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Notes

### One-Quarter of Taxpayers Own an IRA

by Paul Yakoboski, EBRI

Twenty-two percent of individuals (26.1 million) reporting income in 1995 owned an individual retirement account (IRA) (this

includes both contributory IRAs and rollover IRAs), according to recently released 1995 data.<sup>1</sup> The average (mean) IRA balance (both contributory and rollover) was \$46,762, but this figure is skewed by a relatively few large account balances; the median IRA balance for 1995 was \$17,546 (table 1). Relatively few taxpayers are

Table 1  
Individual Retirement Account Balances, by Age and Adjusted Gross Income, 1995

	Number of Tax Returns (thousands)	Number With an IRA <sup>a</sup> (thousands)	Percentage With an IRA <sup>a</sup>	Average IRA <sup>a</sup> Balance	Median IRA <sup>a</sup> Balance
Total	118,220	26,138	22.1%	\$46,762	\$17,546
Age					
Under 30	31,541	1,176	3.7	5,362	2,205
30-34	12,706	1,773	14.0	10,525	5,110
35-39	12,843	2,578	20.1	18,752	9,088
40-44	11,532	3,004	26.0	26,868	13,284
45-49	10,162	3,185	31.3	37,890	16,757
50-54	7,940	3,022	38.1	46,107	19,238
55-59	6,339	2,767	43.7	64,828	24,977
60-64	5,198	2,548	49.0	72,455	32,969
65-69	4,669	2,583	55.3	85,142	37,019
70 and older	9,636	3,071	31.9	69,216	28,399
Unknown	5,656	430	7.6	27,276	7,656
Adjusted Gross Income					
Less than \$10,000	28,733	1,480	5.2	27,017	9,601
\$10,000-\$19,999	24,953	3,272	13.1	32,173	13,648
\$20,000-\$29,999	17,812	3,496	19.6	34,124	13,544
\$30,000-\$39,999	12,384	3,195	25.8	32,349	12,286
\$40,000-\$49,999	9,097	2,864	31.5	36,431	14,804
\$50,000-\$74,999	13,678	5,214	38.1	42,086	17,787
\$75,000-\$99,999	5,375	2,756	51.3	51,166	21,621
\$100,000 or more	5,348	3,701	69.2	103,413	39,856

Source: Tabulations of Internal Revenue Service dataset merging a sample of 1040 filings with corresponding information form filings. Tabulations provided by John Sabelhaus and David Weiner.  
<sup>a</sup>Individual retirement account.

Table 2  
**Individual Retirement Account (IRA) Contributions, by Age and Adjusted Gross Income, 1995**

	Number of Tax Returns  (thousands)	Number With an IRA Contribution  (thousands)	Percentage Reporting an IRA Contribution	Average IRA Contribution <sup>a</sup>	Median IRA Contribution
Total	118,220	6,427	5.4%	\$2,003	\$2,000
Age					
Under 30	31,541	637	2.0	1,490	1,800
30–34	12,706	615	4.8	1,624	2,000
35–39	12,843	683	5.3	1,780	2,000
40–44	11,532	889	7.7	2,053	2,000
45–49	10,162	835	8.2	1,970	2,000
50–54	7,940	786	9.9	2,230	2,000
55–59	6,339	701	11.1	2,425	2,000
60–64	5,198	594	11.4	2,310	2,000
65–69	4,669	418	9.0	2,272	2,000
70 and Older	9,636	152	1.6	2,054	2,000
Unknown	5,656	118	2.1	1,315	1,260
Adjusted Gross Income					
Less Than \$10,000	28,733	330	1.1	1,575	2,000
\$10,000–\$19,999	24,953	705	2.8	1,733	2,000
\$20,000–\$29,999	17,812	1,042	5.8	1,724	2,000
\$30,000–\$39,999	12,384	964	7.8	1,887	2,000
\$40,000–\$49,999	9,097	763	8.4	1,738	2,000
\$50,000–\$74,999	13,678	1,105	8.1	2,037	2,000
\$75,000–\$99,999	5,375	593	11.0	2,290	2,000
\$100,000 or More	5,348	898	16.8	2,819	2,250

Source: Tabulations of Internal Revenue Service dataset merging a sample of 1040 filings with corresponding information form filings. Tabulations provided by John Sabelhaus and David Weiner.

<sup>a</sup>The maximum annual amount that an individual can contribute to an IRA in a given year is \$2,000. Therefore, reported contribution amounts in excess of \$2,000 are aberrations in the IRS dataset. One possible explanation may be non-working spousal contributions being attributed to the working spouse in addition to the working spouse's contributions.

making an annual (nonrollover) contribution to their IRAs: In 1995, just 6.4 million individuals reporting income made a contribution to their IRAs. That works out to 5.4 percent of individuals (25 percent of IRA owners). Not surprisingly, both the average and median IRA contributions are \$2,000 (table 2). Similar figures are not available for those making rollovers.

### **IRA Contributions**

The likelihood of making a (nonrollover) IRA contribution increases with income. Only 1 percent of those with an adjusted gross income (AGI) of less than \$10,000 made an IRA contribution in 1995, compared with 17 percent of those with an AGI of \$100,000 or more. While the average contribution

amount increases with income, it is evident that most individuals contribute \$2,000 when they contribute. This would lead one to believe that if the IRA contribution limit were increased (for example, as proposed in H.R. 2488, the omnibus 1999 tax bill which was vetoed by President Clinton), individuals who contribute would put more money into their IRAs on an annual basis. It is not readily apparent that such a limit increase would boost participation, but this could occur if it leads to more active marketing of IRAs by financial institutions.

The percentage of individuals reporting a (nonrollover) IRA contribution in 1995 increased from 2 percent among those under age 30 to 11 percent of those ages 60–64. It then fell to 9 percent for those ages 65–69 and to 2 percent for those age

70 and older. These findings are not surprising given that older individuals tend to be more focused on retirement and the need to save, and to have higher incomes that allow them to do so.

### **IRA Balances**

Not surprisingly, median and average IRA account balances (both contributory and rollover IRAs) tend to increase with individuals' age and income. The median balance in 1995 was \$5,110 for IRA owners in their early 30s. This rose to \$37,019 for those ages 65–69 and then fell to \$28,399 for those age 70 and older. The average balance in 1995 was \$10,525 for IRA owners in their early 30s. This rose to \$85,142 for those ages 65–69 and then fell to \$69,216 for those age 70 and older.

Similarly, median and average account balances increase with individual income. Among IRA owners (both contributory and rollover) with an AGI of less than \$10,000 in 1995, the median balance was \$9,601 and the average balance was \$27,017. These figures rose to \$39,856 and \$103,413, respectively, for IRA owners with a 1995 AGI of \$100,000 or more.

While the contribution figures presented here are regular contributions (i.e., nonrollover contributions), account balances are the result of both regular and rollover contributions. In fact, the vast majority of dollars currently flowing into IRAs are the result of rollovers from employment-based retirement plans as opposed to regular annual contributions.<sup>2</sup>

### **Implications**

IRAs are an integral part of the U.S. retirement income system, with current assets in excess of \$2 trillion. The data indicate, however, that they are generally used as a vehicle to store retirement savings that have been accumulated elsewhere in the retirement income system. These savings can then continue to grow tax-deferred until individuals withdraw their funds. The classic examples are workers rolling money from a retirement plan at work into an IRA on job change or retirees rolling their accumulated funds from work-based savings

plans into an IRA, from which they will withdraw the money during their retirement. Relatively few workers actively use IRAs to accumulate new savings.

This could change. The Taxpayer Relief Act of 1997 (P.L. 105-34) changed tax policy toward IRAs in several ways. The income limits on eligibility for traditional deductible IRAs were raised, a new “backloaded” (Roth) IRA was introduced, and allowable reasons for penalty-free withdrawal of funds before retirement were expanded.<sup>3</sup> These changes will affect the IRA environment. Combined with aggressive marketing by financial institutions, they could lead to increased use of IRAs as savings vehicles.

### **Endnotes**

<sup>1</sup> These data are based on tabulations of a dataset created by the Internal Revenue Service that merges a sample of Form 1040 filings with the corresponding information form filings. Tabulations of the dataset were provided by John Sabelhaus and David Weiner.

<sup>2</sup> See Paul Yakoboski, “Lump-Sum Distributions Total \$87.2 Billion in 1995,” EBRI Notes, no. 10 (Employee Benefit Research Institute, October 1999): 4-7; and John Sabelhaus, “Projecting IRA Balances and Withdrawals,” EBRI Notes, no. 5 (May 1999): 1-4.

<sup>3</sup> For a detailed discussion of these changes, see Paul Yakoboski and Bill Pierron, “IRAs: A Whole New Ballgame,” EBRI Notes, no. 9 (Employee Benefit Research Institute, September 1997): 1-4.

## The 1996 MEPS-IC: 53 Percent of Private-Sector Establishments Offered Health Insurance

by Rachel Christensen, EBRI

### **Introduction**

Employment-based health insurance is the most common form of health insurance coverage in the United States. Generally, employers offer health benefits to protect workers and their families from financial losses that can accompany unexpected serious illness or injury. These benefits also serve to promote health and increase worker productivity and act as a form of compensation to recruit and retain qualified workers. Even though health insurance is offered by employers on a voluntary basis, more than 60 percent of workers currently receive health insurance through their jobs.<sup>1</sup> Others may get health insurance through a family member’s job, a second job, or a previous job, or they may purchase individual plans. About 18 percent of the nonelderly U.S. population remains uninsured.<sup>2</sup>

This paper presents data on employment-based health insurance coverage from recently released results of the 1996 Medical Expenditure Panel Survey Insurance Component (MEPS-IC). It shows

data on sponsorship rates and self-insured health plans in private-sector establishments by firm size and other employer characteristics. The sponsorship rate refers to the percentage of private-sector establishments that offer health insurance, and the self-insurance rate is the percentage of private-sector establishments offering health insurance that self-insure at least one plan. (In self-insured plans, the employer pays for employees' health care claims directly out of its own income or assets, rather than by purchasing a health insurance policy; the distinction is important under the Employee Retirement Income Security Act of 1974—ERISA—as self-insured plans are largely exempt from state health regulations and can provide uniformity of benefits for multi-state employers.)

Overall, according to MEPS-IC, 3.2 million (or 53.2 percent) of private-sector establishments in the United States offered health insurance to at least some of their employees in 1996 (table 3), and just over 900,000 (28.4 percent) of those establishments self-insured at least one plan (table 4). The sponsorship and self-insurance rates discussed in this paper affected almost 104 million workers in private-sector establishments in 1996.

### **Sponsorship Rates**

*Firm Size*—Firm size was the establishment characteristic with

Table 3  
Percentage of U.S. Private-Sector Establishments That Offer Health Insurance, 1996

Characteristics	Total	Fewer Than 50 Employees	50 or More Employees
United States	53.2%	42.1%	93.8%
<b>Industry Group</b>			
Agriculture, fishing, forestry	28.6	27.0	80.6
Mining	68.7	51.8	98.4
Construction	40.8	38.3	90.5
Manufacturing	71.8	60.9	96.4
Transportation, communications, utilities	59.3	40.6	98.7
Wholesale	67.7	56.8	95.7
Retail	54.1	34.6	93.9
Finance, insurance, real estate	62.9	48.9	92.0
Services	50.8	44.1	92.3
Unknown	18.8	18.8	0.0
<b>Ownership</b>			
For-profit, incorporated	63.3	51.1	94.0
For-profit, unincorporated	28.5	26.3	86.3
Nonprofit	62.3	52.2	97.6
Unknown	35.8	20.3	90.5
<b>Age of Firm</b>			
Under 5 years	28.3	27.0	80.3
5–9 years	38.6	36.6	83.9
10–19 years	51.5	47.6	91.8
20 or more years	70.0	60.8	98.7
Unknown	83.3	42.9	93.2
<b>Multi/Single Status</b>			
Two or more locations	90.8	72.3	94.7
One location only	41.8	40.5	86.2
<b>Percentage Full-Time Employees</b>			
Less than 25%	15.8	10.0	80.5
25%–49%	49.9	33.1	93.6
50%–74%	48.9	37.5	92.0
75% or more	62.2	51.9	95.1
<b>Union Presence</b>			
No union employees	50.3	42.6	92.3
Has union employees	79.6	68.7	97.0
Unknown	62.7	33.0	95.8
<b>Percentage Low-Wage Employees</b>			
50% or more low-wage	31.5	20.1	86.4
Fewer than 50% low-wage	56.0	49.6	94.1
Unknown	66.0	35.3	96.1

Source: Agency for Health Care Policy and Research, Center for Cost and Financing Studies, 1996 Medical Expenditure Panel Survey Insurance Component.

the greatest influence on sponsorship rates. The MEPS-IC data show that 42.1 percent of small firms (fewer than 50 employees) offered insurance, while 93.8 percent of large firms (50 or more employees) offered it (table 3). In every category available in these data, large firms were more likely than small firms to offer health insurance.

Firm size was particularly influential among certain industries, ownership types, ages of firms, proportions of full-time employees, and proportions of low-wage employees. For example, although small establishments in agriculture, fishing, and forestry were 27 percent likely to offer health insurance, large establish-

ments in this industry were more than 80 percent likely to do so. In the ownership category, an unincorporated for-profit firm was 26.3 percent likely to offer insurance if it was small but 86.3 percent likely if it was large. Furthermore, even a young, large firm was more than 80 percent likely to offer insurance, while a small, young firm was 27 percent likely to do so. Size also is more important than full-time work status: 10 percent of small establishments with fewer than 25 percent full-time employees offered health insurance, while 80.5 percent of large establishments with fewer than 25 percent full-timers did. Among establishments with a majority of low-wage employees, 20.1 percent of the small firms offered health insurance, compared with 86.4 percent of the large firms. The highest sponsorship rates for small establishments were found in those with two or more locations (72.3 percent) and those with union employees (68.7 percent).

*Type of Ownership*—Previous research has shown that workers in nonprofit establishments are more likely to be covered by employment-based health insurance than workers in for-profit firms.<sup>3</sup> The MEPS-IC data show that insurance was offered at almost two-thirds (63.3 percent) of for-profit, incorporated firms but at less than one-third (28.5 percent) of for-profit, unincorporated firms (table 3). Both large and small nonprofits were more likely to offer health insurance

Table 4  
Percentage of U.S. Private-Sector Establishments That Offer Health Insurance and Self-Insure at Least One Plan, 1996

Characteristics	Total	Fewer Than 100 Employees	100–499 Employees	500 or More Employees
United States	28.4%	12.1%	34.6%	72.9%
<b>Industry Group</b>				
Agriculture, fishing, forestry	10.2	7.3	42.2 <sup>a</sup>	59.3
Mining	50.7	18.1 <sup>a</sup>	63.2	88.1
Construction	16.3	14.2	36.1	58.6
Manufacturing	28.9	12.5	41.4	72.0
Transportation, communications, utilities	38.8	14.1	33.2	74.3
Wholesale	32.9	12.9	52.3	82.3
Retail	39.1	10.9	31.7	72.6
Finance, insurance, real estate	34.4	7.8	45.1	79.5
Services	19.7	12.8	25.4	63.8
Unknown	32.6 <sup>a</sup>	32.6 <sup>a</sup>	0.0	0.0
<b>Ownership</b>				
For-profit, incorporated	31.1	10.8	37.0	75.3
For-profit, unincorporated	14.0	11.2	34.7	53.8
Nonprofit	23.1	20.0	20.4	48.9
Unknown	41.8	20.6	52.0	62.4
<b>Age of Firm</b>				
Under 5 years	11.6	9.7	42.5	70.0
5–9 years	14.3	12.5	31.3	56.3
10–19 years	15.9	12.1	28.6	67.1
20 or more years	22.1	11.6	30.2	67.7
Unknown	61.5	20.3	39.9	74.9
<b>Multi/Single Status</b>				
Two or more locations	53.7	16.1	36.4	72.9
One location only	11.8	11.5	24.7	50.2
<b>Percentage Full-Time Employees</b>				
Fewer than 25%	27.3	11.8	12.7	69.1
25%–49%	36.1	11.1	29.7	73.0
50%–74%	27.0	10.4	27.7	71.5
75% or more	28.1	12.4	37.4	73.3
<b>Union Presence</b>				
No union employees	19.6	11.0	30.8	62.5
Has union employees	34.8	22.5	39.8	62.1
Unknown	61.3	17.7	54.4	82.0
<b>Percentage Low-Wage Employees</b>				
50% or more low-wage	22.9	10.6	17.4	57.2
Fewer than 50% low-wage	18.1	11.3	35.2	61.1
Unknown	61.3	19.9	50.6	81.1

Source: Agency for Health Care Policy and Research, Center for Cost and Financing Studies, 1996 Medical Expenditure Panel Survey Insurance Component.  
<sup>a</sup>Figure does not meet standard of reliability or precision.

than the corresponding for-profits, either incorporated or unincorporated. Since incorporated for-profits were more likely than nonprofits to be large (28.5 percent versus 22.1 percent), and nonprofits were more likely than incorporated for-profits to be small (77.9 percent

versus 71.5 percent),<sup>4</sup> the relative weights assigned to each group resulted in sponsorship rates that were not directly comparable. While it appeared that, on the whole, incorporated for-profits were slightly more likely to offer health insurance, once firm size was

controlled for, nonprofits emerged as more likely to offer health insurance, in both size categories shown in these data.

*Other Factors Influencing Sponsorship Rates*—Independent of firm size, establishments in the manufacturing, mining, and wholesale industries were the most likely to offer health insurance (71.8 percent, 68.7 percent, and 67.7 percent, respectively), and establishments in agriculture, fishing and forestry were the least likely to offer it (28.6 percent) (table 3). Also, the age of a firm, whether it had multiple locations, the proportion of full-time employees, union presence, and the proportion of low-wage employees all showed certain effects on the likelihood of an establishment offering health insurance. Firms that were older were more likely to offer health insurance, as were firms with two or more locations, union employees, a high percentage of full-time employees or a low percentage of low-wage employees.

### ***Self-Insured Health Plans***

*Firm Size*—Just as the size of an establishment was related to sponsorship rates, size also was associated with rates of self-insurance. Of all U.S. private-sector establishments that offered health insurance, 28.4 percent self-insured at least one plan (table 4). However, 12.1 percent of firms with fewer than 100 employees self-insured,

while almost three-fourths (72.9 percent) of firms with 500 or more employees did so. The rise in self-insurance rates with increased firm size is a trait that remained true for every characteristic reported in the data, and the rates varied significantly among other characteristics as well.

*Industry Group*—As an industry, agriculture, fishing, and forestry had the lowest rate of self-insurance (10.2 percent), while the mining industry had the highest (50.7 percent). The mining industry was very likely both to sponsor health insurance and to self-insure. Agriculture, fishing, and forestry, however, was the least likely industry group to do either.

*Type of Ownership*—An incorporated for-profit establishment was more likely to self-insure than an unincorporated for-profit or a nonprofit (31.1 percent, 14.0 percent, and 23.1 percent, respectively). In terms of ownership type, unincorporated for-profit firms were the least likely among all firms to self-insure, but among firms with 100–499 or 500 or more employees, they were more likely than nonprofits to self-insure.

*Employee Characteristics*—An establishment's percentage of full-time employees had little influence on rates of self-insurance. Firms with 25 percent to 49 percent full-timers showed the highest

self-insurance rate, at 36.1 percent. The most sizeable differences were found among firms with 100–499 employees: 12.7 percent of firms with fewer than 25 percent full-time employees self-insured, while 37.4 percent of those with 75 percent or more full-timers did so.

In general, establishments with union employees were more likely to self-insure than establishments with no union workers (34.8 percent and 19.6 percent, respectively). Among the firms with 500 or more employees, however, the rates of self-insurance were very similar: 62.5 percent for those with no union employees and 62.1 percent for those with union workers.

Establishments with 50 percent or more low-wage workers appeared to be more likely than others to self-insure (22.9 percent versus 18.1 percent). However, when size was controlled for, establishments with fewer than 50 percent low-wage workers in each size category were more likely to self-insure than those with 50 percent or more low-wage workers.

*Other Establishment Characteristics*—Overall, older establishments appeared to be more likely than younger ones to self-insure at least one plan if they offered health insurance. In the breakdowns by firm size, however, age of firm was shown to have little influence on the rates of self-insurance. Establishments with two or more locations were more likely to self-insure than

### The Data

The Medical Expenditure Panel Survey (MEPS) was conducted by the Agency for Health Care Policy and Research (AHCPR), U.S. Department of Health and Human Services, to collect and provide detailed data on health care utilization, expenditures, sources of payment, and insurance coverage for the U.S. civilian noninstitutionalized population. The Round 3 Insurance Component (MEPS-IC) from the 1996 panel provides data on health insurance plan costs, characteristics, and depth of coverage collected from a nationally representative sample of private-sector employers.<sup>5</sup> Detailed tables from the 1996 MEPS-IC were made available to the public in August 1999.<sup>6</sup>

those with one location only, in general and in each size category.

### Conclusion

While employment-based health insurance is the most common form of health care coverage in the United States, sponsorship rates and self-insurance rates vary considerably, depending on several establishment characteristics. In particular, the size of an establishment influences these rates greatly, and other factors, such as industry, ownership, age of firm, multi/single location status, and employee characteristics each affect the rates in a certain way.

In order to offer health insurance or to self-insure, an establishment must have a certain level of resources available. Also, there must be an incentive for an establishment to offer health insurance at all (such as attracting skilled workers or maintaining a healthy work force), or to self-insure (such as limiting health care spending or avoiding much state regulation of employment-based health insurance). As illustrated by the MEPS-IC data, these incentives, or establishments' responses to them, change as various characteristics change.

### Endnotes

<sup>1</sup> Hawaii is the only state requiring employers to provide a minimum level of health benefits to workers. However, coverage in Hawaii is not universal. For additional information, see Paul Fronstin, "Employment-Based Health Benefits: Who Is Offered Coverage vs. Who Takes It," EBRI Issue Brief no. 213 (Employee Benefit Research Institute, September 1999).

<sup>2</sup> Fronstin, Paul. "Both Job-Based Health Coverage and Uninsured Continue to Rise, CPS Shows," EBRI Notes no. 11 (Employee Benefit Research Institute, November 1999): 4-10.

<sup>3</sup> Paul Fronstin, "Employee Benefits and Workers in the Nonprofit Sector," EBRI Notes no. 4 (Employee Benefit Research Institute, April 1997): 3-6.

<sup>4</sup> Percentages obtained from MEPS-IC data not reprinted in this paper.

<sup>5</sup> Few nationally representative comprehensive surveys of employers of all sizes have been conducted. The 1994 National Employer Health Insurance Survey sponsored by the U.S. Department of Health and Human Services and the 1996 Robert Wood Johnson Foundation Employer Health Insurance Survey are the only other comprehensive surveys. Many other employer surveys have been conducted but are not comprehensive, as they are often limited to specific geographic regions or firm sizes.

<sup>6</sup> See <http://www.meps.ahcpr.gov/> for more complete data from the 1996 MEPS-IC.

## Washington Update

by Bill Pierron, EBRI

### Employee Benefit Legislation Lags in 106<sup>th</sup> Congress

The first session of the 106<sup>th</sup> Congress (1999) adjourned Nov. 19 without any major benefits-related legislation being enacted. No changes in pension law were enacted, and while both the House and Senate approved separate managed care reform bills, the two chambers remain sharply divided over that issue (see related story below). In addition, Congress and the Clinton administration were unable to reach agreement on addressing the looming financial crises facing the Social Security and Medicare systems.

All these issues will carry over to the second session of the 106<sup>th</sup> Congress (2000), which faces the added political pressures and logjams from the upcoming congressional and presidential election campaigns.

**Outlook:** While pension reform and managed care are both likely to be revisited in 2000, the Republicans' narrow congressional majority will make it difficult to pass any major legislation in these areas in an election year. The prospects for pension reform might actually be better than the prospects for changes in managed care, if an acceptable package of tax-related provisions can be developed between the White House and congressional Republicans; partisan disputes over the size

## Keeping on Track

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

**HHS to Issue Health Claim Rules**—The Department of Health and Human Services (HHS) plans to release several final rules and proposed rules for health plans before the end of the year. The final rules will deal with health claim transactions, code sets, and security standards. The proposed rules will deal with claim forms and national health plan identifiers. The regulations are mandated by the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and will affect all public and private health plans and health care providers. The rules and proposed rules are available on the Internet at [aspe.hhs.gov/admnsimp/](http://aspe.hhs.gov/admnsimp/)

**Cash Balance Update**—The Internal Revenue Service (IRS) plans to publish guidance on cash balance conversions, but an IRS official recently told a Washington audience that the pension community should expect a slowdown in guidance projects because of the agency's reorganization efforts. Cash balance plan guidance may be released before the end of the year. In early November, the Department of Labor's (DOL) ERISA Advisory Council working group on hybrid retirement plans agreed to a set of findings and policy recommendations on cash balance conversion trends. The group recommended that the disclosure rules regarding cash balance plan conversions should be strengthened, but the panel did not endorse additional legislation on the issue. The panel also reiterated its pledge not to take a position on pending legal issues surrounding cash balance plan design and conversions.

**IRS Names Carol Gold to Oversee Employee Plans Function**—As part of the IRS reorganization program, the service will have a new Tax Exempt and Government Entities (TE/GE) Division. Carol Gold has been named to head the division's Employee Plans, Exempt Organizations and Government Entities function. Gold, who is currently director of the Employee Plans Division, has held several positions in the current Employee Plans and Exempt Organizations organization during her 23 years with the IRS.

**Boehner to Introduce Stock Option Bill**—Rep. John Boehner (R-OH), chair of the House Education and the Workforce Subcommittee on Employer-Employee Relations, is planning to introduce a bill that would create a new type of stock option for rank and file employees. Similar to the "incentive options" most often granted to key executives, the new option would defer any tax obligations on a stock until the shares are sold. The *Wealth Through the Workplace Act* (no bill number was available at this writing) would stipulate a number of criteria to create a "safe harbor" under ERISA for employers that offer the new options. Legislative action on the proposal is not possible until next year.

and nature of tax-cut legislation scuttled the pension-related provisions this year. In all likelihood, the bigger issues—the future of Social Security and Medicare—are effectively off the table until the next president and Congress take office in 2001.

### ***Managed Care Reform/Issues to Consider***

UnitedHealthcare announced in early November that it will no longer require pre-authorization for routine medical treatment, allowing physi-

cians to make most decisions about the type of care patients receive. The company says it expects to save \$100 million a year by reducing the number of employees performing precertification reviews (this change does not apply to mental health benefits). The move is sure to put pressure on other insurers and managed care entities to follow suit.

Nevertheless, it is unlikely this action will have much—if any—impact on the managed care reform debate in Congress. The House/Senate conference committee cur-

rently working to resolve differences between the two managed care bills passed by those chambers will not take action until next year at the earliest. If the panel is eventually able to report out a final version, it appears likely the bill would water down the expanded liability provisions approved in House-passed legislation (H.R. 2990). But if such a bill is passed by both chambers, it will almost surely draw a veto from President Clinton. Given the lack of consensus, managed care reform seems certain to be one of the hottest



political issues in next year's elections.

While most observers have focused on expanded liability for health plans under either state or federal law, another aspect of patients' rights legislation deserves attention: mandatory external appeals. The codification of an appeals process, and its application at defined points in the medical treatment decision-making continuum, open up a whole new set of potential problems in the post-UnitedHealthcare environment.

In essence, if managed care reform legislation is enacted, would any health plan *ever* deny a claim, in the knowledge that this would automatically trigger the new appeals structure? It seems likely that no health plan, plan sponsor, or insurer would want to go through the potentially complicated and costly appeals process. Indeed, the open questions surrounding the appeals process (what constitutes a qualifying event to trigger the right to an appeal? When do the time limits governing the process actually take effect?) increase the likelihood that the courts ultimately will have to define "congressional intent" in any new patient protection law.

**Outlook:** Plan sponsors, insurers, and others with concerns regarding the managed care reform debate would be well-advised to focus on the implications of mandatory external appeals—and

not just on expanded liability. To an extent (depending upon the nature of the plan in question), expanded liability is a risk that can be insured against and addressed by altering plan procedures. But a potentially Byzantine appeals process could add cost, create confusion, and interfere in medical decision making in ways that neither plan sponsors nor advocates of greater patients' rights have examined.

## EBRI in Focus

### ***Fall 1999 Policy Forum Held***

On Dec. 1, EBRI-ERF held its 47th policy forum, "The Next 25 Years of ERISA: The Future of Private Retirement Plans." The daylong forum was held in Washington, DC, and featured panel discussions by a wide range of experts on ERISA's objectives and the changing environment and risks to economic security in retirement; current developments in defined benefit and defined contribution plans; and the effects of technological and political changes.

Materials from the day's events are available on the EBRI Web site by following the links at [www.ebri.org/dec99agenda.htm](http://www.ebri.org/dec99agenda.htm). A book based on the proceedings will be published as soon as possible after the forum. For more information, contact Pam Ostuw at [ostuw@ebri.org](mailto:ostuw@ebri.org) or at (202) 775-6315.

### ***EBRI Board of Trustees Meets***

The Board met Dec. 2 in Washington, DC, to review 1999 activities and plans for the year 2000. New findings from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project were presented, as were key findings from research in progress. Trustees reviewed the Choose to Save™ education program and plans for the Board's 2000 Executive Forum.

*Annual Report Forthcoming:* EBRI will distribute its year 2000 annual report through EBRI Online early in the new year.

### **Women's Survey Released**

Data from the *1999 Women's Retirement Confidence Survey* were released Nov. 17 during the ASEC Partners' meeting in Washington, DC. The survey showed that in some respects women have closed the retirement planning gap with men, but that significant differences remain in attitudes toward financial matters. The *WRCS* was cosponsored by EBRI, the American Savings Education Council (ASEC), and Mathew Greenwald & Associates. Materials are available on both the EBRI and ASEC Web sites ([www.ebri.org](http://www.ebri.org) and [www.asec.org](http://www.asec.org)). For more information about the survey, contact Pam Ostuw at [ostuw@ebri.org](mailto:ostuw@ebri.org) or at (202) 775-6315.

### **ASEC Partners' Meeting**

ASEC's Policy Board meeting was held Nov. 16 in Washington, DC, followed the next day by a Partners' meeting. In addition to the release of the *1999 WRCS*, the meeting provided updates on the U.S. Department of Labor's Savings Education Campaign and implementation of the SAVER Act; the Choose to Save™ education program; the Social Security Administration's new individual statements and retirement planning tool; the White House/National Economic Council's plan to improve consumer financial education; and a panel of state treasurers speaking on leadership in savings and investment education.

### **Live Satellite Broadcast**

ASEC helped produce a live national satellite broadcast on Nov. 10 to federal employees entitled, "Planning Ahead: Saving and Your Financial Future." Broadcast panelists included representatives of several ASEC Partner institutions. ASEC also co-sponsored a Savings and Education Fair at the U.S. Department of Agriculture in conjunction with the broadcast.

### **EBRI Health Databook**

The first edition of the *EBRI Health Benefits Databook* is now available. Cost of the *Databook* is \$59.95 per copy plus shipping, although EBRI Members get a 55 percent discount. For more information, contact Publications at EBRI, (202) 775-9132, or by e-mail at [willis@ebri.org](mailto:willis@ebri.org).

The *Health Benefits Databook* is an indispensable resource that provides more than a hundred tables and charts, and has been carefully organized and tightly focused on the range of health issues to make it as user-friendly and relevant as possible. It also contains the latest data from the Census Bureau's Current Population Survey. Appendices have been updated to include the most recent health-related legislation and data sources.

## **New Publications & Internet Sites**

[*Note: To order publications from the U.S. Government Printing Office (GPO), call (202) 512-1800; to order congressional publications published by GPO, call (202) 512-1808. 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.*]

### **Demographics**

Dychtwald, Ken. *Age Power: How the 21st Century Will Be Ruled by the New Old.* \$24.95. Penguin Putnam Inc., 405 Murray Hill Pkwy, East Rutherford, NJ 07073, (800) 331-4624.

### **Employee Benefits**

Chandler, Darlene K. *The Group Life Insurance Handbook.* \$26.95. National Underwriter, 505 Gest St., Cincinnati, OH 45203-1716, (800) 543-0874.

### **Health Care**

American Hospital Association. *AHA Guide: A Guide to United States Hospitals, Health Care Systems, Networks, Alliances, Health Organizations, Agencies, and Providers.* AHA members, \$175; nonmembers, \$315. American Hospital Association, One North Franklin, Chicago, IL 60606-3401, (800) 242-2626.

Hoechst Marion Roussel, Inc. (1) Institutional [managed care] Digest. (2) Integrated Health Systems Digest. \$95 each.

Hoechst Marion Roussel, Inc., (800) 529-9615.  
Marsh, Inc. Mid-Sized Employer Health Plans 1998: A Series of Regional Reports Based on the Mercer/Foster Higgins National Survey of Employer-Sponsored Health Plans. \$150. Tara Lewis, William M. Mercer Inc., 1166 Avenue of the Americas, 28<sup>th</sup> Floor, New York, NY 10036, (212) 345-2451.  
SMG Marketing Group. Health Maintenance Organizations (HMOs): Industry Characteristics, Trends, Market Projections, & Comparative Analysis. \$195. SMG Marketing Group Inc., 875 N. Michigan Ave., Suite 3100, Chicago, IL 60611, (312) 642-3026 or (800) 678-3026.

### ***Intergenerational Equity***

Portney, Paul R., and John P. Weyant. Discounting and Intergenerational Equity. \$32.95. Resources for the Future, 1616 P St., NW, Washington, DC 20036, (202) 328-5000.

### ***Pension Plans/Retirement***

Pension Benefit Guaranty Corporation. Pension Insurance Data Book 1998. Free. Pension Benefit Guaranty Corporation, 1200 K St., NW, Washington, DC 20005-4026, (202) 326-4010.  
Watson Wyatt. Phased Retirement: Reshaping the End of Work: 1999 Survey Report. \$50. Watson Wyatt Worldwide, Attn: Marketing, 6707 Democracy Blvd., Suite 800, Bethesda, MD

20817, (800) 388-9868.  
William M. Mercer. (1) Survey on Employee Savings Plans 1998. \$75. (2) Survey on Executive Benefit Plans 1998. \$75. Tara Lewis, William M. Mercer Inc., 1166 Avenue of the Americas, 28<sup>th</sup> Floor, New York, NY 10036, (212) 345-2451.

### ***Social Indicators***

Miringoff, Marc, Marque-Luisa Miringoff, and Sandra Opdycke. The Social Health of the Nation: How America Is Really Doing. \$25. Oxford University Press, 2001 Evans Rd., Cary, NC 27513, (800) 451-7556.

### ***Social Security***

Mitchell, Olivia S., Robert J. Myers, and Howard Young. Prospects for Social Security Reform. \$49.95. University of Pennsylvania Press, P.O. Box 4836, Hampden Station, Baltimore, MD 21211, (800) 445-9880, fax: (410) 516-6998.

### ***GAO Reports***

U.S. General Accounting Office. Social Security: Issues in Comparing Rates of Return with Market Investments. Order from GAO.

### **Documents Available on the Internet**

1999 Annual Employer Health Benefits Survey  
[www.kff.org/content/1999/1538/](http://www.kff.org/content/1999/1538/)  
Employee Benefits in Medium and Large Private Establishments,

1997  
[stats.bls.gov/ebshome.htm](http://stats.bls.gov/ebshome.htm)  
Health Insurance Coverage: 1998  
[www.census.gov/hhes/www/hlthin98.html](http://www.census.gov/hhes/www/hlthin98.html)  
New Year 2000 Holiday Time Off Survey Results  
[www.hewittassoc.com/news/reprt/reprt046.htm](http://www.hewittassoc.com/news/reprt/reprt046.htm)  
Retiree Health Coverage: Recent Trends and Employer Perspectives on Future Benefits  
[www.kff.org/content/1999/1540/Retiree.pdf](http://www.kff.org/content/1999/1540/Retiree.pdf)  
Third Millennium Cash Balance Pension Plan Survey  
[www.thirdmil.org/publications/surveys.html](http://www.thirdmil.org/publications/surveys.html)

### **Internet Sites for Human Resource Professionals**

Academy of Human Resource Development  
[www.ahrd.org/](http://www.ahrd.org/)  
American Society for Training & Development  
[www.astd.org/](http://www.astd.org/)  
Human Resource Planning Society  
[www.hrps.org/](http://www.hrps.org/)  
International Association for Human Resource Information Management  
[www.ihrim.org/](http://www.ihrim.org/)  
International Personnel Management Association  
[www.ipma-hr.org/](http://www.ipma-hr.org/)  
Society for Human Resource Management  
[www.shrm.org/](http://www.shrm.org/)

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