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Notes

Severing the Link Between Health Insurance and Employment

by Stephen Blakely, EBRI

For better or worse—depending on your perspective—health insurance in the United States is tied to employment: Two-thirds of all those under age 65, amounting to 151.7 million Americans, currently get their health care coverage through an employer. Health insurance is the benefit most used and valued by workers and their families, surveys show.

This "employment-based" health insurance system, as it has evolved since World War II, has developed a bewildering combination of advantages and drawbacks. For example, employers are generally able to get lower insurance premiums than individuals because there is less adverse selection, average administrative and marketing costs are lower, and they can negotiate discounts for providing a large volume of patients. On the other hand, workers who change jobs usually must also change doctors, and self-employed workers and others who must buy individual health policies do not enjoy all of the tax preferences bestowed on those inside the employment-based system. Also, some workers are forced into "job lock" with their current employers just to maintain health coverage.

The most visible problem with the voluntary system of health insurance, however designed, is the 43 million Americans who have no health insurance (although employment-based insurance is frequently cited as "the problem," any voluntary system will include substantial noncoverage).

Unlike in many developed nations, where health care is universal and funded by the national government (at great expense), health insurance in the United States is voluntary: Employers—whether they be corporations, unions, governments, or nonprofits—are not required to provide health insurance to workers and their families. While virtually all large employers offer it, many small employers do not. As a result, about 18 percent of the U.S. population is uninsured because their jobs do not provide health care coverage or they have declined the coverage that is offered.

Some policymakers and interest groups advocate severing the link between health insurance and employment, through either incremental or fundamental changes in the federal tax code—a move that could dramatically affect the $259 billion in annual health insurance costs that employers currently pay on behalf of their workers. Most proposals involve new tax credits for those who buy health insurance in the individual market, so as to reduce the number of uninsured and expand individu-

als' choice of health plans without rupturing the employment-based system.

What would happen if the link between employment and health benefits were broken? Would "adverse selection" transform the economics of health insurance and ultimately drive the market into a "death spiral" of ever-increasing health insurance premiums? Would fewer Americans be covered by private health insurance and would government-financed universal coverage result? Would health care coverage and quality improve? And what would the American public support?

Leaders of the health care industry, the benefits sector, unions, employers and legislators examined these questions during the Employee Benefit Research Institute-Education and Research Fund's May 5, 1999, policy forum on "Severing the Link Between Health Insurance and Employment." Attended by more than a hundred invited experts, and funded by the Robert Wood Johnson Foundation, the policy forum examined the link between health insurance and employment, how various federal policies might put that link at risk, and what the implications of those policies might be for workers, employers, and the government.

As UCLA health economist Tom Rice pointed out, there are no easy answers. "I'm very sympathetic to the overall notion that most of our problems in our health care system stem from the linkage between employment and insurance," Rice told policy forum participants. But he also said: "I'm concerned these [structural reform] proposals might lead to more uninsured, more two-tier medicine, and less preventive services without necessarily controlling health care costs."

Public Opinion

Ultimately, the success or failure of proposals to change the tax treatment of health insurance depends on the public's reaction. Since any change in the tax preference for health benefits may affect the real price of health insurance, it is important to understand how the public currently feels about employment-based health insurance, alternatives to the employment-based system, and changes to the tax code.

To help gauge these issues, EBRI and Mathew Greenwald & Associates conducted a public opinion survey in early 1999 on public attitudes toward health insurance. The Health Insurance Preference Survey examined the level of public satisfaction with the current system, individual preference for the employment-based health insurance system, and individual preference for an individual-based system that would require people to find and obtain health coverage on their own without job-based health coverage. Among the survey's key findings:

- Sixty-eight percent of Americans with employment-based health insurance were satisfied with the current mix of benefits and wages.
- Twenty percent of respondents reported that they preferred *higher* health benefits and *lower* wages.
- Eight percent reported the opposite preference—for lower health benefits and higher wages.

"Most people are pretty satisfied with the current mix of benefits and wages," said Paul Fronstin, EBRI senior research associate. "Most people are pretty confident in their employer's ability to choose the health plan."

Tax Treatment and the Uninsured

Currently, health insurance premiums paid by employers are deductible for employers as a business expense, and are also excluded, without limit, from workers' taxable income (this tax exclusion for workers amounted to an estimated $111 billion in 1998). In contrast, the self-employed were able to deduct only 45 percent of the amount paid for health insurance during 1998, although that is slated to gradually increase to 100 percent by 2003. Also, for individuals who do not receive employment-based health benefits, total health care expenses (including premiums) are deductible only if they exceed 7.5 percent of adjusted gross income.

The tax preference for employment-based health insurance is generally viewed as being regressive, since workers in higher tax brackets receive greater tax advantages in dollar amounts than those received by lower-paid workers. However, when measured as a percentage of

income, the exclusion represents greater savings for lower-income workers than for higher-income workers.

William Custer of Georgia State University noted that the tax exclusion for employer-paid health insurance premiums amounts to "a subsidy for the purchase of health insurance for those individuals receiving coverage through the work place," and is the largest single tax "expenditure" (in terms of revenue forgone) in the federal budget. Traditional economic arguments, he noted, contend that the existing tax preferences for employment-based health insurance tend to cause healthy workers to purchase too much health coverage, which "distorts the market for health insurance and therefore creates an inefficient allocation of resources."

However, in an analysis prepared for the policy forum, Custer argued that the federal tax subsidy is not the only reason why the health insurance market is inefficient, and that the current tax subsidy is of most benefit to those who are low income and in poor health. Moving from an employment-based to an individual-based health coverage system would be likely to result in higher rates of uninsured, he said, especially among those in poor health who would probably be unable to afford the higher insurance premiums that would result from individual-based risk rating.

One of the biggest concerns with removing the existing tax subsidy is adverse selection—a situation where healthy, low-risk participants drop coverage and only the high-risk, unhealthy participants remain, thereby forcing higher premiums and ultimately bankrupting the plan. One possible way to avoid that, advocates say, would be to replace the current employment-based system with one involving capped refundable tax credits—a dollar-for-dollar tax refund to individuals for the cost of their health insurance, up to a certain limit (or cap).

Research presented by Kenneth Thorpe of Emory University concluded that the government would have to provide an extraordinarily generous tax credit in order to significantly reduce the number of uninsured. Thorpe's analysis indicates that even if the full cost of individual health insurance were covered by tax credits, only 75 percent to 80 percent of uninsured Americans would obtain coverage.

Alternatives to the Employment-Based Health System

Stuart Butler of the Heritage Foundation said there are two basic approaches to creating an alternative to the existing U.S. health insurance system:

- *Structural change,* in which the tax laws are fundamentally transformed to eliminate the current tax exclusion and provide coverage in a different way through refundable tax credits.
- *Incremental change,* aimed at reducing the number of uninsured by providing a tax credit exclusively to people who do not have employment-based coverage.

UCLA's Tom Rice identified several advantages to structural reform: It would provide more equitable and progressive tax treatment to Americans, regardless of their employment status; it would provide more help to those who spend a larger share of their income on health insurance; it would end job lock; and it would expand individuals' choice of health plans. But he pointed out disadvantages as well: the likelihood of higher costs and less affordability of health insurance; "two-tier medicine" and poor care for lower income people; a probable reduction in preventive care through employment-based managed care plans; and an incentive for employers to drop health coverage during economic downturns.

For the nation's doctors, the ever-growing number of uninsured is only one sign of failure in the nation's employment-based system. As employers have embraced managed care plans in recent years to clamp down on rising health benefit costs, doctors have found themselves squeezed both by insurance restrictions on their medical treatment authority and by a loss of income. As a result, managed care restrictions on health benefits have provoked a backlash among doctors as well as their patients, which in turn has elevated the patients' rights movement into a potent political force.

"Americans' confidence in the future of the employer-based system is eroding," said Dr. Nancy Dickey, president of the American Medical Association (AMA). "Our reliance on an employer-based system of health

benefits in the United States needs to be reconsidered." The AMA has proposed a three-point plan that calls for an individual tax credit for health insurance premiums, reducing the growing number of state health mandates, and increasing new risk-pooling alternatives to job-based insurance pools, among other changes.

Insurer Response to a Changing Market

Insurance companies see a lot of dangers—for everyone involved—in shifting to an individual insurance market. The major ones include:

- *Risk pooling and adverse selection.* Since employers provide a so-called "natural group" for risk pooling (not formed for the specific purpose of insurance), they include a workable mix of healthy and unhealthy individuals, which in turn makes it possible to successfully manage the risk. On an individual basis, the ability to pool risks is more difficult, more expensive, and might not be economically viable.
- *Cross-subsidy.* Under the current system, low-risk individuals help subsidize the cost of the high-risk individuals because they are part of a larger employment-based group. Finding an alternative cross-subsidy in an individual insurance market would be difficult at best.
- *Administrative costs.* Because employers enroll groups (and sometimes very large groups) of participants in a health plan, the per capita cost of underwriting and managing individuals in the plan is relatively low. By contrast, individual policies are far more expensive to underwrite and administer.
- *Government response.* If existing tax preferences for health insurance were abolished, would the new system get the same amount of tax preferences, or less? Many carriers suspect that if the number of uninsured or health insurance costs shoot up, state and federal governments may force them to offer coverage to bad risks ("guaranteed issue," as it's called), or impose a flat-rate premium for all ("community rating"), or raise taxes.

Mary Nell Lehnard of the Blue Cross and Blue Shield Association warned "the mother of all issues is whether it's possible to create a stable system for pooling risks in the individual market. Who's going to be willing to subsidize whom?" She raised the specter of "intergenerational warfare, with different age groups lobbying Congress to lower their premiums at the expense of other age groups, especially young versus old."

Another concern is that state regulators would force insurers to sharply increase their financial reserves and capitalization levels to cover the expected higher rate of losses and even insurer failure under an individual-based system. Because of the regulatory issue alone, the U.S. insurance industry would not currently be able to shift from the employment-based system to an individual market, according to Carl Scott, director of individual marketing for Mutual of Omaha. "Currently, there is not sufficient capacity in the individual marketplace to absorb all the people who would fall out of a group environment. Just isn't there," Scott said.

Employer Responses

For employers who sponsor health plans for their workers, and who collectively spent an estimated $259.4 billion on group health insurance costs for their employees in 1997, the prospect of shifting to an individual-based insurance system has an obvious attraction.

"If there were magic wands, I can't think of an employer who wouldn't love to have the whole issue of sponsoring health benefits go away. Their vote would be, 'If fairy tales would come true, we're out of this game,'" said Kenneth Jacobsen of the Segal Company.

But Jacobsen argued that both employers and their workers stand to lose if the existing employment-based insurance system is eliminated: Employers would lose a critically important hiring and retention tool, while workers would probably see a one-time pay boost, higher insurance premiums, and poor coverage for those with health problems. "And nobody is going to escape higher taxes if we take this system and revamp it," he predicted.

Among small businesses, which are often at a disadvantage in the employment-based health marketplace because of their small size and limited revenues, the potential

advantages of fundamental change are viewed with skepticism. Victoria Caldeira, of the National Federation of Independent Business, noted that NFIB's small-business members "desperately want more choices in the marketplace and better value for the dollar when it comes to purchasing health care." Nevertheless, she added, NFIB members "are not willing to give up the benefits of our current system."

Implications

With the health insurance of 152 million Americans at stake, the prospect of restructuring the U.S. health insurance system instills fear in some experts and excitement in others. As expressed by Robert Helms of the American Enterprise Institute, the demise of the current system "will be for the national good" over the long run, despite the probable "rocky" transition. By contrast, Deborah Chollet, vice president at Alpha Center, stressed the importance of minimizing disruption of the employment-based system by carefully designing any tax credits for individual-based insurance coverage.

One recurring point that emerged is that federal tax policy, as set by Congress, is crucial to the future of the American health insurance system. In closing comments at the policy forum, Merrill Matthews, Jr., director of health policy studies at the National Center for Policy Analysis, argued that a tax credit for individually purchased health coverage would be better than the current tax treatment, provided the credit is neither too generous nor too limited. However, Len Nichols of the Urban Institute noted that for all the different opinions on health insurance, "no one is talking about completely abolishing *all* tax preference, but instead changing the *nature* of it."

Another recurring point raised by several speakers was the need to be careful and guard against unexpected consequences—especially with health coverage for millions of people potentially in the balance.

EBRI President and CEO Dallas L. Salisbury concluded the session by noting: "The employment-based system is not perfect, but it has helped to rationalize the payment and delivery of health care for a large majority of individuals and households in a voluntary system. The use of 'natural' groups helps in administration, cost management, communication with the insured, and much more."

Salisbury noted that group insurance, facilitated by employers and unions, grew from natural market forces to extend efficient coverage. While technology may now provide a means of forming alternative groups, and individuals may have the means of more effectively gaining information and making choices, change must be considered with great care, he said. "The stated objective of all parties is to expand the number of Americans with health insurance. We must make certain that policy change leads to this result, not to an unintended consequence of lower coverage."

Lessons from the 1999 Youth and Money Survey

by Paul Yakoboski, EBRI

Introduction

Financial attitudes and habits developed when young—whether positive or negative—can last a lifetime and have a dramatic impact on an individual's ultimate economic security. Therefore, better understanding of the thoughts and behavior of young Americans, as well as the information sources that affect them, is the first step toward ensuring an adult population that is capable of making competent financial decisions. A better understanding of these issues was the objective of the 1999 Youth and Money Survey, which surveyed high school and college students.[1]

Financial Understanding and Money Management

The survey found that most students feel confident about their understanding of financial matters such as saving, investing, credit, and budgeting. Fifteen percent say they understand such money matters very well, and 67 percent say fairly well. Eighteen percent report they do not understand such issues well.[2]

Along with this confidence in their understanding of financial matters, most students think they do a satisfactory job of actually managing their money. Eighteen percent think they do a very good job of managing their money, and 38 percent think they do a good job. Thirty-seven percent describe their performance as average, while only 7 percent say they do a poor job of managing their money. Those who think they have the best understanding of financial matters also think they do the best job of managing their money.

Actual Behavior

Positive self-appraisals of financial understanding and money management are verified by some behavior, but called into question by other reported attitudes and behavior.

Three-quarters (77 percent) of students report that they think about trying to manage their money, 76 percent consider themselves disciplined in their spending decisions, and 54 percent often comparison shop. In addition, only 16 percent think that avoiding money problems is mostly a matter of luck.

On the other hand, two-thirds (64 percent) of students say they *do not know* as much about money management *as they should*. Even among those who say they do a very good job of managing their money, one-half (49 percent) do not think they know as much about money management as they should. Furthermore, among those claiming to understand financial matters very well, one-third (34 percent) think that they do not know as much about money management as they should.

Fifty-four percent of all students feel it is *very* important for them to save money on a regular basis, and 40 percent say it is somewhat important. Among those who feel they do a very good job of managing their money, 73 percent feel it is very important for them to save money on a regular basis. This means that one-quarter of those who *think* they do a very good job with their money do *not* think regular savings is a very high priority.

The survey found that 23 percent of students make a budget and stick to it, and 23 percent often track their spending. Among those who say they do a very good job of managing their money, 39 percent make a budget and stick to it, and 39 percent often track their spending to determine where their money is going. Finally, 28 percent of students with credit cards roll over credit card debt each month (9 percent of all students).

Students, Work, and Savings

Many students have significant work experience—41 percent worked full time (35 hours or more hours per week) last summer, 22 percent worked 20–35 hours per week, 18 percent worked 5–20 hours, 13 percent worked less than 5 hours, and 6 percent did not work.

The older the student, the more likely he or she was to have worked full time last summer (65 percent of those ages 20–22, compared with 51 percent of those ages 18–19, and 26 percent of those ages 16–17). Males were more likely to have worked full time than females (44 percent versus 38 percent). Students from lower- to middle-income backgrounds were the most likely (49 percent) to have worked full time last summer.

Thirty-nine percent of students receive money, such as an allowance, from their parents on a regular basis. This finding does not vary systematically with age, school level, or gender. Students from middle- to upper-income backgrounds (49 percent) are more likely than those from middle- (35 percent) and lower-income (24 percent) backgrounds to receive an allowance or other regular money from their parents. For 59 percent of those receiving regular money from parents, it is tied to grades, chores, etc.

Many students earn and/or receive money, and most (but not all) save money. Forty-nine percent of students save some of the money they receive, no matter what, and 41 percent save some of it sometimes. An additional 7 percent save some of the money they receive but only until they get a chance to spend it, and 2 percent do not save anything.

Thirty-eight percent of students

say that their parents require them to save some of the money they receive. Forty-eight percent of high school students are required to save, compared with 25 percent of college students. Students from middle-income (40 percent) and upper-income backgrounds (39 percent) are more likely to be required to save than students from lower- to middle-income backgrounds (30 percent).

Financial Tools

Eighty percent of students have a savings account. Fifty-seven percent have a checking account, with college students more likely to have an account than high school students (90 percent versus 31 percent). Thirty-eight percent of students own U.S. Savings bonds, with those under age 20 more likely to own them. Sixteen percent own a certificate of deposit (CD), 18 percent own a mutual fund, and 18 percent own stock(s).

Twenty-eight percent of students have a major credit card for which they are responsible, and 15 percent have a gasoline or department store card for which they are responsible. Seven percent of high school students have a major credit card, compared with 55 percent of college students. Females are also more likely than males to have a major credit card (31 percent versus 25 percent). The same trends hold true for a gasoline or department store credit card.

Eight percent of students have a car loan that they pay themselves. The oldest students (ages 20–22) (13 percent) and males (10 percent) are the most likely to have a car loan. Twenty-three percent of students have an auto insurance policy that they pay for themselves. Males are more likely than females to have an auto insurance policy (26 percent versus 19 percent).

Teaching Our Youth

Most students (62 percent) say a personal finance or financial education course has been offered in a school they are attending or have attended. Not surprisingly, college students were more likely than high school students to have had access to such a course (67 percent versus 57 percent). Students from middle- to upper-income economic backgrounds were also the most likely to have had access to such a course (66 percent, compared with 51 percent for those in the lower- to middle-income groups).

However, just one-third (34 percent) of those offered such a course have taken it, meaning that two-thirds of the students offered a course in school on personal finances have not taken it. The finding that one-third of students with access to a personal finance course have actually taken it is constant across gender, ages, school level, economic background, and earnings groups. Fifty-nine percent of those who have not been offered such a course report that they would take it if offered. This finding should probably be viewed with a healthy degree of skepticism, given the actual usage rate reported among those offered personal finance education.

When it comes to actual changes in behavior, 41 percent of students who have taken a personal finance course in school say the course resulted in a change in the way they handle their money. Forty-one percent report that they began saving money, and 28 percent say they increased their level of saving. Twenty percent report investing their savings differently, and 19 percent say they developed a budget.

However, these self-reports of changed behavior are not borne out by a closer analysis of the data.[3] Comparison of the 21 percent of students who have taken a course on personal finance in school with the 79 percent who have not, while revealing some differences in self-evaluation regarding knowledge and money-management skills, reveals little in terms of actual differences in behavior. Course takers feel better about their understanding of financial matters (88 percent think they understand such issues well, compared with 81 percent who have not taken a course) and are more likely to feel they do a *very* good job of managing their money (23 percent versus 17 percent). They are more likely to report tracking the money they spend to determine where it is going. They are also less

likely to say they do not like dealing with large financial organizations. However, course takers are no more likely to think it is important for them to save money on a regular basis, and they are no more likely to actually save money that they receive from jobs and/or allowances. They are no more likely to budget their income and expenditures or to compare prices before making a purchase.

Table 1
What Do Parents Discuss With Their Children?

	Often Discussed	Sometimes Discussed	Rarely/Never Discussed
Future Job Prospects	54%	32%	14%
Paying for College	45	29	27
Setting Financial Goals	31	38	31
Saving and Investing	28	41	30
Making Major Purchases	28	41	30
Household Budgeting	18	35	47

Source: Employee Benefit Research Institute, American Savings Education Council, and Mathew Greenwald & Associates, 1999 Youth and Money Survey.

Learning at Home

Given that 79 percent of students have never taken a course on personal finance in school, and that the actual impact on the 21 percent who have taken such a course appears somewhat limited, the question arises as to how best to reach young people on the topic. By far, the most-often-cited source for financial information among students was their parents—94 percent said they were likely to use their parents as an information source.

What financial matters are parents already discussing with their kids? Table 1 provides some insights.

Besides parents, other sources of financial information kids are likely to turn to include relatives other than parents (72 percent); written material from financial companies (71 percent); financial professional (70 percent); newspapers, magazines, and books (65 percent); teacher or professor (62 percent); computer software (52 percent); Internet (51 percent); and television or radio (37 percent).

Conclusion

The 1999 Youth and Money Survey contains some encouraging results but at the same time also raises some red flags. Many students are earning money, and many are saving some of that money. However, only one-half of students view saving some of their money as *very* important, meaning that the other half does not. Plus, many students appear to have inflated self-evaluations of their money-management skills. The good news is that most students recognize that they should know more about money management. The issue to be addressed, then, is how to effectively provide them with the information they need and improve their ability to act on that knowledge.

Endnotes

[1] *One thousand students between the ages of 16 and 22 were interviewed by telephone during January and February of 1999. Among those labeled as "college students," 95 percent attend a four-year undergraduate college or university, 3 percent attend a two-year college, and 2 percent attend a vocational or technical school. The survey was sponsored by the American Savings Education Council (ASEC), the Employee Benefit Research Institute (EBRI), and Mathew Greenwald & Associates, Inc. The TIAA-CREF Institute underwrote the survey.*

[2] *The Youth and Money Survey did not attempt to measure students' financial knowledge or literacy. For the results of such a study, see Lewis Mandell,* Our Vulnerable Youth, The Financial Literacy of American 12th Graders *(Washington, DC: Jump$tart Coalition for Personal Financial Literacy, 1998).*

[3] *For a discussion of a specific financial planning program for high school students with documented increases in knowledge regarding money management and improvements in money management behavior, see Laurie Boyce and Sharon M. Danes,* Evaluation of the NEFE High School Financial Planning Program 1997–1998 *(Englewood, CO: National Endowment for Financial Education, 1998).*

Washington Update

by Bill Pierron, EBRI

Tax Bills Move Forward

As this was going to press (mid-July), the House was preparing to vote on an omnibus tax-cut bill (H.R. 2488) sponsored by Rep. Bill Archer (R-TX) while the Senate Finance Committee was preparing to work on a slightly different tax-cut proposal. The proposals contain a variety of simplification and reform provisions, including pension "portability," increased elective contribution limits, and modification of the "top-heavy" rules.

Outlook: Passage of at least some of the retirement and pension-related elements in these bills is likely if the House and Senate are able to devise a compromise approach to tax cut legislation.

Cash Balance Conversions

In late June, Sen. Tom Harkin (D-IA) introduced a bill, S. 1300, that would prevent "wearing away" an employee's accrued benefit that might come about via an amendment to a defined benefit pension plan. It is worth noting that the press release announcing the proposal refers to conversions to cash balance pension arrangements as "scams." Harkin's bill would provide that the amount used to establish a cash balance account would have to at least equal the present value of the benefits accrued under the old plan.

In mid-July, the White House released a cash balance disclosure proposal that will be introduced as legislation by Democratic members of the House, including Reps. Robert Matsui (D-CA), Sam Gejdenson (D-CT), and Earl Pomeroy (D-ND). The proposal would require employers to provide notice to plan participants 45 days before any plan amendment takes effect that would reduce future pension benefits. In addition, the proposal would require employers to provide a description of the benefit formula under both the old and new plan, as well as illustrative examples showing how the plan change would affect broad groups of workers (such as mid-career employees). Employees would also have the right to demand a personal benefit statement from the employer, which would show the impact of the plan amendment on their pension benefits.

Outlook: Continuing announcements of cash balance conversions by large plan sponsors is driving this debate. However, the disclosure requirements of the various bills introduced as of this writing, including S. 659/H.R. 1176 sponsored by Sen. Daniel Patrick Moynihan (D-NY) and Rep. Jerry Weller (R-IL), and H.R. 1102 co-sponsored by Reps. Rob Portman (R-OH) and Ben Cardin (D-MD), would apply to any adverse change in a defined benefit plan amendment, whether or not a cash balance provision is included. The implications of imposing potentially onerous disclosure requirements on plan sponsors have not been fully explored by lawmakers as this debate has moved forward. Nevertheless, inclusion of some type of disclosure requirement in a tax bill appears likely this year.

Managed Care Debate

In mid-July, the Senate debated and defeated a Democratic-sponsored managed care reform proposal, passing instead a Republican bill. The GOP proposal (S. 1344) primarily would regulate self-insured plans, but would require all plans governed under the Employee Retirement Income Security Act of 1974 (ERISA) to adopt external review procedures and provide information to participants about the delivery and reimbursement systems they use.

Passage of the Senate bill cleared the way for the House to act, although at this writing it was unclear which House committee might take the lead and which bills could become the vehicles for legislative action. In June, the Education and the Workforce Subcommittee on Employer-Employee Relations passed a package of eight health bills, each one addressing a small piece of the managed care reform debate. In addition, the Commerce Committee and the Ways and Means Committee have taken an interest in managed care legislation, and comprehensive reform bills have been introduced by members on both sides of the aisle.

Outlook: Some type of managed care reform legislation appears likely to be enacted this year. However, it

Keeping on Track

The following item is listed to keep you up-to-date on issues that were not specifically addressed in *Washington Update*.

DOL Announces New 401(k) Fee Disclosure Form
The Department of Labor has unveiled a new disclosure form designed to help companies evaluate the expenses of adopting Sec. 401(k) plans. The new form, which was created in conjunction with insurance, banking, and mutual fund industry groups, will allow plan sponsors to compare investment product fees and plan administration expenses charged by competing service providers. The form is not legally required, but financial service groups have indicated that they hope it will become a standard in evaluating competing providers. The form is available on the Internet at: www.dol.gov/dol/pwba.

will probably not include provisions that expand liability under state law for ERISA-governed health plans. Most likely to pass are relatively noncontroversial measures such as the "prudent layperson" standard for emergency room care, guaranteed access to ob-gyns and pediatricians without referral, and provisions that would ban the use of "gag clauses" in physician contracts. It is also likely that any bill that achieves final passage by both chambers will apply to all ERISA-governed plans, not just self-insured entities.

EBRI In Focus

EBRI Cash Balance Analysis Gets Wide Distribution

EBRI's past and current work on "cash balance" pension plans has been receiving widespread distribution and attention, most recently with the July *EBRI Notes* overview of the issue (the article is available on our home page at www.ebri.org). The *Notes* feature updated a more extensive analysis EBRI published as an *Issue Brief* in March 1996, "Hybrid Retirement Plans: The Retirement Income System Continues to Evolve." EBRI Members can download the March 1996 *Issue Brief* from the Members Only password-protected section of the EBRI Web site. Information on ordering the publication can be found at www.ebri.org/store/ebriib.htm.

In addition to numerous media citations of the *Notes* article, EBRI staff presented a well-attended educational briefing on cash balance plans July 27 for House and Senate staff members and news reporters. The EBRI article and presentation explored the tradeoffs for both employees and employees between cash balance plans and final average pay plans in order to shed some light on the complex issues surrounding these plans. The article was especially timely, given the flurry of recent legislative attention to the issue (see *Washington Update).*

Salisbury Presents U.S. Investment Data in Japan

EBRI President and CEO Dallas Salisbury made a series of presentations on U.S. individual investment issues to financial and government officials in Japan during the week of July 11. The visit, sponsored by the Japanese, came at a time when the government of Japan is moving on substantial pension reform initiatives. These reforms include the likely formation of a 401(k)-type of defined contribution program, which Japan currently does not have.

Retirement Special Reports Lean on EBRI

Since summertime is vacation time for most people—which gets them thinking about life after work—many business and personal finance publications run special issues on retirement this time of year. The work of EBRI and ASEC has been cited extensively as a result.

For example, the July *Kiplinger's Retirement Report* cover story was on cash balance plans, citing EBRI specifically and using EBRI information extensively. The annual *Business Week* special retirement issue cited ASEC's *Ballpark Estimate* and other Web-based retirement planning tools, while the *U.S. News* annual retirement guide mentioned EBRI's Retirement Confidence Survey. The July *Reader's Digest*, reprinting a 401(k) article from *Money* magazine, cited the EBRI/ICI 401(k) database, and the July *Money* issue also

included a column citing the EBRI/ASEC Youth and Money Survey. Recent newspaper mentions included *USA Today, The Wall Street Journal, The Washington Post,* and *The Miami Herald,* as well as numerous regional and local papers and trade periodicals. Between June and mid-July, EBRI print citations were running at a rate of more than one per day.

ASEC Staff on AOL Chat Session, CNN

On July 22, ASEC staff participated in a live retirement "chat session" on America Online (AOL), hosted by AARP. ASEC staff gave hints and tips about saving and retirement planning, highlighted the *Ballpark Estimate* worksheet, and answered questions from online "chatters."
ASEC staff also appeared on CNN's "Your Money" television show in late June, discussing the Retirement Confidence Survey and the five distinct

New Publications & Internet Sites

[*Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications, call (202) 512-2470. To order U.S. General Accounting Office (GAO) publications, call (202) 512-6000; to order from the Congressional Budget Office (CBO), call (202) 226-2809*].

Employee Benefits

Hewitt Associates. Salaried Employee Benefits Provided by Major U.S. Employers in 1998. $175. Hewitt Associates LLC, Attn: Publications Desk, 100 Half Day Rd., Lincolnshire, IL 60069, (847) 295-5000.

Health Care

Chernomas, Robert, and Ardeshir Sepehri. How to Choose? A Comparison of the U.S. and Canadian Health Care Systems. $48 + $4 P&H. Baywood Publishing Company, Inc., 26 Austin Ave., Amityville, NY 11701, (800) 638-7819, Fax (516) 691-1770.

Pension Plans/Retirement

William M. Mercer. Defined Contribution Retirement Plans around the World: A Guide for Employers. Free. William M. Mercer Inc., 1166 Avenue of the Americas, 28th Floor, New York, NY 10036, Attn: Public Relations, (212) 345-7000.

Relocation

Windham International, National Foreign Trade Council, and Institute for International Human Resources. Global Relocation Trends 1999 Survey Report. Single copy, Free; Outside the U.S., $10. Windham International, 55 Fifth Ave., New York, NY 10003, Fax (212) 647-0494, info@windhamint.com.

Social Security

Gruber, Jonathan, and David A. Wise. Social Security and Retirement around the World. $62. University of Chicago Press, Order Dept., 11030 S. Langley Ave., Chicago, IL, 60628, (800) 621-2736, Fax (800) 621-8476.

Work and Family

Bright Horizons Family Solutions and William M. Mercer. Survey of Work/Life Initiatives 1998: Report of Survey Findings. $50. Tara Lewis, William M. Mercer Inc., 1166 Avenue of the Americas, 28th Floor, New York, NY 10036, (212) 345-2451.

Documents Available on the Internet

The Cost Impact of Mandating Social Security for State and Local Governments
www.afscme.org/action/segaltc.htm

Employer Costs for Employee Compensation - March 1999
www.bls.gov/news.release/ecec.nws.htm

Investment Education Still Not Helping Asset Allocation
www.ioma.com/nls/9906/401k.shtml

An Overview of Cash Balance Plans
www.ebri.org/julynotesfeat.pdf

Private Health Insurance: Impact of Premium Increases on Number of Covered Individuals is Uncertain
www.gao.gov/new.items/he99147t.pdf

Supplementary Pensions in the Single Market
europa.eu.int/comm/dg15/en/finances/pensions/507.htm

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