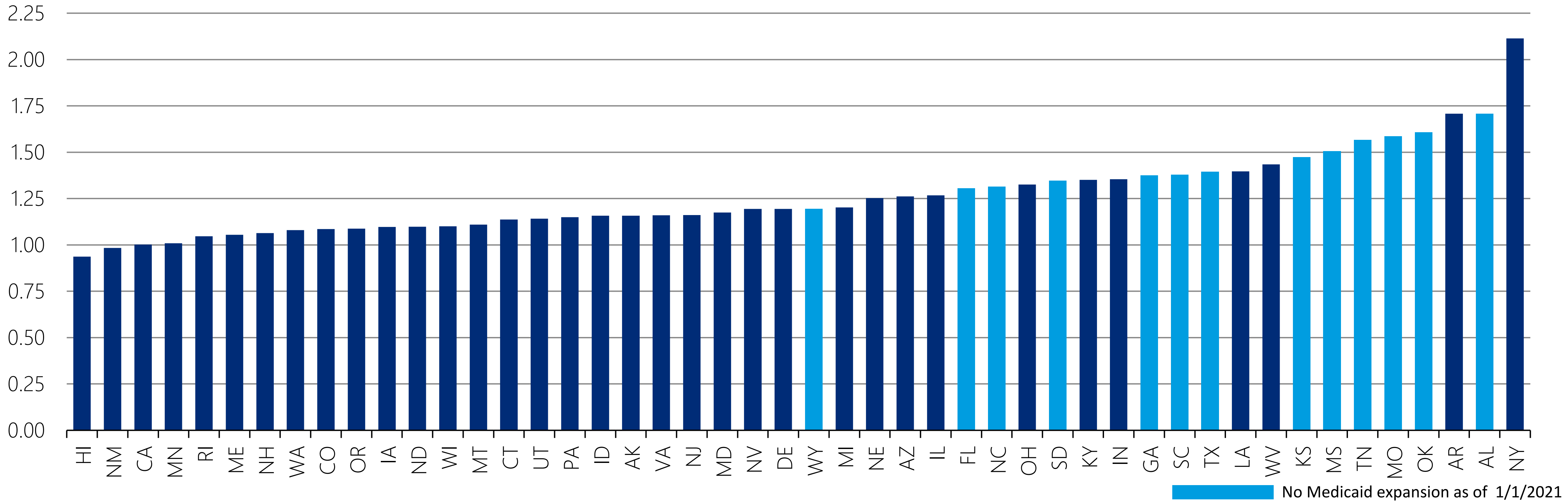
- The risk score in the ACA markets includes demographics, the actuarial value of the plan (benefit richness), and induced utilization. Removing those factors yields an estimate of pure morbidity difference
- Risk scores in the table are nationwide, weighted average of state-based risk scores as reported by CMS
- Allowable rating factors include age and tobacco rating
    - The 1.675 and 1.410 for individual and small group rating factors correspond to ages 48 and 44, respectively. Note there are fewer children in the individual ACA market
- The actuarial value for the individual market corresponds to a silver metal level of coverage. The small group actuarial value is approaching gold (note the individual AV excludes cost-sharing reduction benefits)
- Induced utilization -- higher utilization with benefits

All else equal, morbidity differences between the individual and small group market mean purchasing coverage in the individual market costs about 23% more than the small group market (ARPA premium subsidies likely altering this dynamic)

Source: Oliver Wyman calculations using the June 30, 2022 Summary Report on Permanent Risk Adjustment Transfers for the 2021 Benefit Year (https://www.cms.gov/files/document/appendix-2021-benefit-year-risk-adjustment-summary-report-hhs-risk-adjustment-program-state-specific.xlsx)

MEASURING ADVERSE SELECTION AT THE STATE LEVEL

Ratio of individual to small group morbidity – plan year 2021 (excludes merged market states)



The level of adverse selection in the individual market varies considerably by state. Selection tends to be higher in states that have not expanded Medicaid

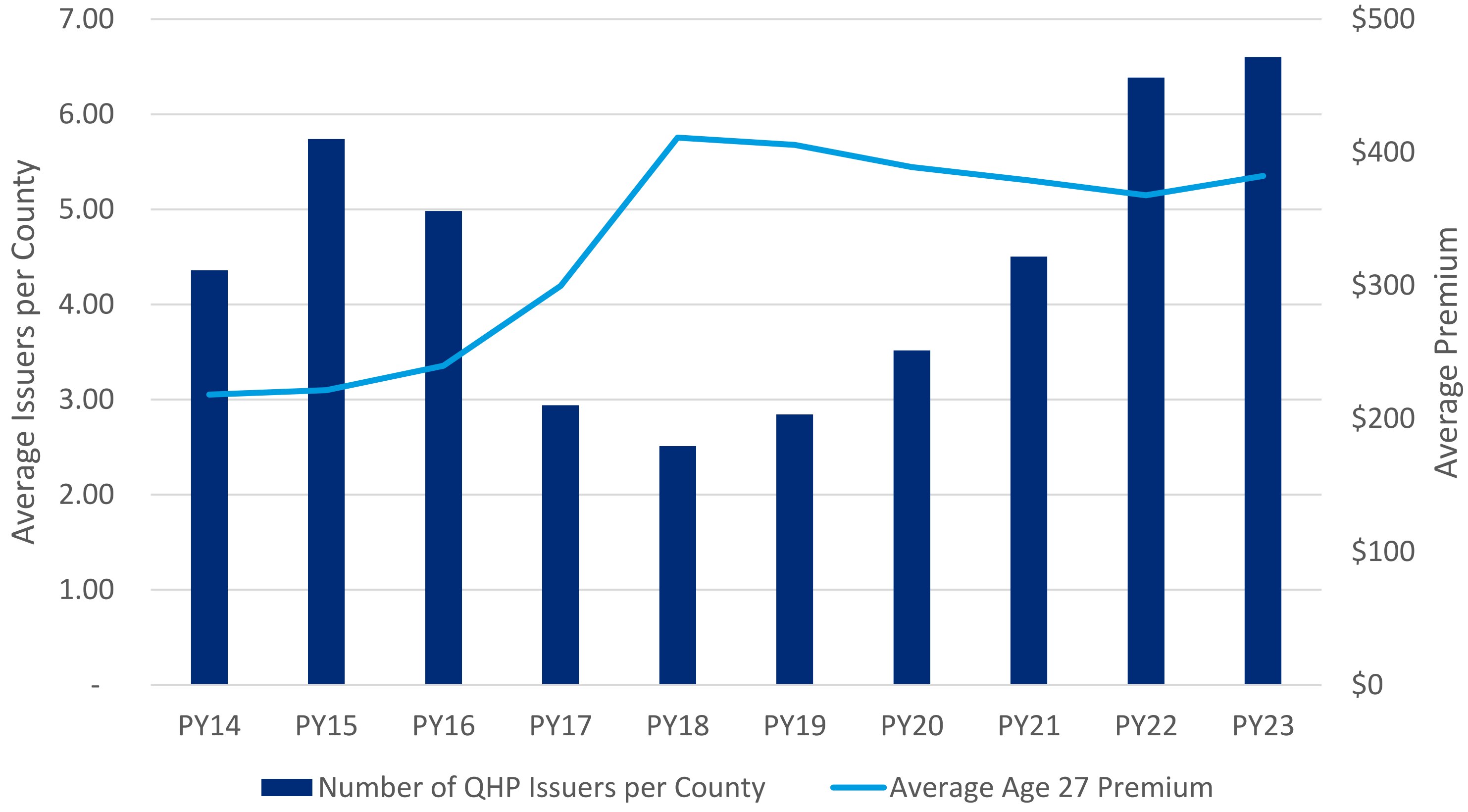
States' Medicaid expansion position from here: https://www.kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act

THE INDIVIDUAL MARKET HAS BEEN SUBJECT TO CONSIDERABLE INSTABILITY

Market exits, loss of the individual mandate, unfunded cost-sharing reduction, repeal and replace efforts have all added to market instability

Number of QHP issuers per county and average age 27 second-lowest-cost silver premium

Plan years 2014 through 2023



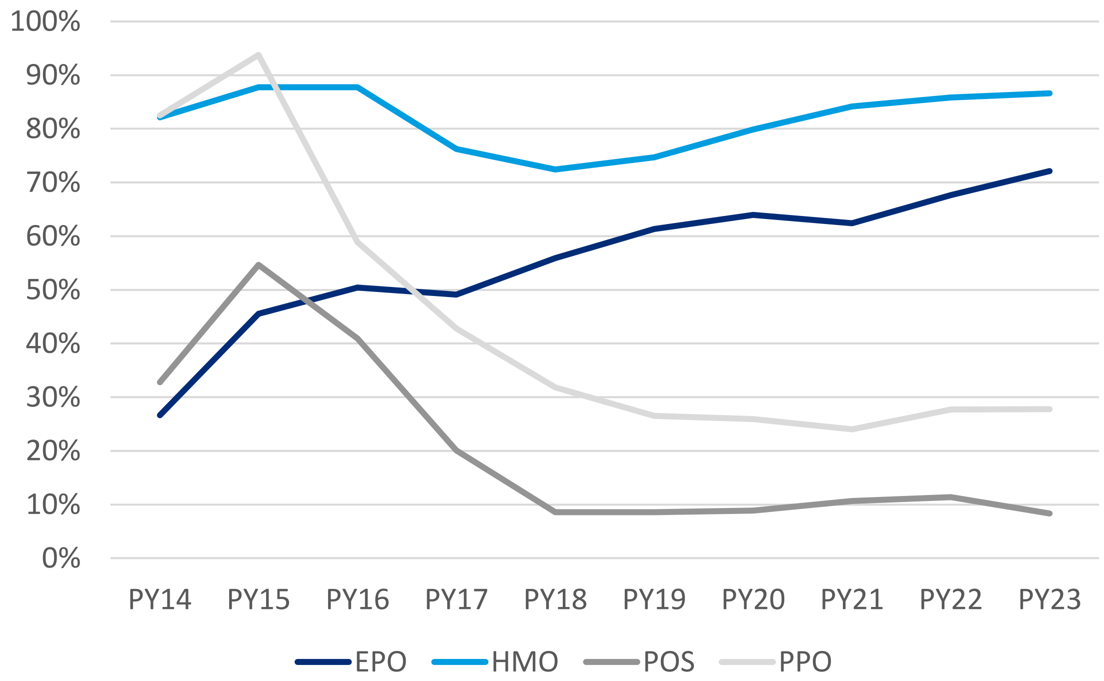
Source: Plan Year 2023 Qualified Health Plan Choice and Premiums in Healthcare.gov Marketplaces, Appendix A
https://www.cms.gov/cciio/resources/data-resources/downloads/2023qhppremiumschoicereport.pdf

Forces driving instability in the individual market

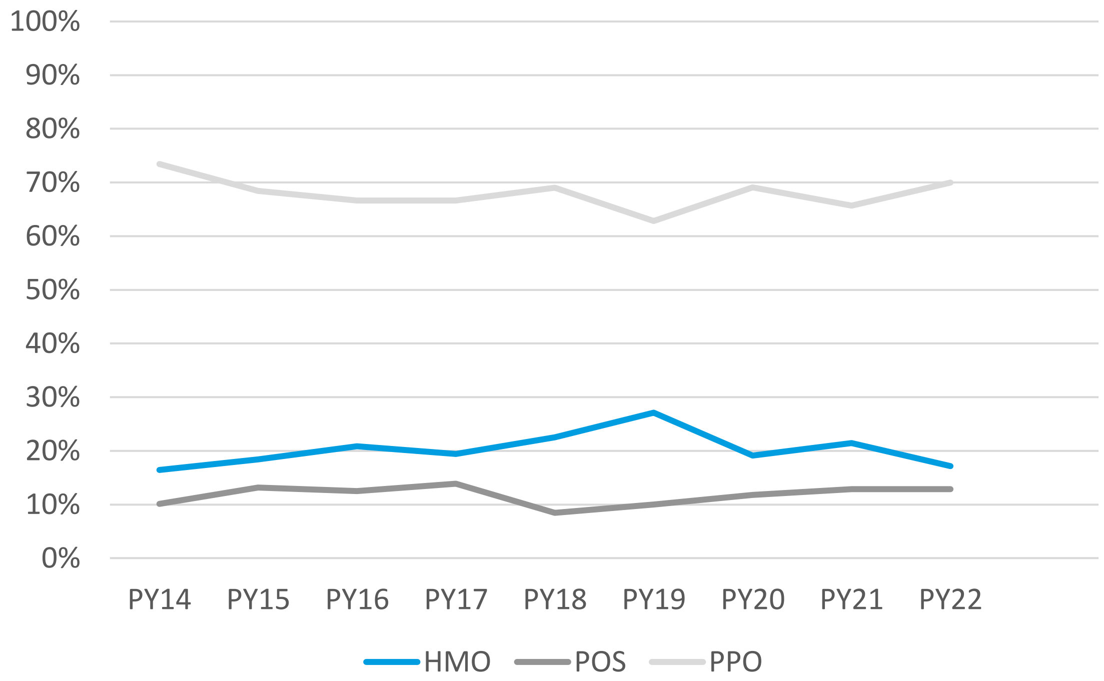
- Losses of $20BN on $150BN in premium from 2014 through 2016 led to market exits in 2016 through 2018
- Filing deadlines meant premiums for plan years 2014 through 2016 were essentially educated guesses
- In 2014 Congress chose not to fund one of the three risk mediation programs – risk corridors – leading to significant losses
- Payment for statutory cost sharing reduction benefits ended in 2017, and issuers responded in 2018 by increasing on-Exchange silver premium dramatically
- In 2019, the individual mandate penalty was eliminated

NETWORK ACCESS IN THE INDIVIDUAL VS GROUP MARKET

Portion of Exchange enrollees with access to QHP by plan type[1]



Distribution of health plan enrollment by covered workers by plan type[2]

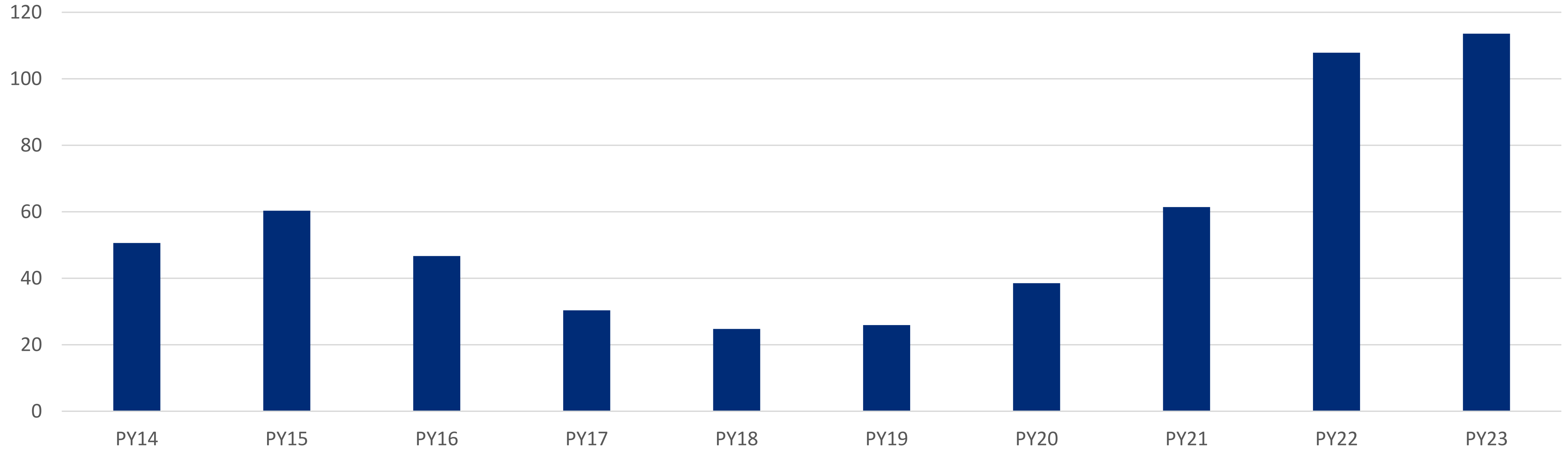


The individual market is very price competitive and narrow networks are one of the primary ways individual market participants achieve low price positions

1. Plan Year 2023 Qualified Health Plan Choice and Premiums in Healthcare.gov Marketplaces, Appendix A, https://www.cms.gov/cciio/resources/data-resources/downloads/2023qhppremiumschoicereport.pdf
2. 2022 Employer Health Benefits Survey, Section 5, KFF https://www.kff.org/report-section/ehbs-2022-section-5-market-shares-of-health-plans/

CHOICE OVERLOAD IN THE INDIVIDUAL MARKET

Average number of QHPs offered by plan year[1]



Consumers shopping on the Exchanges were presented with about 115 plans in 2023, up from a low of about 25 in 2018. Among firms offering health benefits, about 40% of covered workers are offered one plan, 45% are offered two, and 15% are offered three or more choices.[2]

1. Plan Year 2023 Qualified Health Plan Choice and Premiums in Healthcare.gov Marketplaces, Appendix A, https://www.cms.gov/cciio/resources/data-resources/downloads/2023qhppremiumschoicereport.pdf
2. 2022 Employer Health Benefits Survey, Section 4, KFF https://www.kff.org/report-section/ehbs-2022-section-5-market-shares-of-health-plans/

MICROSIMULATION AND THE VALUE OF STABILITY AND CONVENIENCE OF GROUP COVERAGE

High-level tenets of utility maximization modeling

Revealed Preferences	Consumers have preferences for goods and services, which are observable through historical data
Rationality	Consumers act rationally and exhibit predictable behavior based on their available option set and information
Prices	Consumers use prices in choosing choose among alternatives
Inertia	There is a "stickiness" to consumers' legacy choices, and knowledge regarding available alternatives is not perfect

Successful legislative and regulatory deployments

Transitional Reinsurance Program (Section 1341 of the Affordable Care Act)

- ***$20bn impact***

Section 1332 State Innovation Waivers

- ***$1bn impact (annual reduction in premiums)***

Generic utility function

$$
\begin{aligned}
\text{Utility}_{i,j} = u_{i,j} &* (\text{Expected allowed claims})_{i,j} \\
&- (\text{After tax net premium})_{i,j} \\
&- (\text{Expected cost sharing})_{i,j} \\
&- r_{i,j} * (\text{Standard deviation of cost sharing})_{i,j} \\
&+ (\text{Fixed value of insurance})_{i,j}
\end{aligned}
$$

i,j subscript denotes person i evaluating coverage option j

We use a calibration process to estimate model parameters that reproduce consumers' revealed preferences. Through calibration process, we have estimated value of group insurance is roughly $6,000 per adult per year

QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS

There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

This report does not represent investment advice, nor does it represent legal, medical, accounting, safety, or other specialized advice. For any such advice, Oliver Wyman recommends seeking and obtaining advice from a qualified professional.

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Funded ICHRA

The New Group Health Plan

www.onebridgebenefits.com

170 Franklin Street | Suite 700 | Buffalo, NY 14202

Shortfalls of Traditional Group Health Benefits

1. Someone other than the employee picks their health insurance plan.
2. Limited plan options for a diverse workforce.
3. Greater inherent risks with employer owned plans.
4. Difficulty providing health plans to a multi-state workforce.
5. Employees lose insurance upon separation and employers administer COBRA.
6. Lack of appreciation and understanding of employer benefit offerings.

How ICHRA Addresses these Shortfalls

Shortfall		ICHRA
Someone other than the employee picks their health insurance plan.	1.	Employers just provide a contribution and let employees pick for themselves.
Limited plan options for a diverse workforce.	2.	On average, an employee can choose from 5 insurers and 88 different plans.
There is a higher inherent business risk tied with employer-owned plans.	3.	Larger individual market risk pools results in less volatile year over market increases.
It's difficult to provide health plans to a multi-state workforce.	4.	Each employee purchases insurance from local carriers, removing the need for costly PPO plans.
Employees lose insurance upon separation, and employers administer COBRA.	5.	Employees own their coverage, making plans portable, removing employee's need for COBRA.
Lack of appreciation and understanding of employer benefit offerings.	6.	Benefits contributions and premium costs become transparent, increasing employee appreciation of overall compensation.

ICHRA – *The Simple Design*

Employers make available tax-free funds to employees (who need health insurance)

Employees go to the Federal or State marketplace and shop for individual insurance

Employees submit proof of insurance / payment to their employer for tax-free reimbursement (up to their allotted amount)

ONEBRIDGE

ICHRA

The Simple Design

Great for small groups but not a large group benefit

What the Critics Say

- Lack of appropriate education / guidance on individual marketplace
- Employee needs to pre-fund individual insurance plan
- No POP contribution – reduced employee benefit
- Notional account – use it or lose

All Adds Up to a Negative Employee Experience

Large Group ICHRA

Funded ICHRA (w/ guided enrollment services)

1. **Individual Enrollment Guidance**

   Single marketplace shopping experience with seasoned, licensed agents to guide the employee through the enrollment experience.

2. **POP Withholdings**

   Individual plan premiums in excess of ER ICHRA contribution are funded with pre-tax employee contributions (off-exchange enrollments makes this possible)

3. **Funded Accounts with Payment Solution**

   POP withholdings and ICHRA contributions are funded by the employer before the beginning of the month and made available on a debit card for ease of recurring payment (premium reimbursement also an option)

4. **Excess ICHRA Funds Covers Other Expenses**

   Excess ICHRA contributions can be used for other qualified health expenses including deductibles, copays, dental, vision, Rx – All 213(d) qualified expenses

5. **Unused Funds = Lifetime Healthcare Account**

   Unsued ICHRA contributions carryover from year-to-year through separation and into retirement. Funds can be used for in-service and post-separation qualified medical expense

6. **Unused Funds Invested and Grow TAX FREE**

   In various market sectors (public, non-profit, Taft-Hartley) unused funds can be invested and grow on a tax-free basis. Triple tax savings!

Proven Results:

This thing works!

In under two years...

Average total plan cost savings between comparable group and individual health plans:	13%
Employees saving money for future expenses:	36%
Average number of plans selected per 100 people:	30

The future is bright!

The legacy model
is becoming unustainable.

The Funded ICHRA is the right balance between an **employer sponsored benefit** and **individual choice.**

...and it might even help people save for retirement healthcare costs

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REFRESHMENT BREAK

PLEASE RETURN BY 3:00 P.M.

EBRI

POP-UP TALKS

Mary Morris, CEO, Virginia529/ ABLENow

Devin Miller, CEO, SecureSave

EBRI

Virginia529℠

EBRI SPRING FORUM

Pop-Up Talk: State Sponsored Savings Programs
Mary G. Morris, CEO

May 11, 2023

Virginia529 Programs

- Retirement Savings Program
  - retirepath VA
- Education Savings Programs
  - CollegeAmerica®
  - Defined Benefit 529 Program
    - prepaid529
    - Tuition Track Portfolio
  - invest529
- Disability Savings Programs
  - ABLEnow
  - ABLEAmerica

Closing the Gap in Financial Education and Wellness

Education Savings

$97B in AUM

22% of 529 Mkt

invest529

CollegeAmerica

Disability Savings

$113.4M in AUM

10.2% of ABLE Mkt

ABLEnow

ABLEAmerica

Access & Affordability

$11.5M

SOAR scholarships awarded

2010 | SOAR VIRGINIA

2021 | Expansion

$13.5M

Committed to 7 Partners

State-Facilitated Private Retirement

45%

Working Virginians without retirement options

retirepath VA

Launching in **2023**

*As of March 31, 2022

Why does Virginia need a state-facilitated private retirement program?

What Virginia **employers** need to know

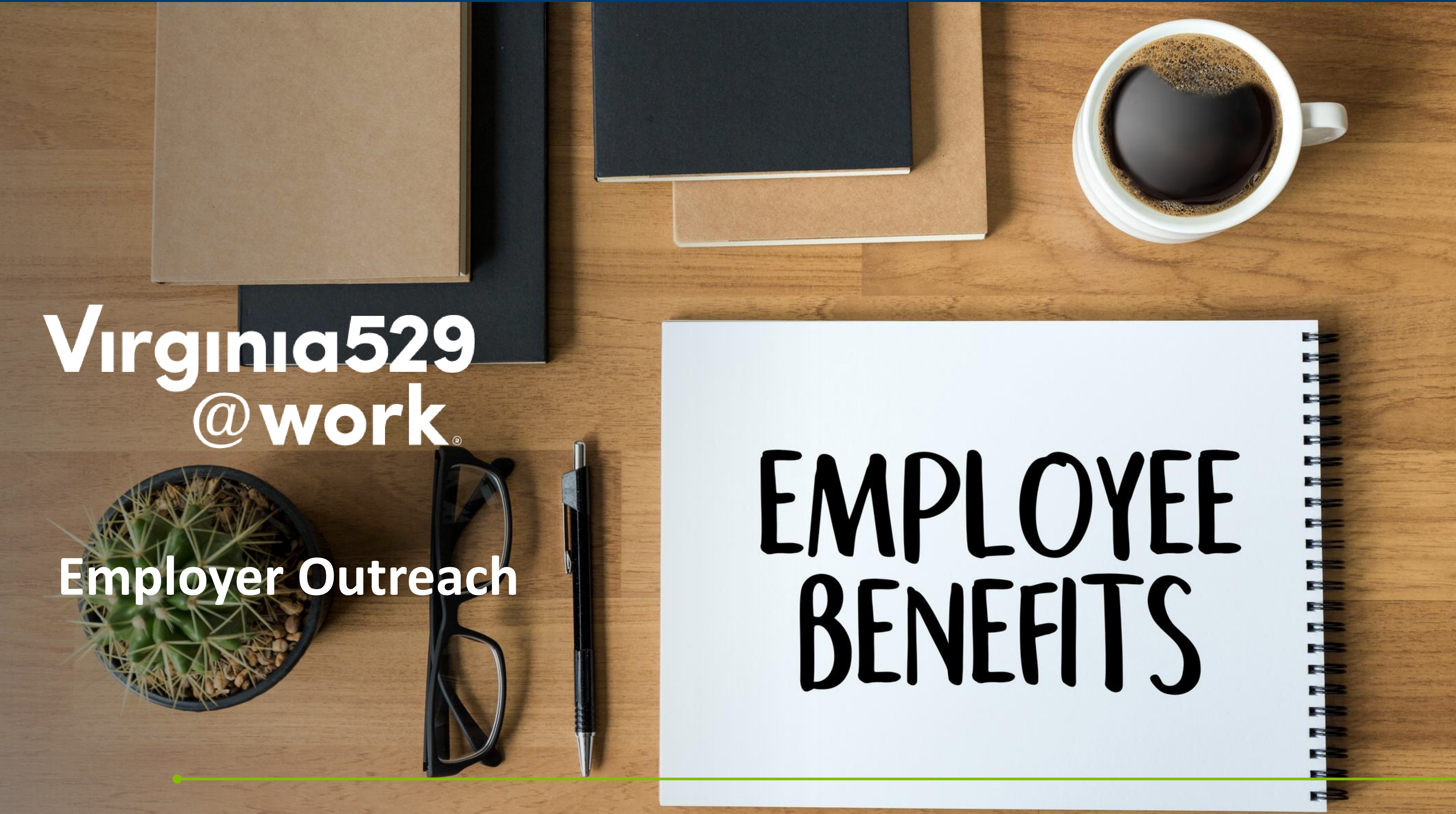
retirepathVA

- Virginia employers that meet the following criteria must register:

25+	2+	Not currently offering a workplace retirement savings option
eligible employees	years in operations	

- Easy to administer
- No employer fees or fiduciary liabilities
- No employer matching contributions
- Help employees thrive with a convenient option to save for the future
- Retirepathva.com

Employer Outreach



Virginia529@work overview

- Educate employees on savings options through Virginia529
- Webinars and/or in-person information sessions
- Trade sponsorships or exhibiting at key events
- Digital advertising through LinkedIn/online channels
- Quarterly newsletter targeting HR professionals

Happy holidays! As the year's end approaches, the Virginia529@work team extends sincere thanks and gratitude for your partnership. Because of many employer partners, such as Capital One, VCU Health, TSA, Inova Health, Virginia Tech, Freddie Mac, Northrop Grumman, and UVA, employees across the Commonwealth are becoming better informed about education savings options available to them!

If you would like to offer an education session in 2023 to show your employees how much you appreciate them and support their financial wellness, please get in touch with Merrill Milani.

Virginia529

Employer Partners

Capital One

Freddie Mac

INOVA

VIRGINIA TECH

TRANSPORTATION SECURITY ADMINISTRATION

VB

UNIVERSITY of VIRGINIA

VCU Health

VIRGINIA HOSPITAL CENTER

VDOT Virginia Department of Transportation

WestRock

OrthoVirginia

UNITED STATES PATENT AND TRADEMARK OFFICE uspto

NORTHROP GRUMMAN

FEDERAL RESERVE BANK OF RICHMOND

Bloomberg NEWS

Our successes & results

- 300+ Virginia529@work partners
  - State agencies, city/county governments, universities, public and private businesses
- 150+ events completed YTD
- Gift codes offered to employers to encourage conversion – 10% usage rate

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Facebook.com/VA529
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Facebook.com/ABLEnow
@ABLEnowVA

Toll-Free 1.833.608.6281 (Employers)
Toll-Free 1.833.608.6776 (Savers)
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SecureSave

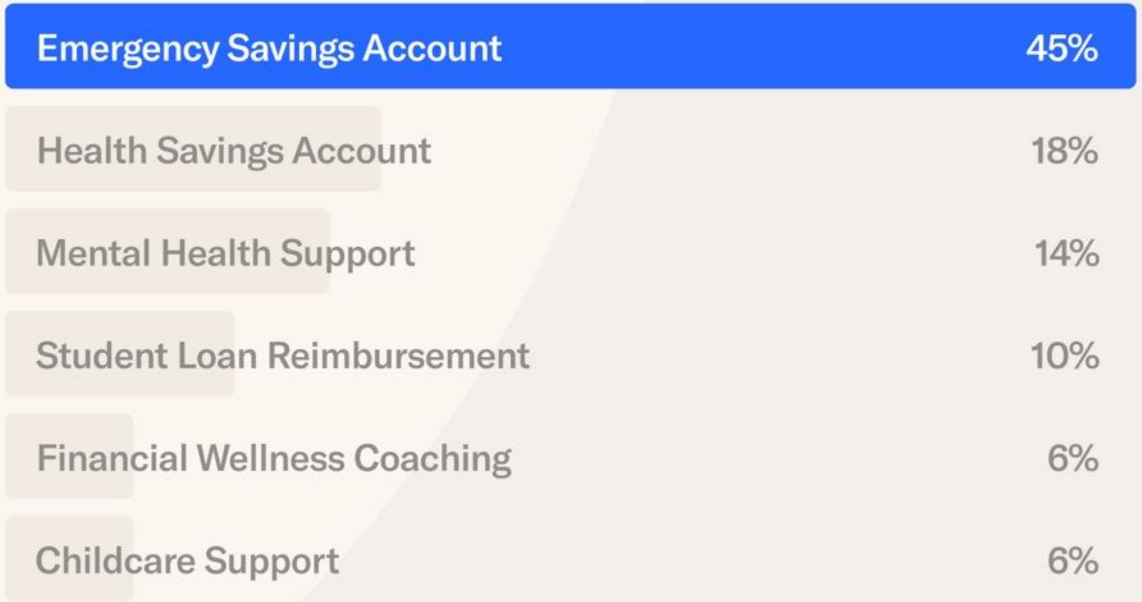
Workplace emergency savings accounts (ESAs)

May 2023

Workplace emergency savings accounts (ESAs) are incredibly popular

45% of employees cite ESAs as their top choice new benefit

When asked, 87% said they'd participate in an ESA if their employer offered one.



Breaking down the legislation

ESAs are here to stay with new momentum as a result of SECURE 2.0

The legislation is complicated, leaving more questions than answers

Employers & recordkeepers have preference toward out-of-plan

Out-of-plan	"In-plan" solution
No cap on ESA account	ESA is capped at $2,500
Matching contributions remain within ESA	Matched contributions on the ESA must go into the retirement account
All employees can contribute	High-income earners and ineligible employees can't contribute to an ESA
Average 59% adoption	Current in-plan solutions average 4% adoption
Simple signup process	Auto-enrollment available

Why employers are implementing emergency savings programs

- Highest impact financial wellness solution on the market today with a tangible ROI
- High adoption and retention rates
- Clear positive impact on employees through consistent savings growth
- Reduce 401K loans and hardship withdrawals, while improving 401k participation
- Appeal to underrepresented and at-risk employee groups
- Highly customizable with minimal administration

ESAs outperform other financial wellness solutions

Employees sign up → *save $$$* → *and stick around*

59%
average adoption rate
With 50% of employees logging in each month

85%
Monthly savings retention
Most employees have $1,000 in savings after 1 year

88%
Annual user retention
Participants give SecureSave a 86% CSAT rating

CUSTOMER STORY

The typical Emergency Savings Program

- Focus on emergency savings
- Invitation-based signup
- Employee has full control and access to dollars
- Minimum per paycheck participation (1-2% of pay OR ~$20)
- Incentives to drive engagement: sign up bonus, per paycheck match, milestone bonuses.
- Average incentives amount to is $150/year and over 90% of employers provide an incentive

Example Program

Biweekly paycheck match	$5
Signup bonus	$25
Milestone bonuses	$10 Per $500 saved

A clear and lasting impact on liquid savings

SECURE ACTS: MOVING FROM 1.0 TO 2.0

Andy Banducci, Senior Vice President, Retirement and Compensation Policy, The ERISA Industry Committee

Brigen Winters, Principal, Chair Policy Practice, Groom Law Group

Moderated by: Liz Varley, Senior Vice President, Federal Government Affairs, Ameriprise

Bill Evans, Attorney-Advisor, Benefits Tax Counsel's Office, Office of Tax Policy, Department of the Treasury

Helen Morrison, Deputy Benefits Tax Counsel, Office of Tax Policy, Department of the Treasury

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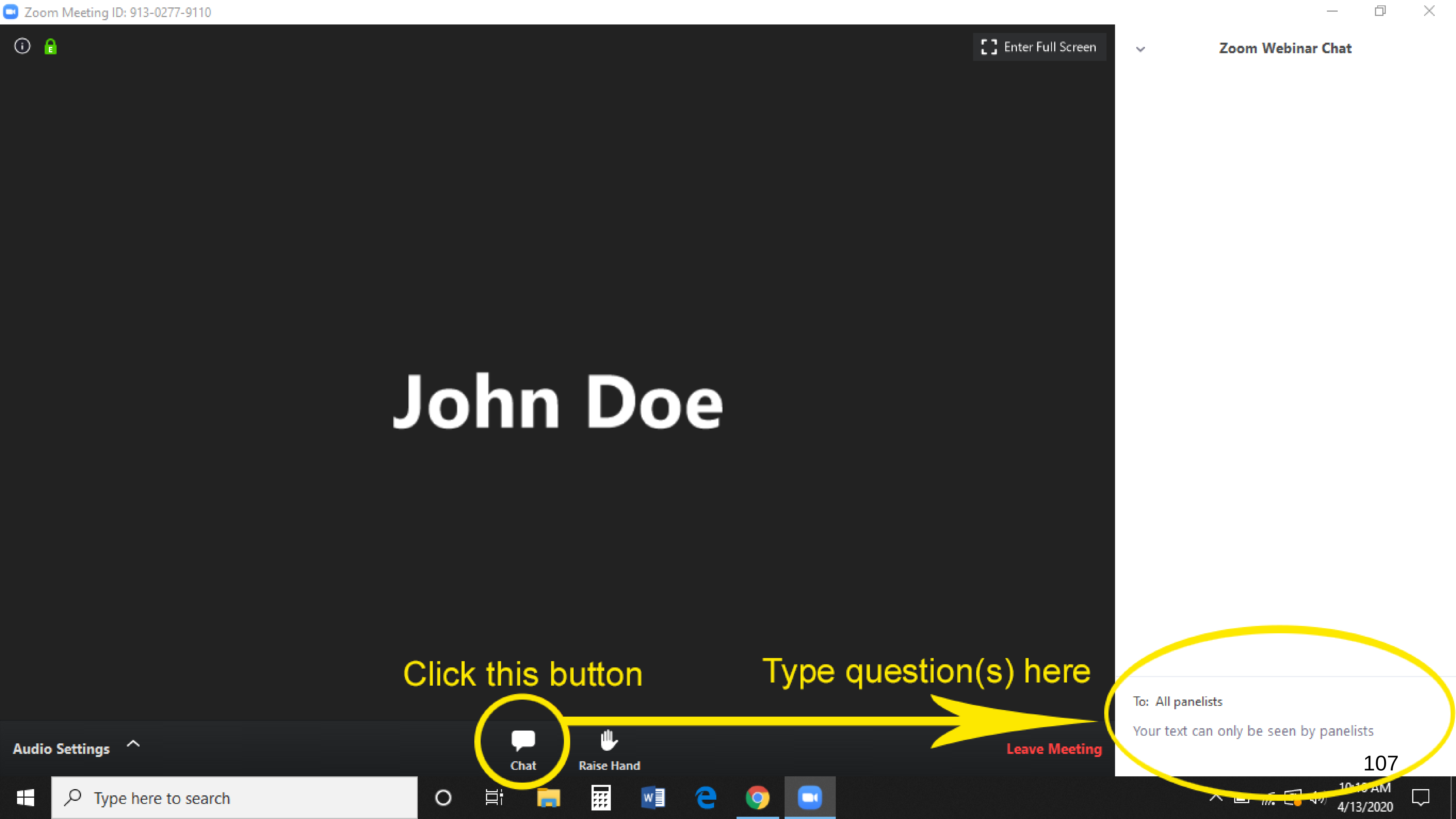
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