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New Research from EBRI:

Employee Benefits: The Road Ahead

WASHINGTON—With major changes sweeping both health and retirement plans in the private sector, are employment-based benefits facing a "crisis" or merely an uncertain future? A recent industry-wide forum sponsored by the nonpartisan Employee Benefit Research Institute (EBRI) brought together a variety of experts to focus on the issue and the challenges ahead.

"While the nation is now a few years removed from the financial turmoil that led to the so-called Great Recession, 'crisis' is a word still much bandied about," said Nevin Adams, director of Education and External Relations for EBRI, and co-author of the report. "A crisis is, after all, a call to action, something that cries out for swift and decisive action. Whatever term you want to choose, the future of benefits in the workplace has huge implications for both employers and workers."

Regarding health insurance, for instance, Paul Fronstin, head of the Health Research and Education Program at EBRI, noted that the Patient Protection and Affordable Care Act (PPACA) "levels the playing field like it's never been before" because workers will not necessarily have to depend on getting health coverage through their jobs.

"One could argue workers won't need their employers any more for health benefits once the law is fully implemented and health exchanges become a viable option to job-based health benefits. That raises real issues about the future of employment-based health coverage," he said.

Regarding retirement benefits, determining whether Baby Boom and Generation X workers face a retirement crisis remains a complex issue, with the answer largely dependent on a variety of factors, including worker's income, access to and participation in a retirement plan through work (especially a 401(k)-type defined contribution savings plan), and whether long-term care is factored into the analysis.

By way of example, Jack VanDerhei, EBRI's research director, noted EBRI modeling of retirement income adequacy has shown that only 17 percent of the lowest-income households would have enough money to cover 100 percent of average day-to-day expenses like housing, food, and transportation, plus the potentially catastrophic expenses like long-term care, compared with 86 percent of the highest-income households. Those projections can, of course, change significantly if a lower threshold of success (such as 90 percent or 80 percent of average day-to-day expenses) are used.

“There’s a tremendous amount of variation among U.S. households,” VanDerhei said. “Whether individual circumstances constitute a ‘crisis’ or not will depend on a number of factors. It's going to depend on your income quartile. It's going to depend on how many years you're eligible to participate in a defined contribution plan. It's going to depend on whether or not you look at long-term care costs. And it's also going to depend on how you define ‘adequacy.’”

The full report, “’Crisis’ Management: Uncertainty and the Workplace,” is published in the August *EBRI Issue Brief*, online at www.ebri.org The article summarizes presentations and debate at the May 2014 EBRI policy forum in Washington on that topic, attended by about a hundred benefits professionals and policymakers. Presentations at the forum are online here. A webcast of the event is online here.

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