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Research Institute**

Employee Engagement in Health and Retirement Challenges and Reforms

EBRI-ERF Policy Forum #78
Thursday, May12, 2016

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Innovations in Employee Engagement in Health

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IBM's Commitment to a Culture of Health and Watson Health

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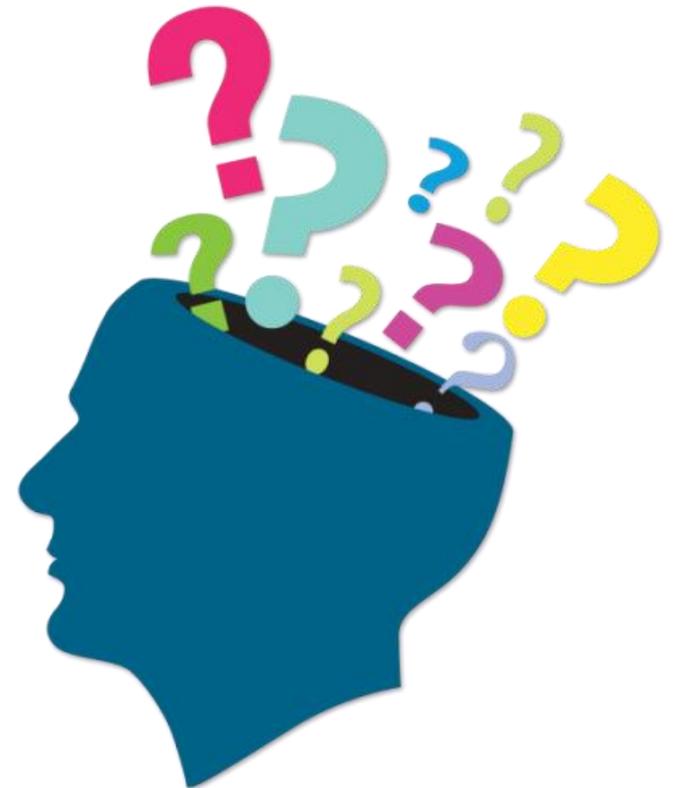
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Behavioral Economics and Employee Engagement – Carrots, Sticks or Something Else?

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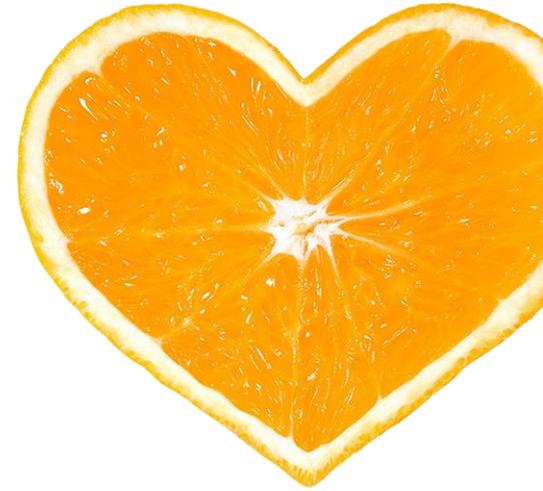
Discussion Overview

- Understanding the Challenge
- Leveraging Behavioral Economics to Drive Employee Engagement
- Establishing a Framework for Effective Incentive Design
- Some Practical Tips
- For Additional Information



Sample Efforts to Promote Healthier Behaviors

51% of US employers with 50+ employees have a wellness program

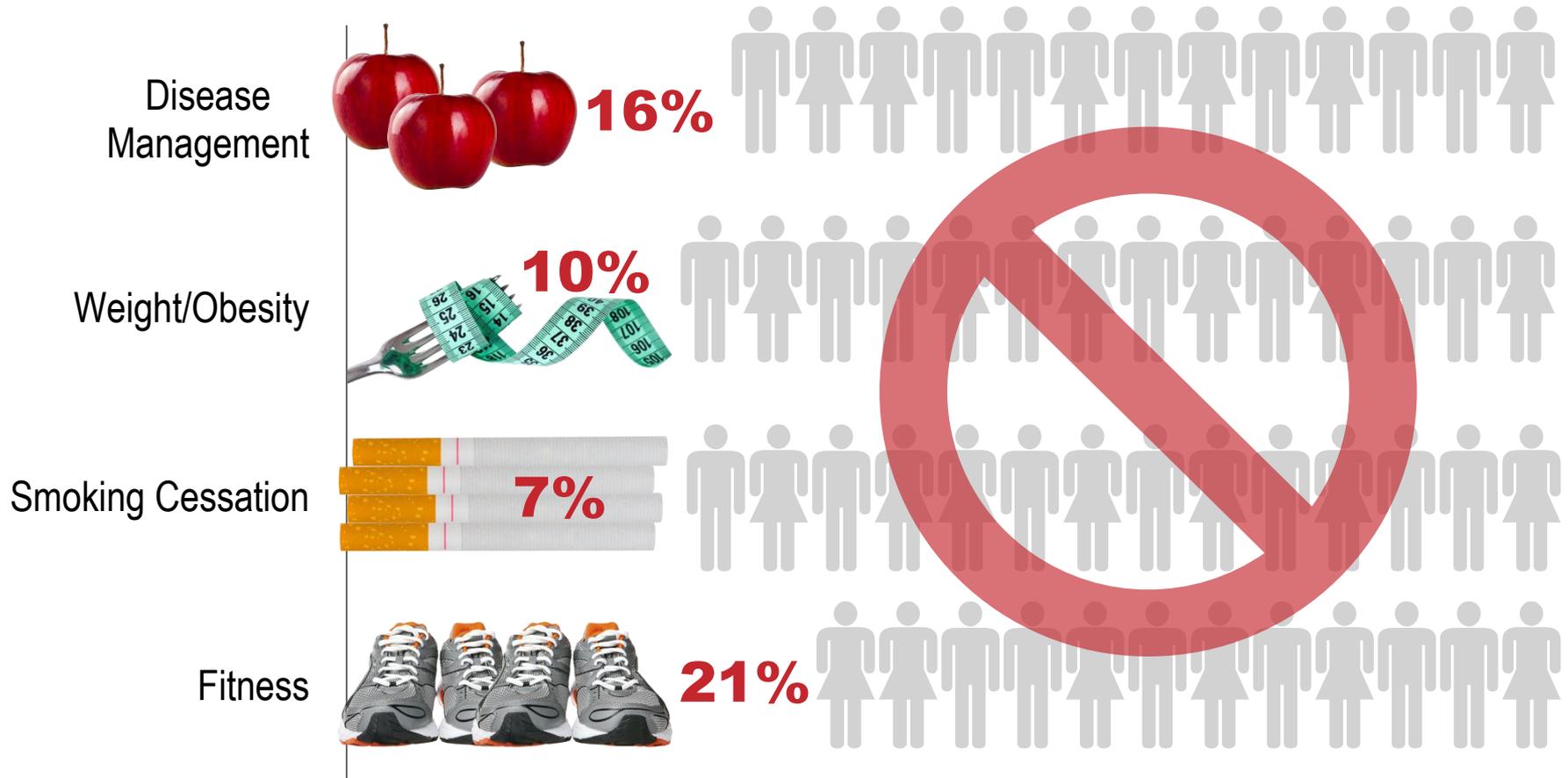


Among employers offering wellness programs:

- **80%** screen employees for health risks
- **77%** offer lifestyle management interventions; among these:
 - **79%** provide nutrition/weight management programs
 - **77%** offer smoking cessation
 - **72%** provide fitness resources
 - **52%** offer stress management programs
- **56%** provide Disease Management programs; among these:
 - **85%** target diabetes
 - **60%** focus on asthma
 - **59%** target coronary artery disease
 - **54%** focus on heart failure
- **44%** regularly evaluate wellness program; only 2% measure financial impact

Source: Rand Corporation – 2013 Workplace Wellness Programs Study

Despite Employer Efforts *Limited Engagement*



Participation Rates for Employees Identified through Screenings or Claims Data

Source: Rand Corporation – 2013 Workplace Wellness Programs Study

escalate
messaging
biases behavioral decision-making variable
decoys
rational heuristics Behavioral choice nudges architecture enhanced
Economics Finance auto-enroll intuitive
active MANAGEMENT segmentation defaults
WORKFORCE emotion

Leveraging Behavioral Economics to Drive Employee Engagement in Health Improvement

What is Behavioral Economics?

Traditional Economics

What rationale people *should* do



Behavioral Economics

What sometimes irrational people *actually* do



CRUMPs vs SIRPs

Behavioral Economics in the Workplace



Completely
Rational **U**tility
Maximizing
Person

Behaviors driven by:

- Incentives
- Information
- Capabilities/Resources



Sometimes
Irrational **R**eal
Person

Behaviors driven by:

- Nudges
- Guardrails
- Habit Cues

Five Key Insights for Health Engagement

1. Employees often make poor decisions—in a predictable manner
2. Heuristics (mental shortcuts), can influence choices more than a person's conscious intentions
3. Incentives can be quite effective, if used appropriately
4. Incentives are just one of the myriad tools employers can use to drive healthier behaviors
5. Intrinsic motivation can be the most effective motivator



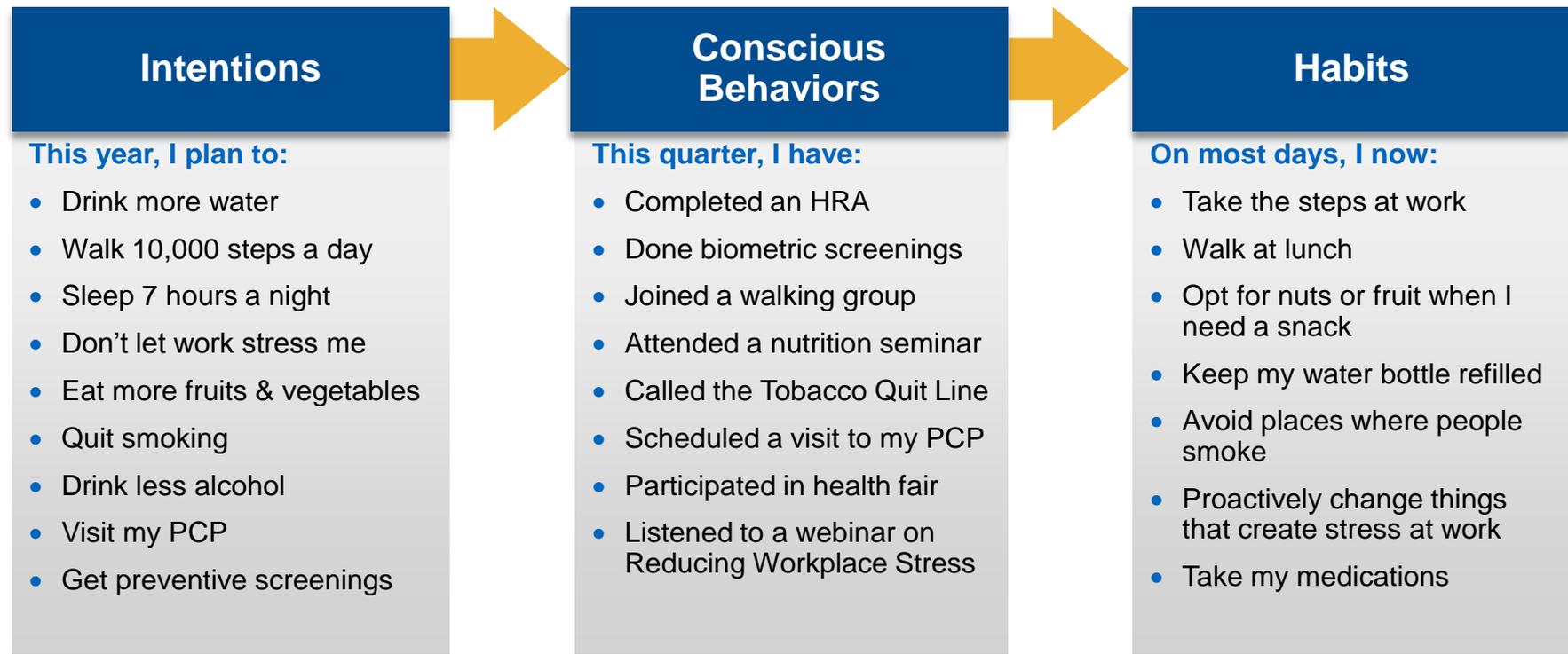
Factors Impacting Employee Health



1. Nutrition
2. Physical activity/sleep
3. Avoiding risky behaviors
4. Emotional health
5. Preventive care

1. Culture
2. Environment
3. Programs/resources
4. **Incentives**
5. Communications

Converting Good Intentions into Healthy Habits



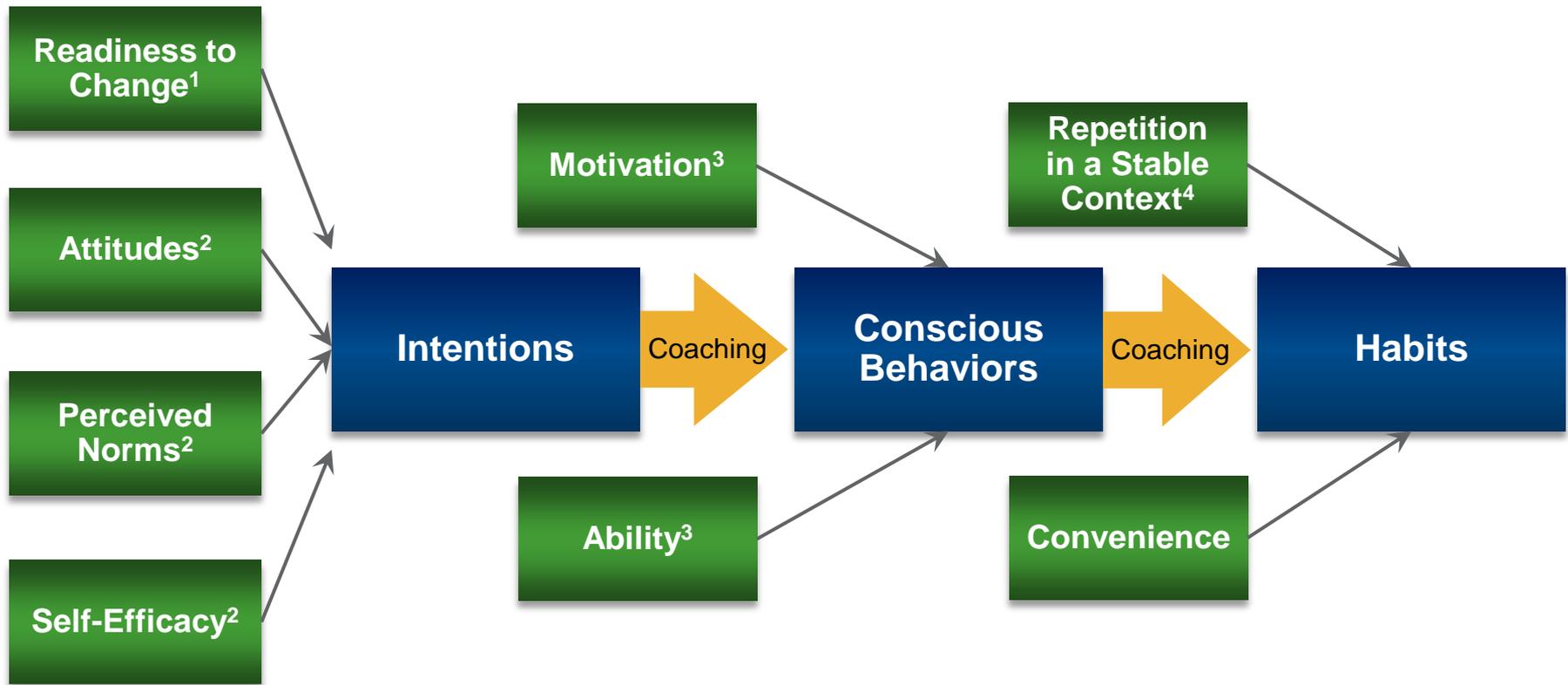
Focus of Most Wellness Programs

Key Question: How much impact do these really have—
if they don't ultimately lead to sustained behavior change?

Where the Real Impact Is

Once implemented, habits require less ongoing motivation, allowing individual to focus on creating additional healthy habits

Factors Impacting Sustained Behavior Change



Sources

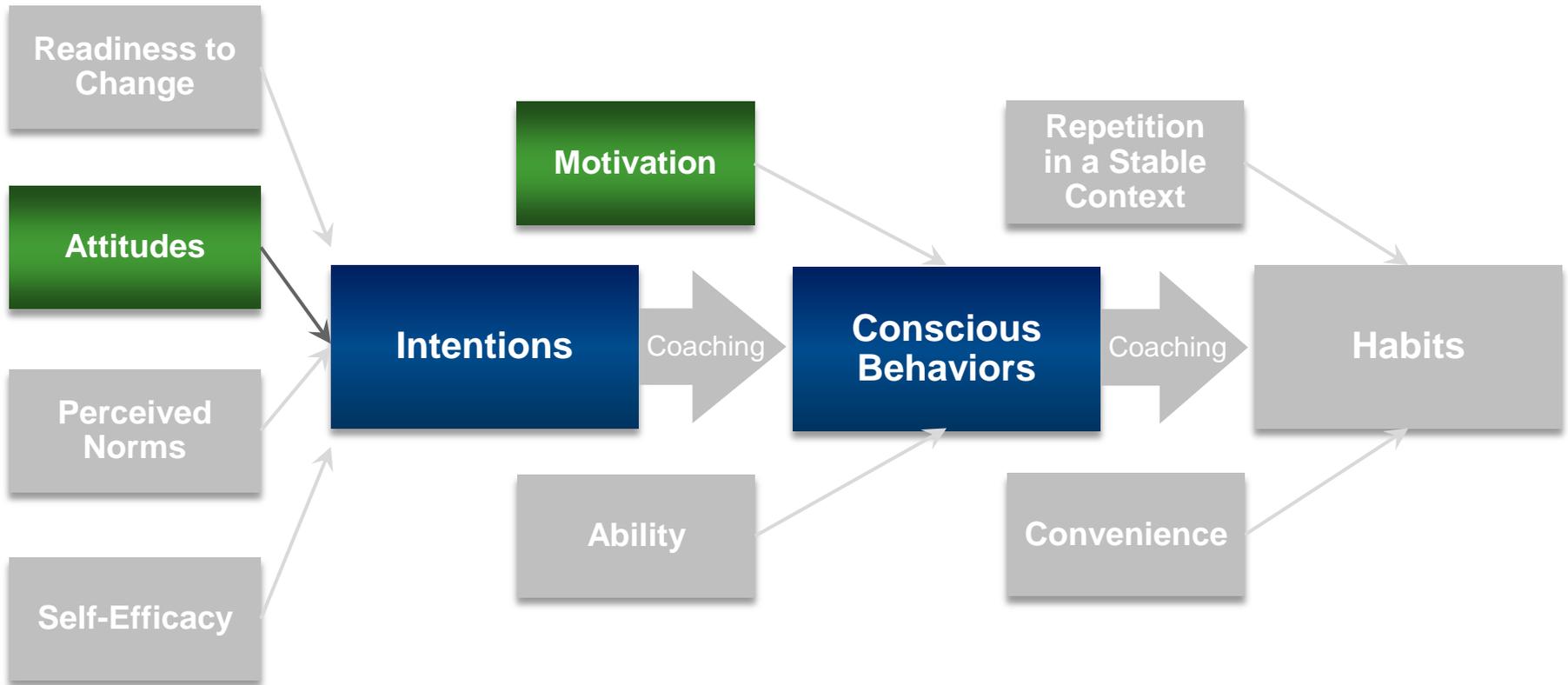
¹ Transtheoretical Model developed by James Prochaska, PhD, Carlo DiClemente, PhD, and John Norcross, PhD

² Theory of Planned Behavior developed by Icek Ajzen, PhD

³ Fogg Behavioral Model developed by B.J. Fogg, PhD

⁴ Research in habit formation developed by Wendy Wood, PhD

What Can Happen When All Areas Are Not Addressed





Establishing a Framework for Effective Incentive Design

When Do Incentives Work Best?

“One & Done”

Periodic completion of:

- Health assessment
- Biometric testing
- Preventive screenings
- Flu shot

“Let’s Give It a Try”

Participation in:

- Telephonic coaching
- Online learning modules
- Weight management/ exercise programs
- Smoking cessation

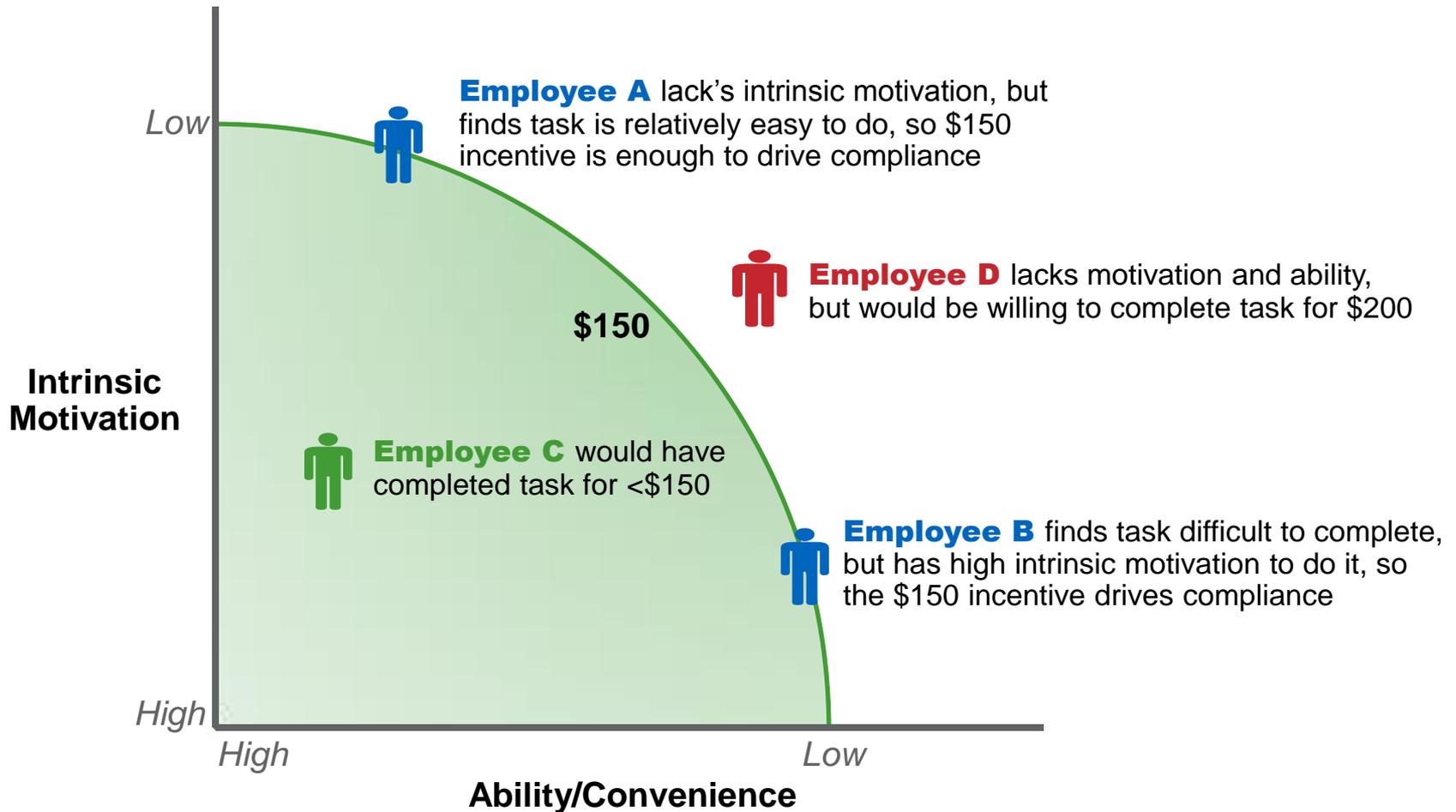
Ongoing Habits

Daily routines relating to:

- Nutrition
- Physical activity
- Sleep
- Avoiding risky behaviors
- Handling stress



Establishing the Optimal Incentive Amount



Maximizing the Motivational Power of Incentives

Losses Motivate
More than Gains

“Opportunity
Regret” Motivates

Delaying Incentive
Minimizes Impact

Lotteries Motivate

“*What I Want*”
Motivates More than
“*What I Need*”

Team-Based
Incentives Work

Simplicity Beats
Complexity



Some Practical Tips from Experiments in Behavioral Economics

Avoid Reward Undermining

**PICK-UP TIME AT
DAYCARE CENTER¹**



**PAYING
FOR CREATIVITY²**



¹ Source: Uri Gneezy and Aldo Rustichini

² Source: Lepper, M. P., & Greene, D., & Nisbett, R. E

Be Mindful of Timing and Delivery Method

Which is more compelling?

Option A

Sometime this year, go to our health plan website to complete your HRA and we'll reduce your 2017 medical contributions by \$50

2017

January	February	March	April
Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30
May	June	July	August
Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31
September	October	November	December
Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	Su Mo Tu We Th Fr Sa 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Option B

Click [here](#) to complete your HRA by **May 31th** and immediately win a \$50 gift card from Amazon.com



Leverage the Motivating Power of “Luxury” Goods

Complete your Biometric Screening and Get...



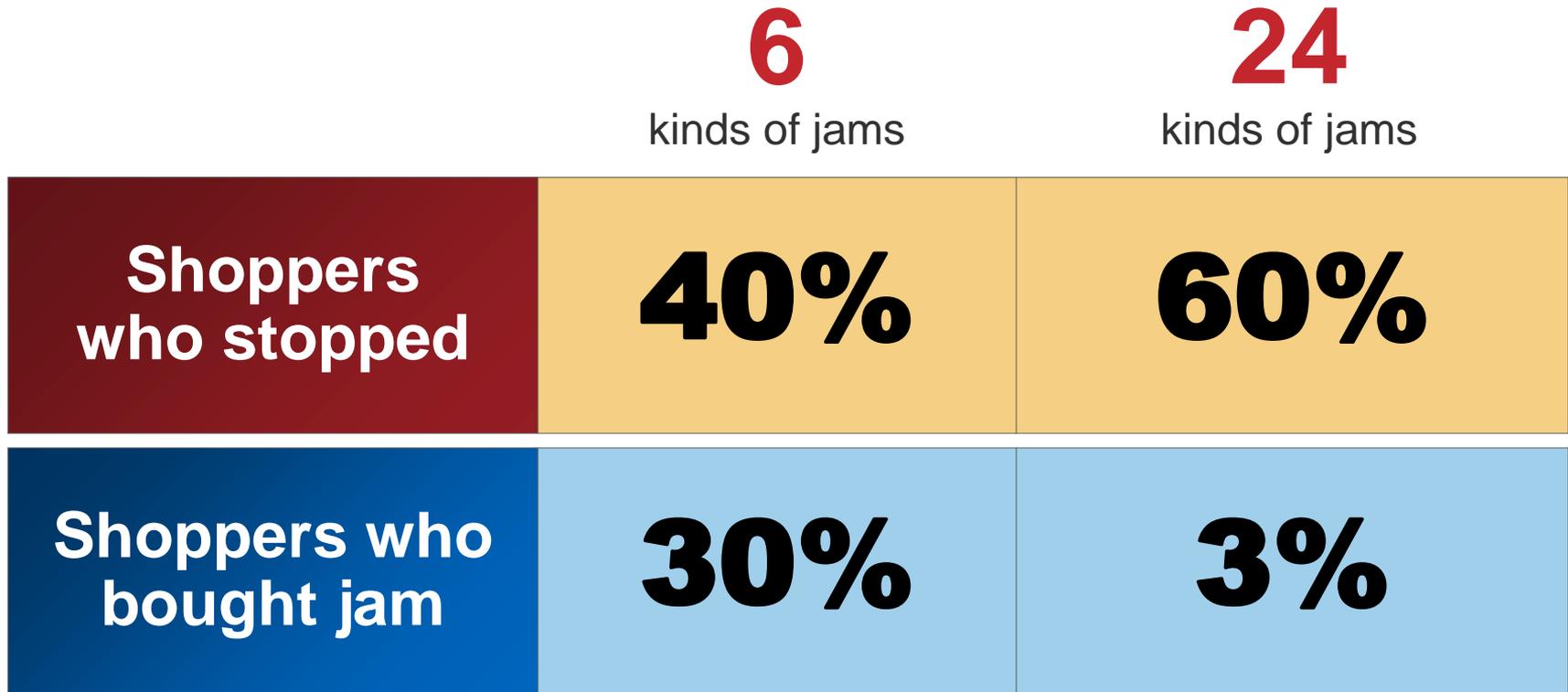
**\$200 Meal
at a 4 Star Restaurant**



**\$200 Direct Deposit
into Your Account**

Source: Choices derived from research by Kivetz and Simonson (2002)

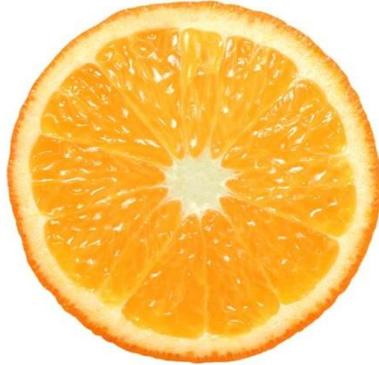
Avoid Choice Overload



Source: Iyengar & Lepper (2000)

Consider Pre-commitment Strategies

- If given the choice, which snack would you prefer?



- If you are selecting a snack for **NEXT WEEK**, which would you choose?
 - 74% choose...
- If you are selecting a choice for **TODAY**, which would you choose?
 - 70% choose...

Source: Phelps and Pollk (1968); Akerlof (1991), Laibson (1997)

Be Careful Setting Anchors

- Think about how Americans die from Heart Disease each year. Is it more or less than **5 million**?
- How many Americans die of heart disease annually?



Keep it Simple

How many of you set the clock on your DVD player?



DVD-Video Player DVD 950/955/956
DVD 950/001/002
DVD 955/002
DVD 956/002

Service
Service
Service



Service Manual

CLASS 1 LASER PRODUCT **DVD VIDEO** COMPACT disc DIGITAL VIDEO COMPACT disc DIGITAL AUDIO

Contents	Page
1. Technical specifications and connection facilities	2
2. Warnings and laser safety instructions	4
3. Directions for use	6
4. Service hints	21
5. Block diagram	23
Disassembling instructions	24
Supplied items	25
Wiring diagram	26
6. Electrical diagrams and pre-layouts	Diagram PWB 27
Power supply	30
Headphone panel	30
Display panel	33
Video control & start switch panel (Diagram 1A)	38
Video out panel (Diagram 1B)	41
Audio panel (Diagram 2)	39
7. Diagnostic software and Script interfaces	43
8. Servicing DVD module & mono board	51
9. Test instructions Display board	53
10. Current mode power supply 30P/8203	54
11. List of abbreviations	58
12. IC descriptions	60
12. Spare parts list	70

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**PHILIPS**

Leverage the Power of Framing

- A father and daughter have simultaneously decided to replace their existing vehicles with more efficient models:
 - Father increases his MPG from **16.5** to **20** with his purchase
 - Daughter increases her MPG from **33** to **50** with her purchase
- Who will save the most gas over 10,000 miles?



- Both will save about 100 gallons over 10,000 miles

Source: Based upon The MPG Illusion, Rick Larrick and Jack Soll (<http://www.mpgillusion.com/>)

Doing the Arithmetic

Father

- 10,000 miles \div 16.6 miles per gallon = 606 gallons
- 10,000 miles \div 20.0 miles per gallon = 500 gallons

Difference = 106 gallons



Daughter

- 10,000 miles \div 33 miles per gallon = 303 gallons
- 10,000 miles \div 50 miles per gallon = 200 gallons

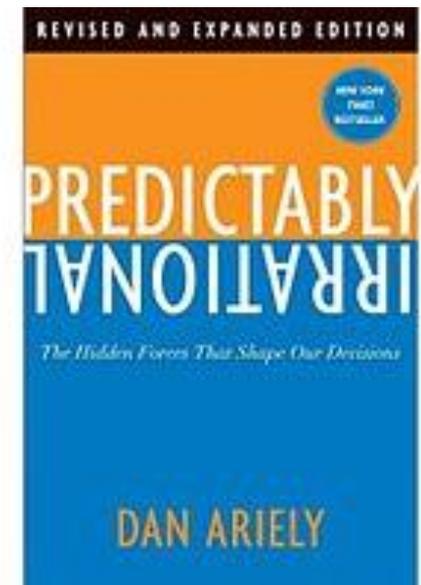
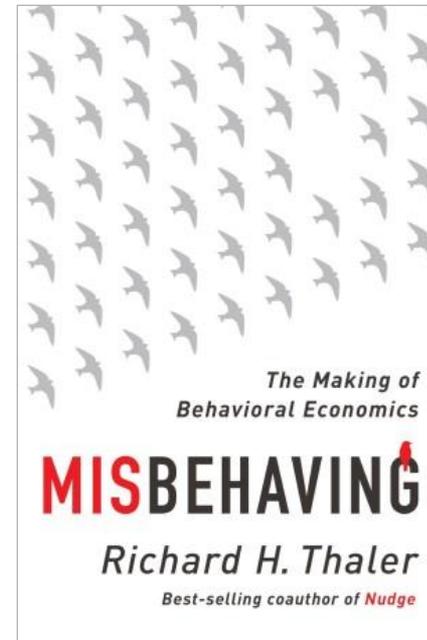
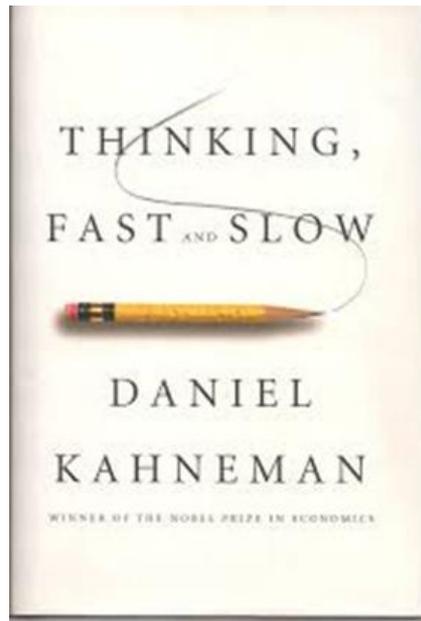
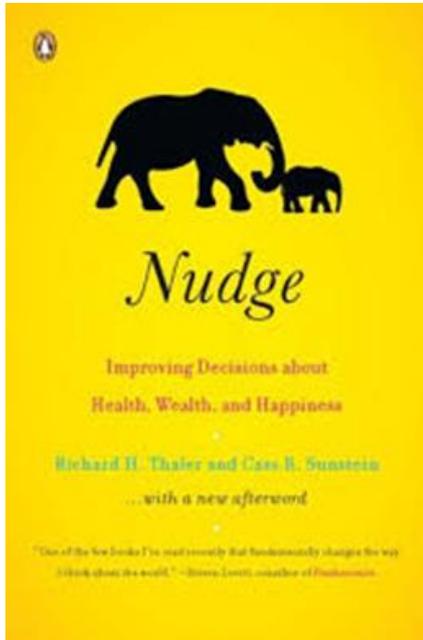
Difference = 103 gallons





For Additional Information...

Some Good Reading on Behavioral Economics



Home > Services > Behavioral Economics

Behavioral Economics

Behavioral economics is a field of study that blends psychology and consumer economics in order to understand why people make sub-optimal decisions about important financial and health care matters. Most decisions that people make involve "mental short cuts" and some degree of emotion. Often, behavioral biases come into play and the result can be sub-optimal decisions.



Is your organization struggling with increasing health costs or low employee participation in wellness initiatives? Behavioral economics is critical to solving these challenges. Here are just a few recent examples:

Situation	Impact of Behavioral Economics
A client struggled to gain employee participation in a health risk questionnaire even with a cash incentive.	Achieved 91% employee participation and 85% spouse participation (up from 0%).
A higher education client faced employee relations issues related to absence and retention.	Reduced unscheduled absence by more than 50%, reduced turnover by 29%, reduced extended absence by 72% and reduced employee relations issues by over 90%.
A client had 13.5% of their participants using antidepressant drugs (at a cost of 6.5 times more than those not using such drugs) -- but only 21% were also seeing a behavioral health clinician.	Increased the use of clinicians by 130% by reframing the plan and reducing both financial and perception barriers.

Take the Quiz Now

Is your company using behavioral economics to control costs?

[Take our short \(3 question\) quiz to find out!](#)

Contact Us

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cgoldsmith@sibson.com

Behavioral Economics Video



Employee Communications

Compliance

Executive Compensation and Corporate Governance

Health & Welfare Benefits

HR Technology and Automation

International HR and Benefits

Investment Solutions

Organization and Talent

Performance and Rewards

Retirement Benefits

Sales Force Effectiveness

Thank you



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Using the Affordable Care Act to Convert Healthcare to Wellness



February 2, 2016

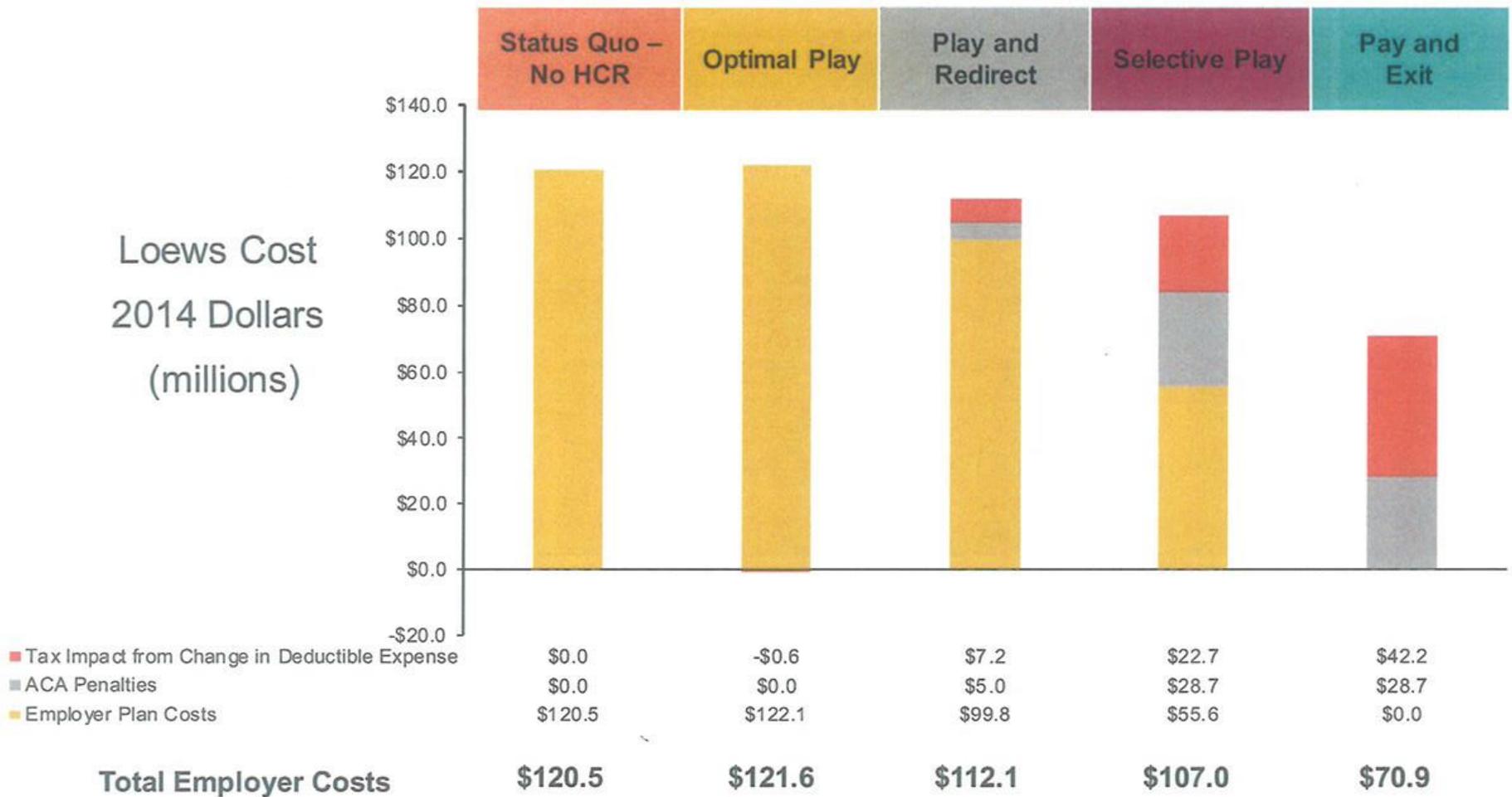


Incentives – What Worked?

- 2007 Health Risk Assessment with Biometrics 75%
- 2008 HRA with telephone coaching 22%
- 2009 Gym Memberships 25%
- 2010 Loews Paid, Weight Watchers 8%
- 2011 Disease Management 0%
- 2012 Telephonic Coaching 2%
- 2013 Annual checkups 60%

Loews results

Financial impact to Loews (unadjusted for P&L impact)



- Additional cost of \$1.1M under the optimal play scenario due to increased enrollment in Loews sponsored plans
- Summary reflects all Loews subsidiaries, including Diamond Offshore and Boardwalk

Three Strategies to Avoid Excise Tax

1. Employees pay more.
2. Employees cost less because they are healthier (impact of wellness incentives).
3. Cut medical plan design to be under threshold limits for 1/1/18.

Our Strategy

- Combine strategies by offering a menu of wellness options and creating a higher tier for employees who don't participate.
- Communicate and continue to engage employees to change long-term behavior towards healthier lifestyle.



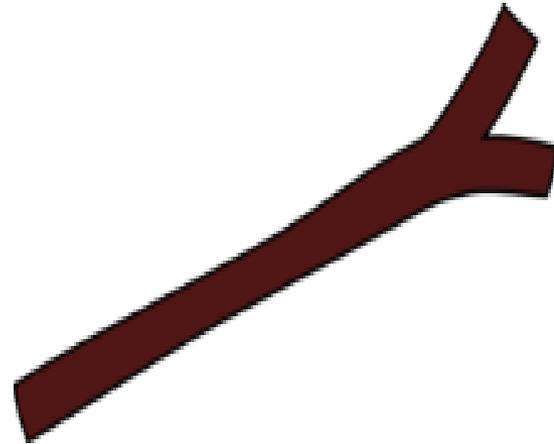
What Works?

Carrot



What Works?

Carrot AND Stick



Menu of Options

Required

- Annual Physical with Biometrics Screening

Engage in any three (Pick 3)

1. Preventive Examination
2. Disease Management Program
3. Telephonic Wellness Coaching Program
4. Healthy Pregnancy Program
5. Health Risk Assessment
6. Routine Dental Examination
7. Gym Membership
8. WeightWatchers
9. Loews organized fitness activity
10. Lunch & Learn Seminars
11. Virgin HealthMiles



Consequence of Not Playing

- Those who participate: Current Contribution Cost
- Those who don't: 2X Current Contribution Cost

Results

500 Employees

485 Participants!

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Innovation to Improve Health, Well-Being and Value

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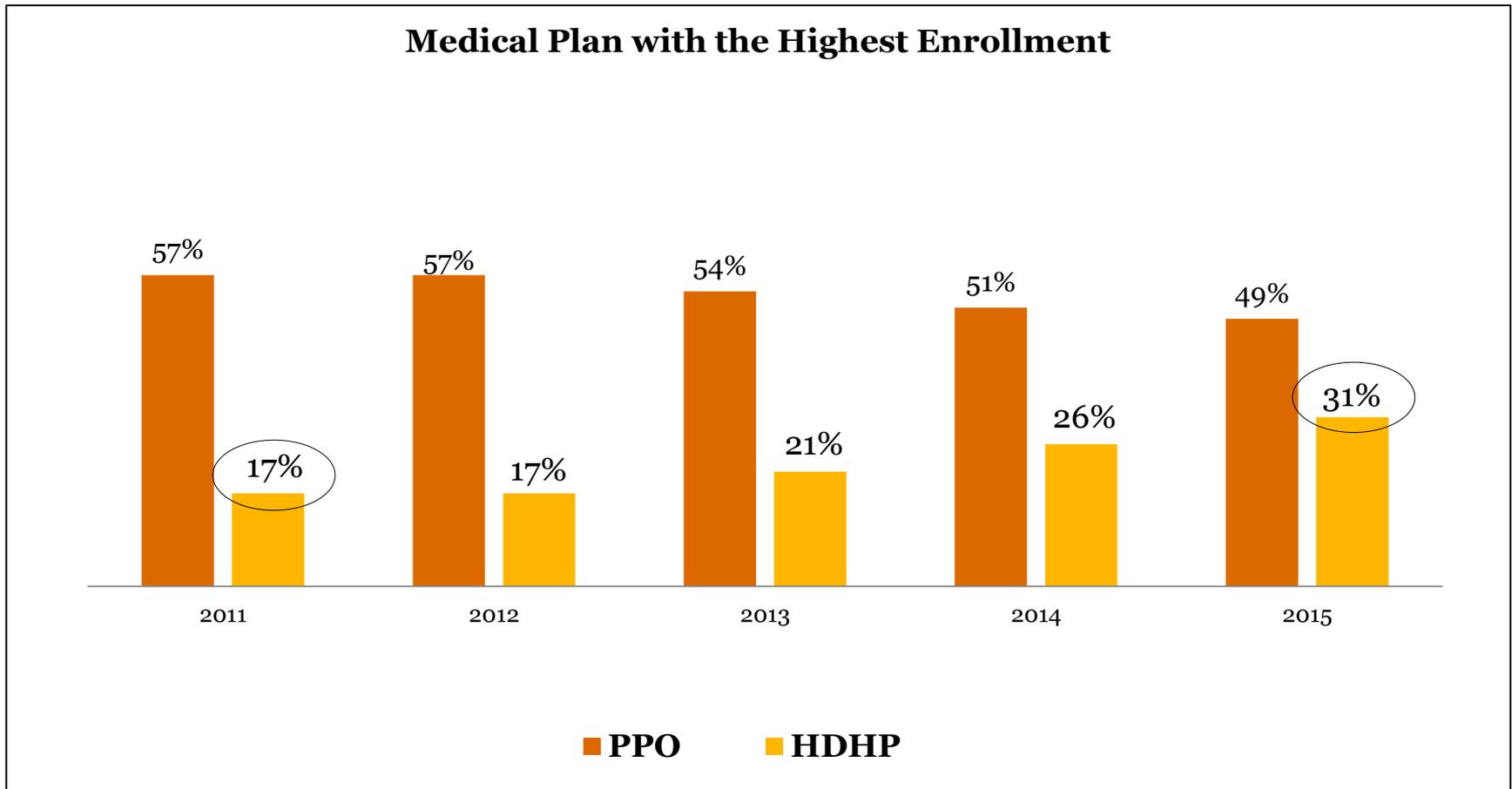
Employee Benefits Research Institute

***Innovations around
Health, Well-being & Value***

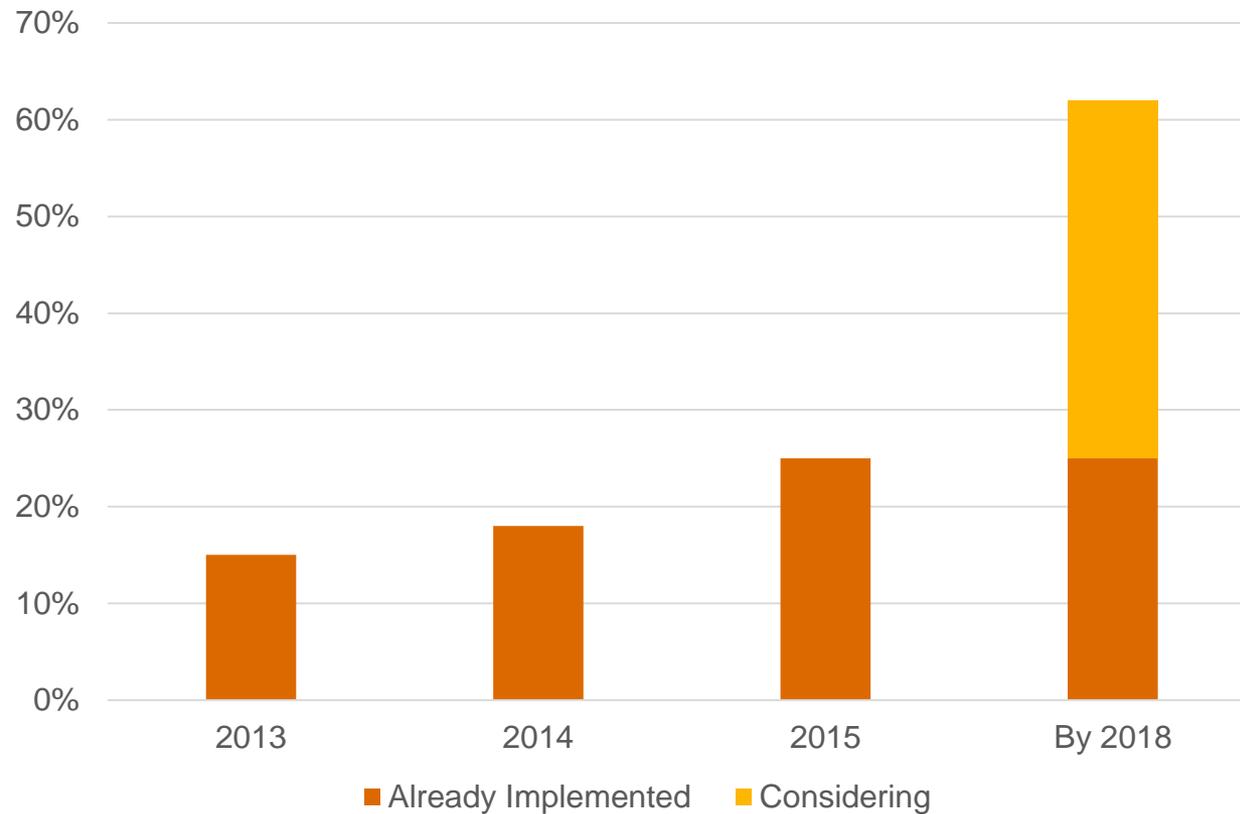
May, 2016



Consumerism going mainstream



Future Directions – Total Replacement HDHP?



Where do we go from here?

Potential Concerns

- Deferral of care
- Design inflexibility
- Benefits convergence
- Lack of consumer readiness

Consumers feel less ready to be a consumer of healthcare than buying a house

Future Directions

- Evolution of Value Based Design
- Increased focus of care delivery
- Shift of focus to employee experience/well-being

Where do we go from here?

Potential Concerns

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Future Directions

- Evolution of Value Based Design
- Increased focus of care delivery
- Shift of focus to employee experience/well-being

New Health Economy

Consumer Centric

Value Driven

Technology Enabled

Innovators Proliferate

Advocacy

Telehealth

Second Opinion

Health Literacy

Social Networks

Well-being

Population Health

Health Savings Accounts

Transparency

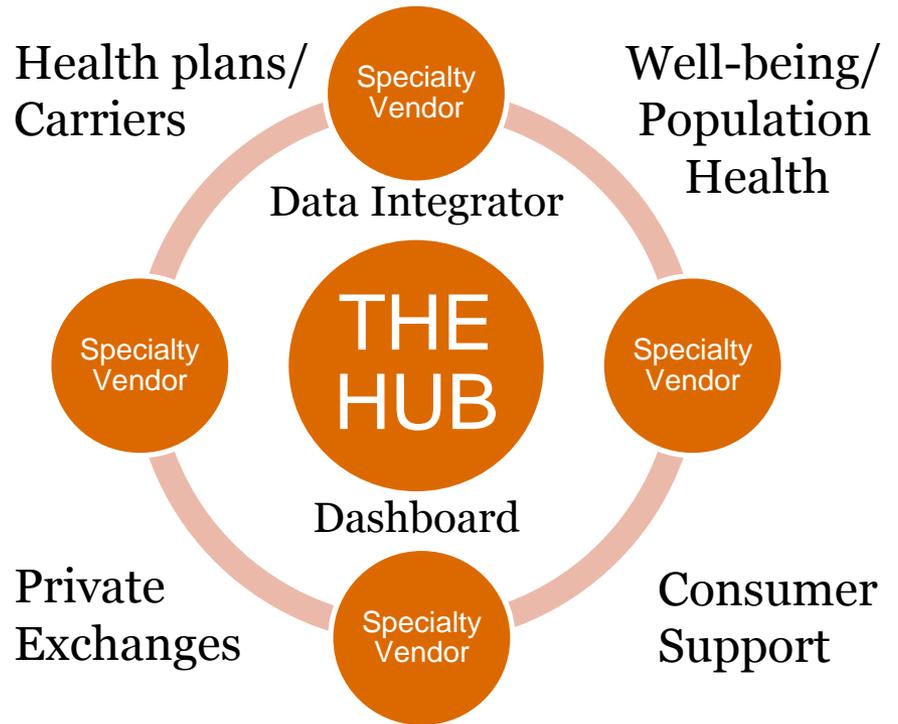
Onsite/Near Site

Concierge

>100,000
Health Apps

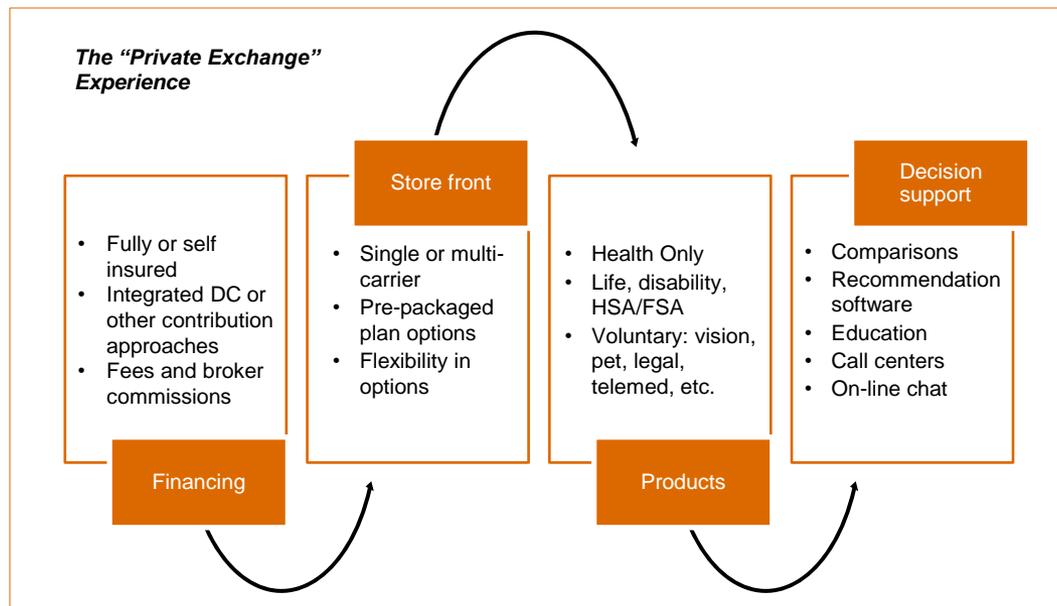
Innovators Proliferate → Battle for Consumer Hub

- Advocacy
- Telehealth
- Second Opinion
- Health Literacy
- Social Networks
- Well-being
- Population Health
- Health Savings Accounts
- Transparency
- Onsite/Near Site
- Concierge



Innovation in the Enrollment Experience

- Increased choice
- Development of “marketplace experience”
- Personalizing value-based choice
- Arbitrage of relative value of plan and network choices

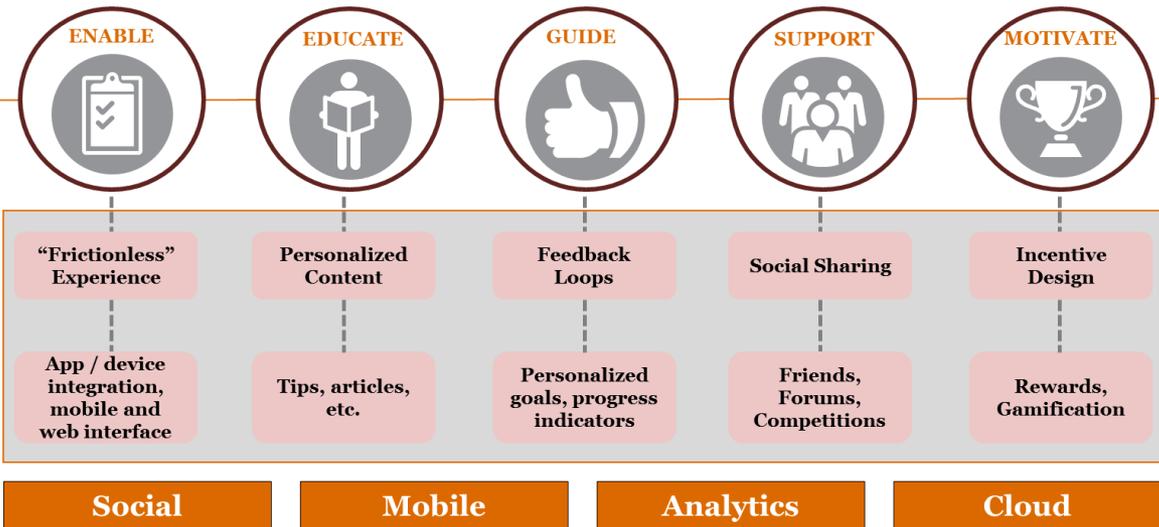


Emerging trends

- Delivery Based Options (tradeoff of access for benefits)
- 365 day experience
- Intelligent virtual assistance

Innovation in Consumer Engagement

- Integration of SMAC technology
- Leveraging “mind-share”
- Improved transparency tools (redefining quality)
- Advocacy support

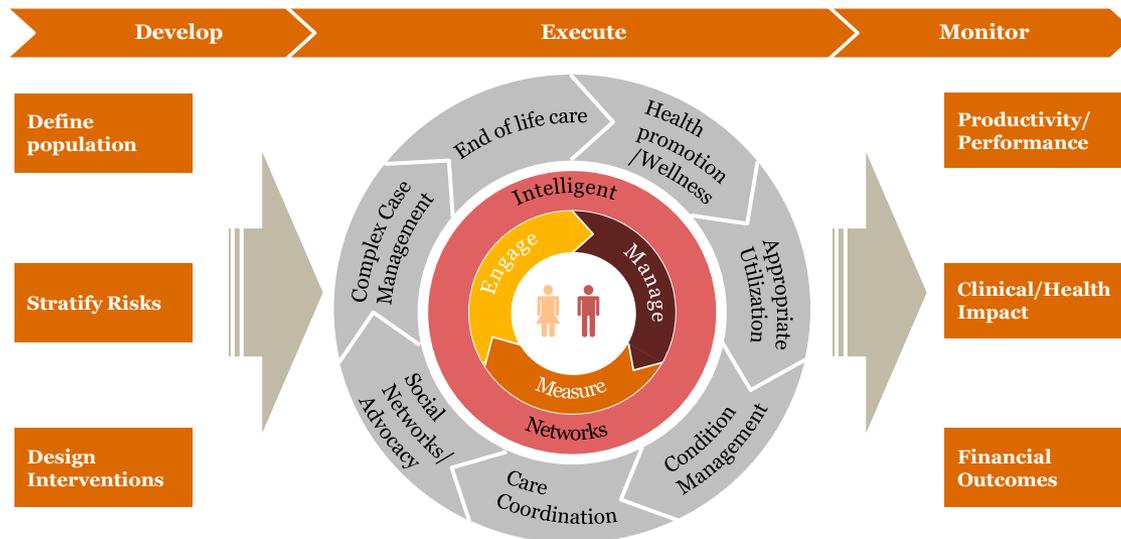


Emerging trends

- Extended transparency across consumer experience
- Social networks to crowdsourcing
- mHealth curators

Innovation in Population Health

- More focused interventions
- Incentives vs intrinsic motivation
- Shift care management back to providers
- Actionable “big data”

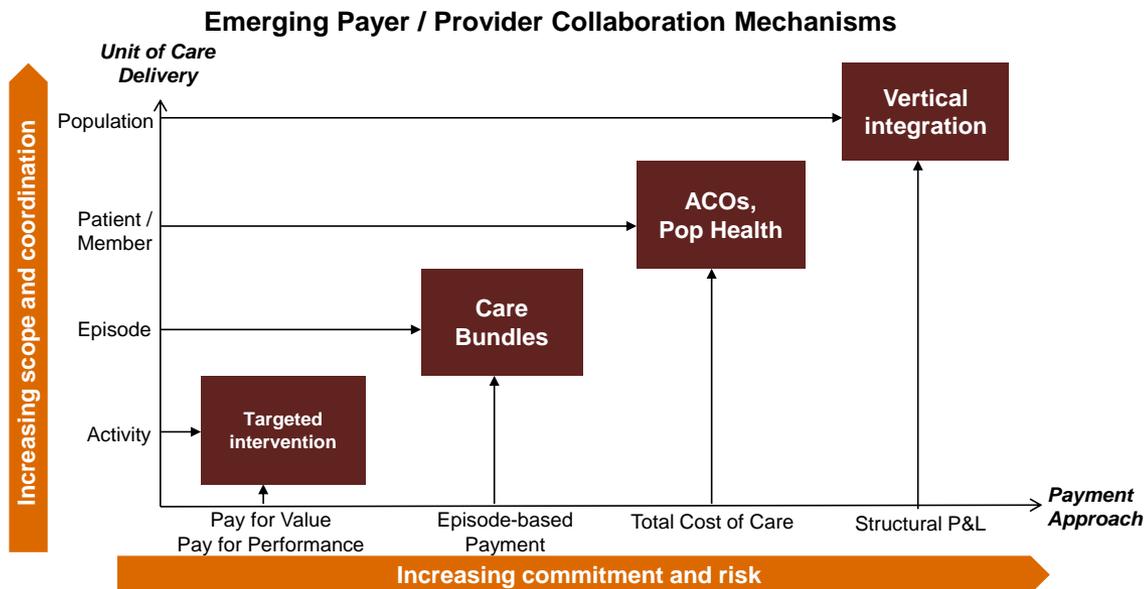


Emerging trends

- Targeted populations (“tipping point”, “morbidly obese”)
- Social determinants of health
- Integration with community initiatives
- Enhanced remote monitoring

Innovation in the Payment and Delivery

- Accountable Care Organization
- Bundled payments
- Near-site and on-site clinics
- Employer direct, integrated health experience



Emerging trends

- Advanced primary care
- Regional Centers of Excellence
- Blurring of lines between payers and providers
- Virtual referrals

Innovation in Well-being

- Shift mindset from “wellness” to “well-being”
- Expansion of financial well-being
- Integration of mental health, resilience, mindfulness strategies
- Leverage technology and behavioral science

Potential Dimensions of Well-being



Benefits of Well-being

Happier employees have

- 33% higher profitability (Gallup)
- 43% more productivity (Hay Group)
- 37% higher sales (Shawn Achor)
- 300% more innovation (HBR)
- 51% lower turnover (Gallup)
- 66% decrease in sick leave (Forbes)
- 125% less burnout (HBR)

Emerging trends

- Leadership, environment & cultural alignment
- Employee experience across silos (eg. talent, diversity, management)
- Go local, go global

For more innovation...



- Innovator Hall
- Well-being Institute

Contact Michael Thompson

Through May
646-471-0720

Michael.thompson@us.pwc.com

Starting June
973-464-1530

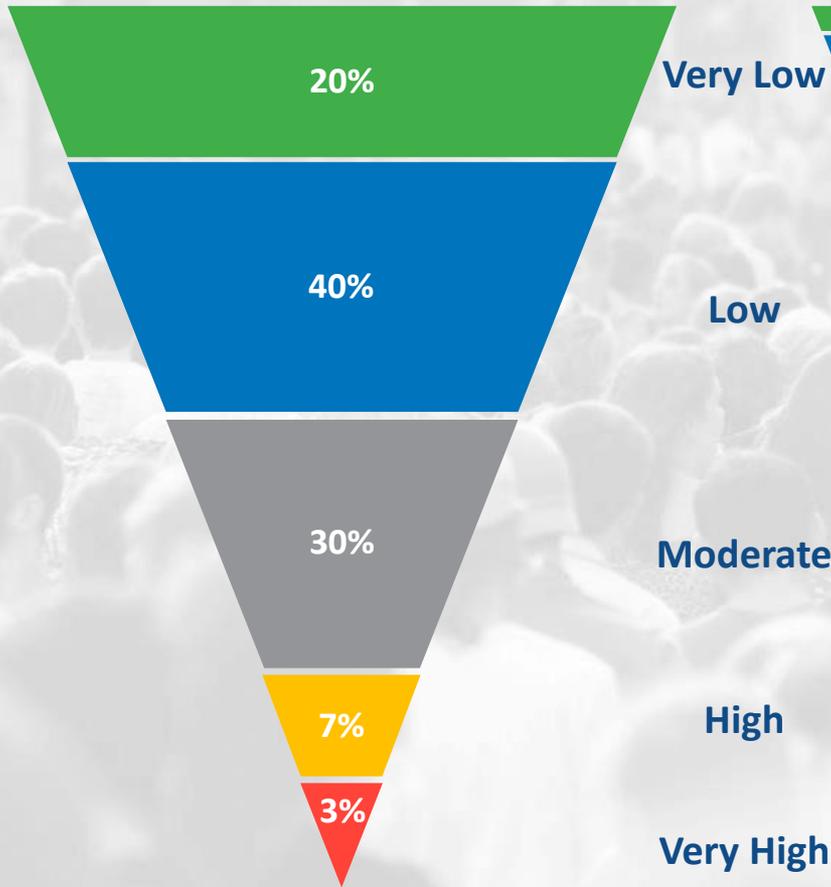
mthompson@nbch.org

Care Pathways: *Insights from a Clinical Analytic*

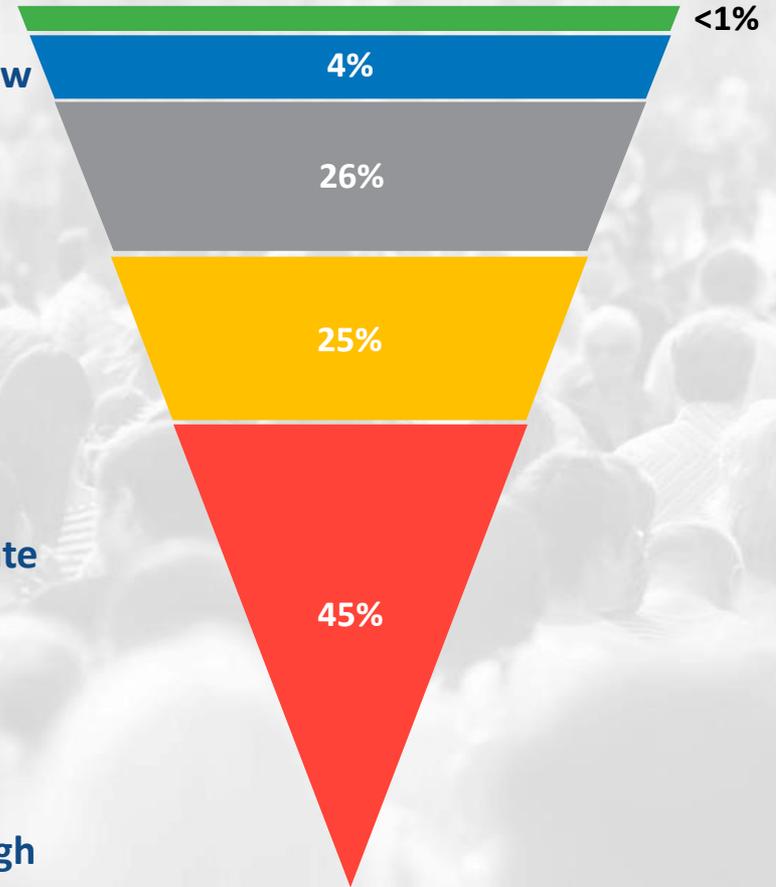


Financial Risk Snap-Shot

Percent of Members



Percent of Average Cost



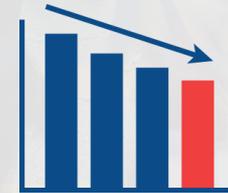
Proven Results

A Randomized Trial of a Telephone Care-Management Strategy

New England Journal of Medicine

Reduced medical and
pharmacy costs by

\$7.96
PMPM

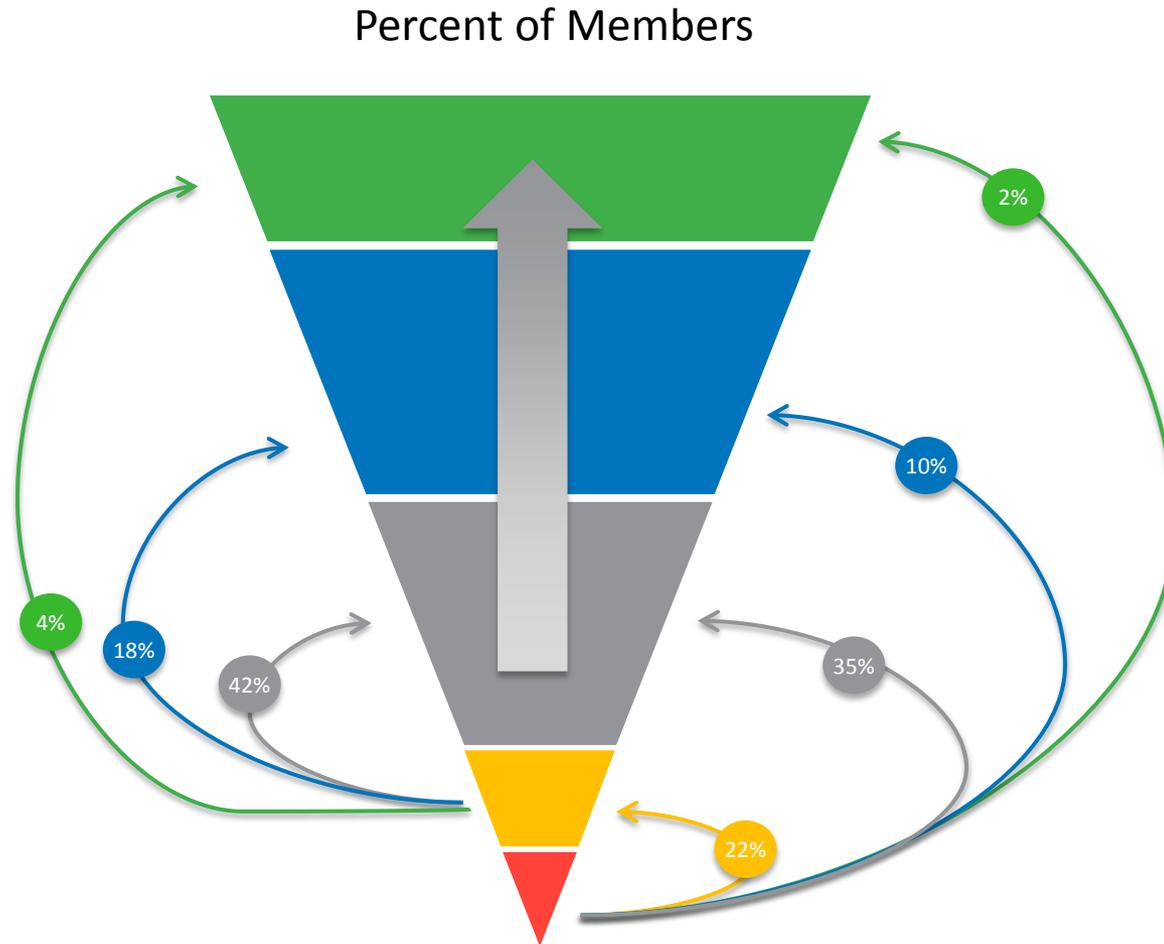


Reduced hospital
admissions by over

10%



Financial Risk: Migration Out of High Risk (one-year)

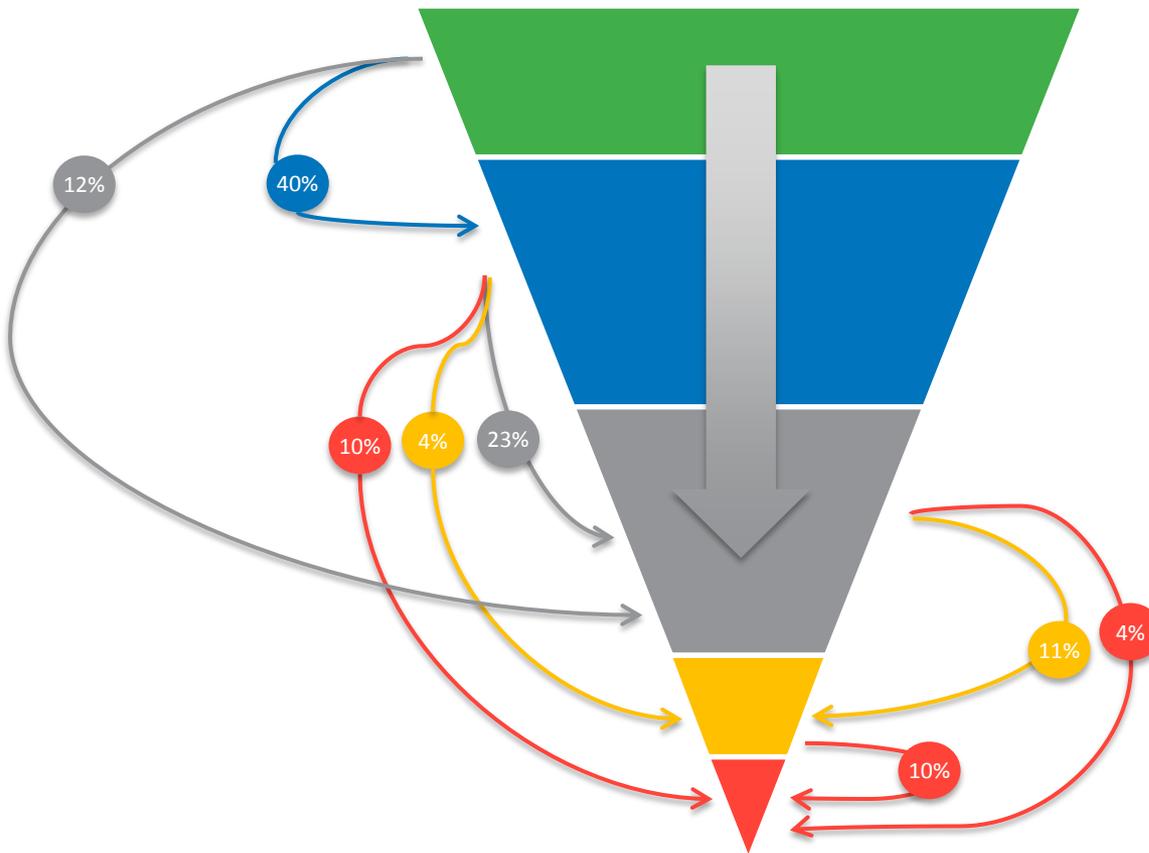


78% of Very High Risk members migrate to a lower level of financial risk

64% of High Risk members migrate to a lower level of financial risk

Financial Risk: Migration Into High Risk (one-year)

Percent of Members



53% of Very Low Risk migrate to a higher level of financial risk.

38% of Low Risk members migrate to a higher level of financial risk.

15% of Moderate Risk members migrate to a higher level of financial risk.

10% of High Financial Risk members migrate to Very High Risk after one year.



Engagement Analysis of the Population: Clinical Risk

- ← **Mostly Digital Engagement** predicts how individuals in each

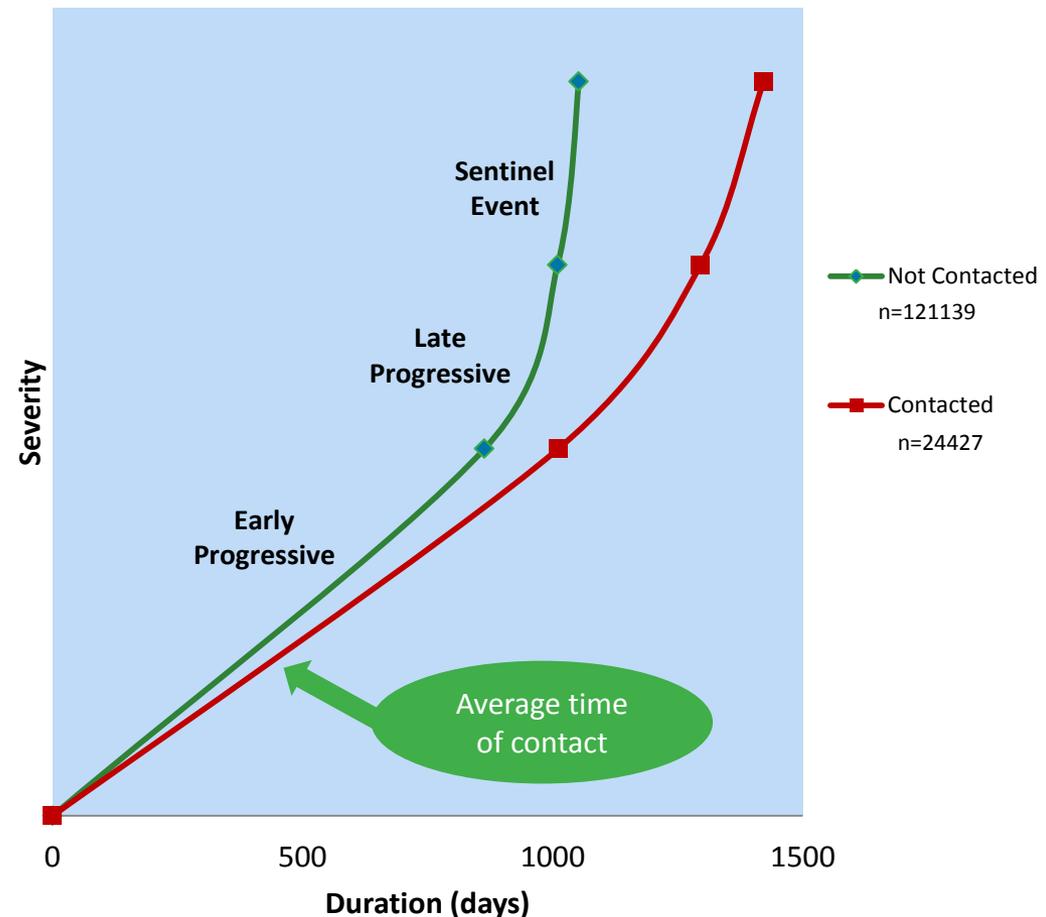
Mostly Telephonic or in Person Coaching →
- This approach guides personalized interactions focused on addressing the unique needs of each individual and at every stage of health and wellness

Outcomes of a Clinical Risk Stratification Approach: Delaying Disease Progression

Cardiovascular Pathway
Average Trajectories

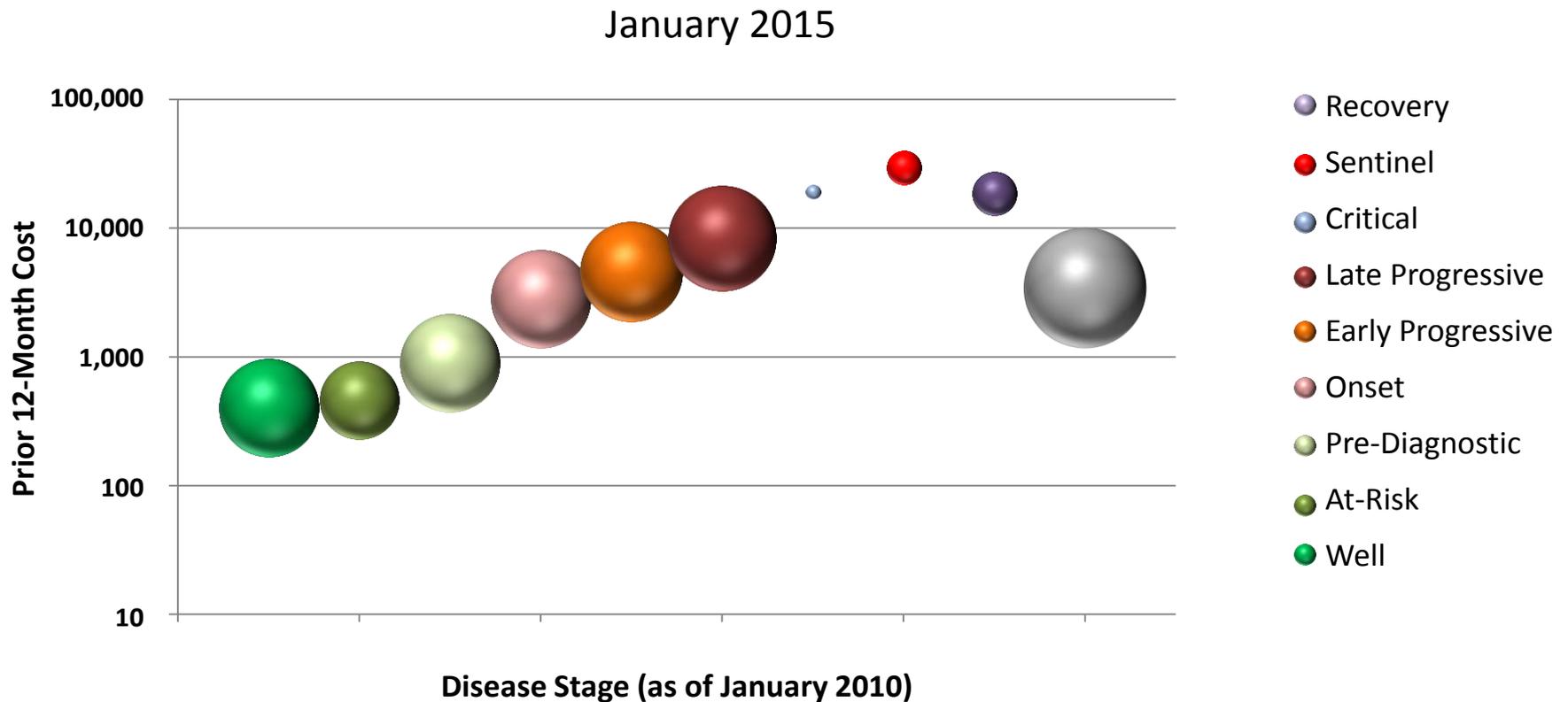
Members with program contact demonstrate **delayed risk progression** through each stage of the pathway

- Progression is delayed by 370 days for contacted individuals who progress to a sentinel clinical event (e.g. stroke)
- 104 sentinel events (2.6%) avoided



Financial Risk Models, the Industry Standard, are Insufficient to Identify Truly Emerging Clinical Risk

A cohort of 43,000 members with continuous eligibility was followed for five years between January 1st 2010 and January 1st 2015



Who Makes Up the Silent Population?

Some have conditions that *cannot* be predicted

- E.g. cancer, accidents, major mental illness

Many have conditions that *can* be predicted and that rapidly lead to disease

- 37% of Americans are pre-diabetics
- 97% of pre-diabetics are not diagnosed
- 23% of diabetics are not diagnosed
- 31% of adult Americans have pre-hypertension
- Half of people with hypertension fail to control their BP



The Good News



Type 2 diabetes can be prevented.

Loosing just 7% of your body weight and exercising moderately can reduce your risk by 58%



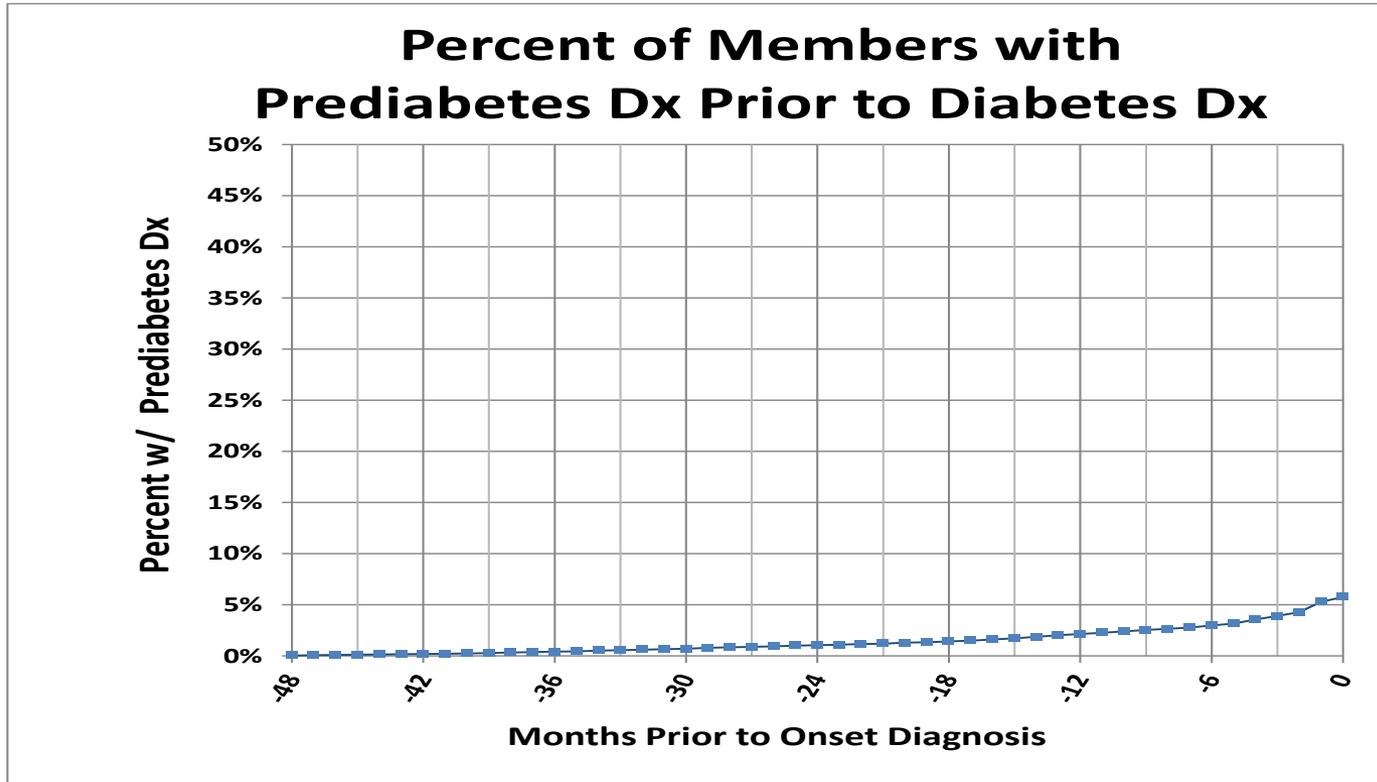
Feds mull Medicare changes after big success in YMCA's diabetes program

“People at high risk of developing diabetes lost about 5% of their body weight in a YMCA program ...

...CMS' actuaries certified the YMCA's Diabetes Prevention Program would more than pay for itself for Medicare if the YMCA program was expanded, saving \$2,650 per participant over 15 months...

...The Diabetes Prevention Program can reduce the number of new cases of Type 2 diabetes by 58% and 71% for those over age 60, according to the YMCA”

Claims Based Analysis of 13,000 Diabetic Members Pre and Post Initial Diagnosis



- 
- ✓ Identify & Engage people with pre-conditions
 - ✓ Deliver personalized, multi-channel health engagement

Identification & Engagement are the Key

Motivate individuals to achieve a series of small and attainable health goals that lead to meaningful and long-lasting behavior change.

Final Thoughts

- Disease management efforts focus on the very sick
- Clinical analytics can target the “soon to be sick” segments of your population
- Digital technology can help to identify and serve the entire population with personalized programs





Retirement Challenges and Reforms

EBRI-ERF Policy Forum #78
Thursday, May 12, 2016



Bipartisan Policy Center Commission on Retirement Security and Personal Savings

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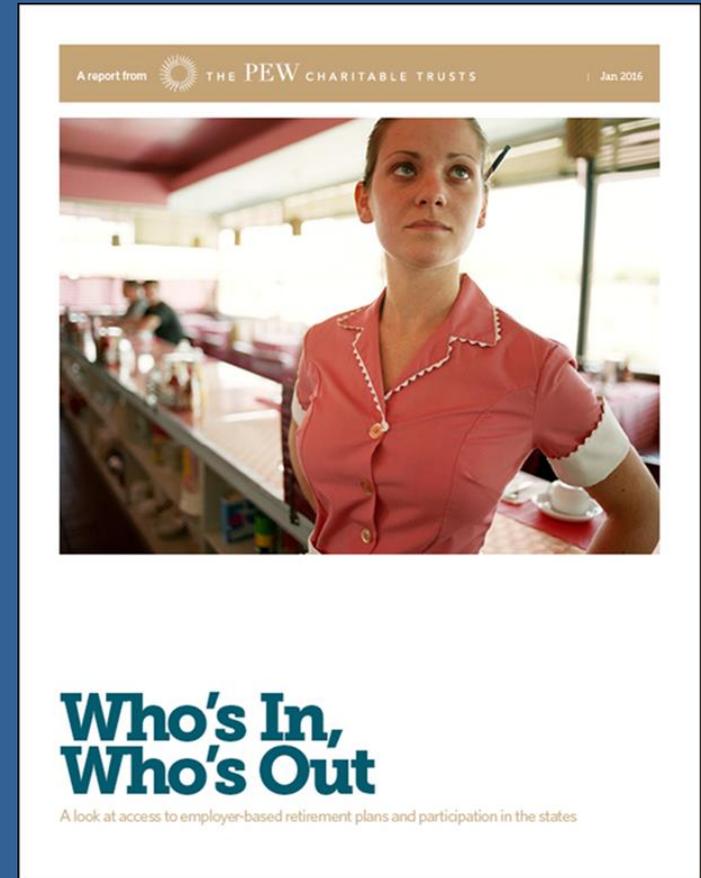
Employee Benefit
Research Institute

Who's In, Who's Out – A Look at Access to Employer-Based Retirement Plans and Participation in the States

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Who's In, Who's Out

A discussion about state and federal proposals to boost access to private sector retirement plans



May 12, 2016

EBRI Policy Forum #78

Overview

- Background
- Retirement savings across the states
- State policy approaches
- Small employer views

Why retirement savings is important

- Longevity: additional years of life at age 65
 - 1950: 14 years
 - 2013: 19 years
- Annual cost of long term care
 - Adult day health care: \$17,904
 - Assisted living: \$43,200
 - Nursing home: \$80,300

Source: National Center for Health Statistics. Health, United States, 2014: With Special Feature on Adults Aged 55–64. Hyattsville, MD. 2015; Table 16, available at <http://www.cdc.gov/nchs/data/hus/hus14.pdf#016>.

Current Savings Situation

- “Rule of thumb” for retiree income: live on 4 percent of accounts per year or save 10 times their annual income.
- Median income for households between 55 and 64 is \$56,575
- Median DC savings accounts for persons between the ages of 55 and 64 is approximately \$76,000.

Current Savings Situation

- 56 percent of retired Americans born between 1928 and 1945 have debt
- Half of single elderly and one-third of elderly in relationships die with less than \$10,000 in assets
- Retirement savings shortfall of \$4.13 trillion
- More than half of American households face a standard of living decline in retirement

Sources: Employee Benefits Research Institute, "Retirement Savings Shortfalls: Evidence from EBRI's Retirement Security Projection Model," *Issue Brief*, No. 410 (2015); Munnell, Hou, and Webb, "NRRRI Update Shows Half Still Falling Short," *Issue in Brief*, Number 14-20, Boston, MA: Center for Retirement Research (2014); The Pew Charitable Trusts, *The Complex Story of American Debt*, (2015); Poterba, Venti, and Wise, "Were They Prepared for Retirement? Financial Status at Advanced Ages in the HRS and AHEAD Cohorts," NBER Working Paper No. 17824 (2012)

Retirement Savings Across the States

3 Key Terms

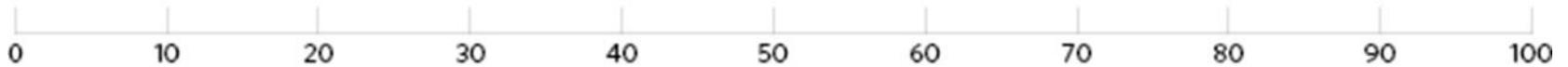
- Access
- Take-up
- Participation

Example:

- 60 percent **access**
- 85 percent take-up rate
- 51 percent **participation** rate

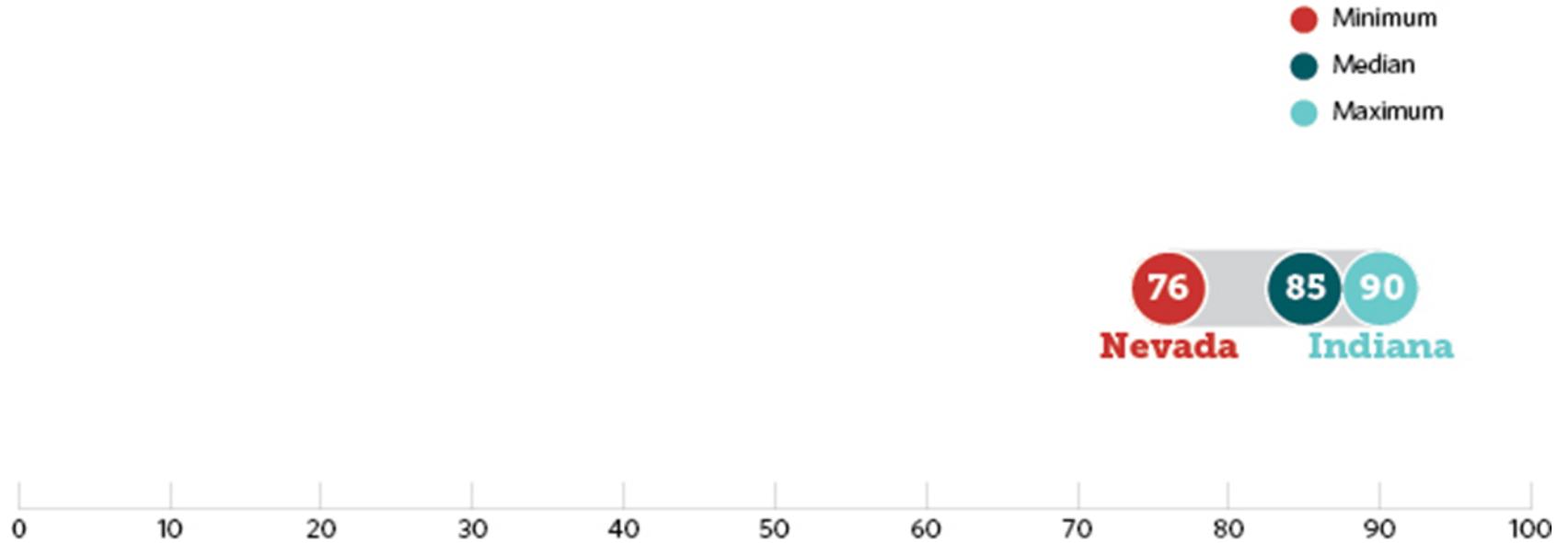
Access and participation range

- Minimum
- Median
- Maximum



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Take-up range



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What factors can influence access and participation?

Various factors associated with access and participation, including:

- Employer size
- Industry
- Wage and salary income
- Age
- Education
- Race and ethnicity

Many of these elements vary across the states

Access by Employer size

	Access
< 10 employees	22%
10-49 employees	37%
50-99 employees	52%
100-499 employees	63%
500+ employees	74%

Proportion working at small employers (less than 50 workers):

Low: Minnesota (23 percent)

High: Montana (39 percent)

Access by Industry

Manufacturing	69%
Financial activities	68%
Educational and health services	64%
Transportation and utilities	61%
Professional and business	56%
Wholesale and retail trade	56%
Other industries	50%
Construction	40%
Leisure and hospitality	34%

Proportion of workers in construction industry:

Low: Michigan (4 percent)

High: New Mexico and Texas (8 percent)

Access by wage and salary income

< \$25,000	32%
\$25,000 - \$49,999	56%
\$50,000 - \$99,999	71%
\$100,000+	75%

Proportion of workers in low income households:

Low: New Hampshire (12 percent)

High: Arkansas (29 percent)

Access by Race and ethnicity

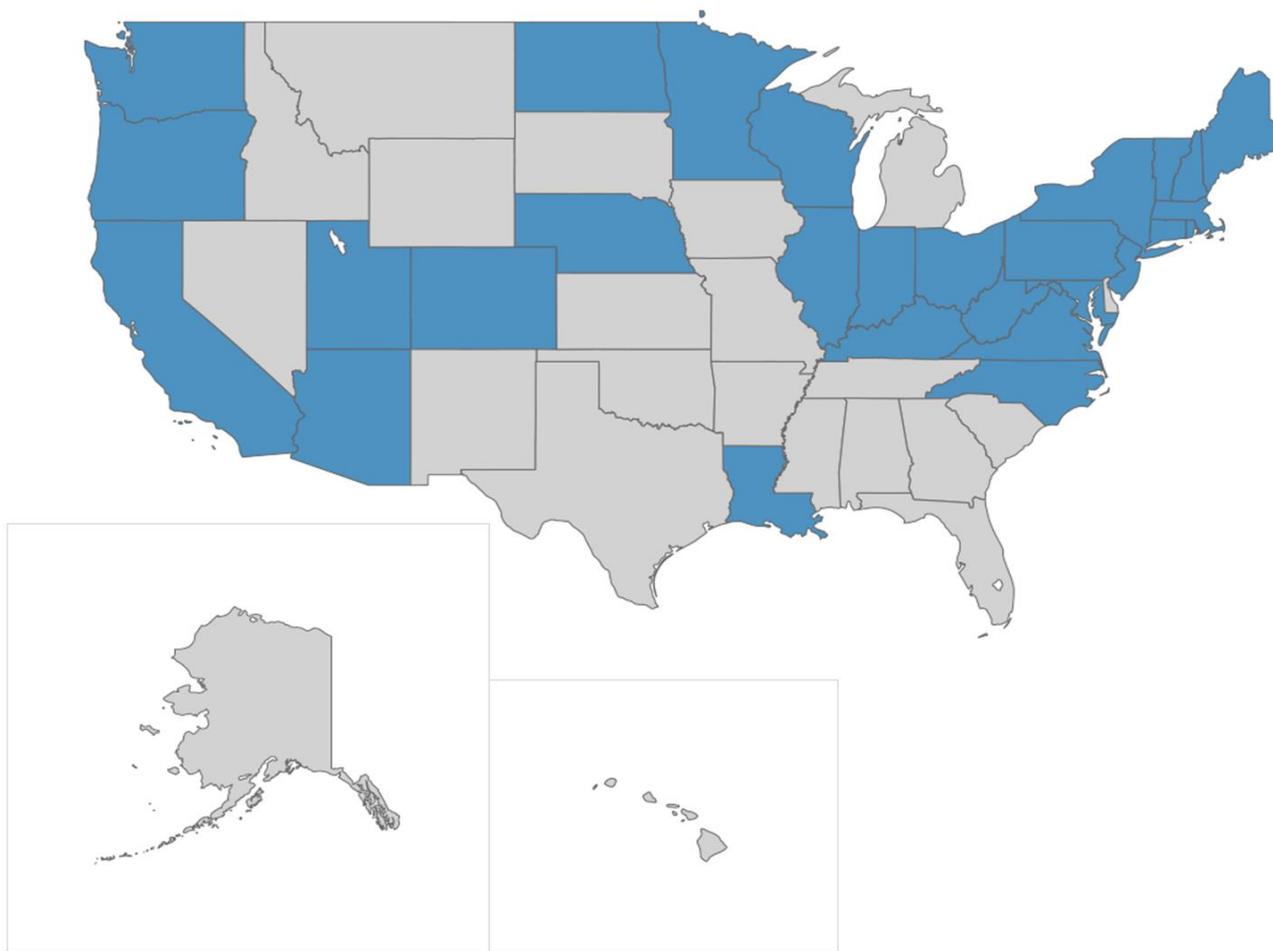
White non-Hispanic	63%
Black non-Hispanic	56%
Asian non-Hispanic	55%
Other non-Hispanic	59%
Hispanic	38%

Proportion of Hispanic workers:

Low: Vermont (1 percent)

High: New Mexico (52 percent)

The State Policy Response



Our Report: “How States Are Working to Address the Retirement Savings Challenge”

- Analysis of state proposals on retirement savings
- State legislation from 2012 to 2015
 - Focus on California, Illinois, Washington State, Massachusetts
- Why does this matter?
 - States operating in semi-isolation
 - U.S. Department of Labor guidance
 - More activity into 2017
 - Thoughtful consideration of goals and means

3 public policy goals:

- Increasing retirement savings
- Minimizing burdens for employers
- Managing legal and financial risk for states

Tradeoffs among these goals?

Threshold Question

- ERISA or not ERISA?
- State Plan or no State Plan?

	ERISA	Not ERISA
State Plan	Prototype/MEP	Auto-IRA
No State Plan	Marketplace	X

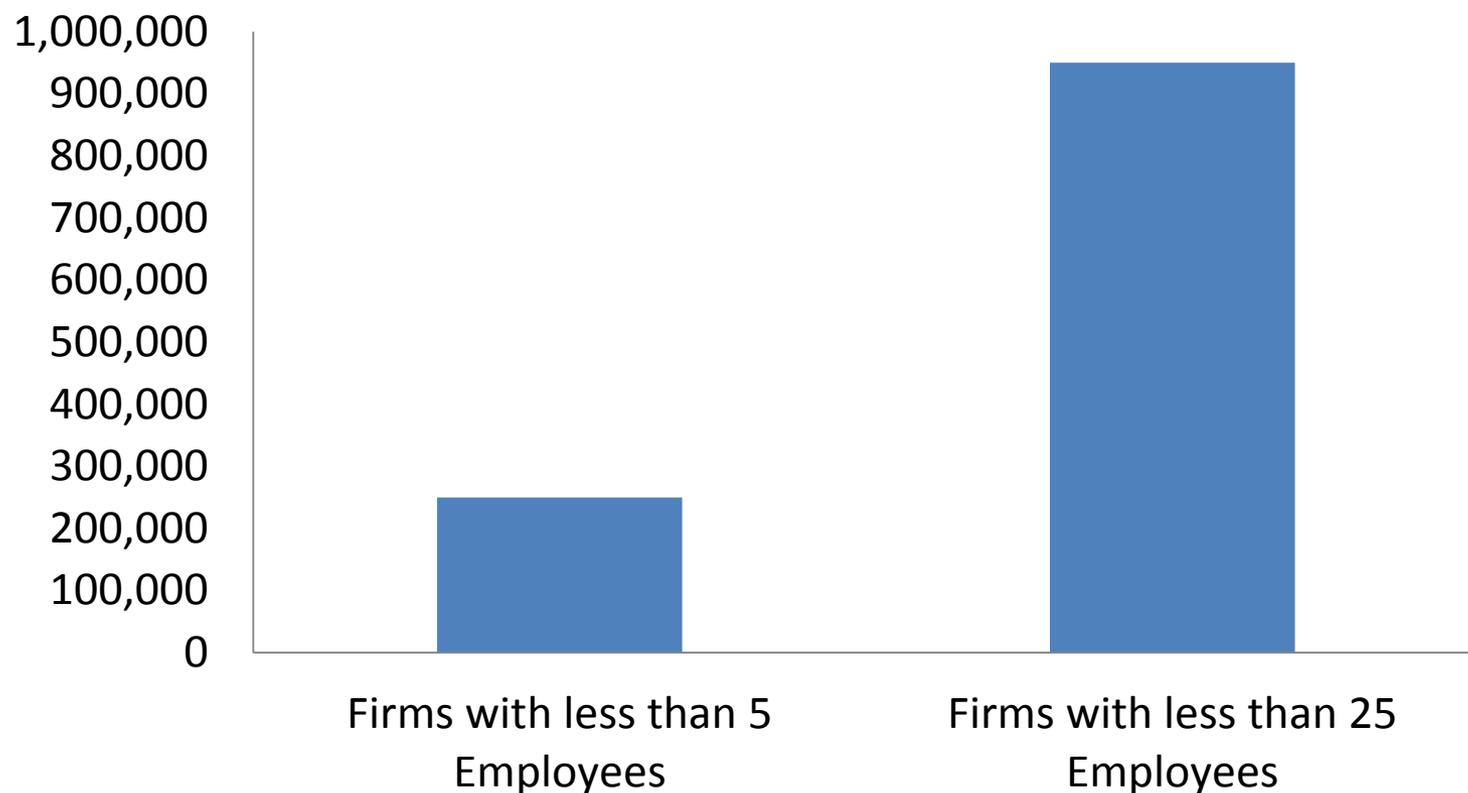
State Policy Options

- ERISA and State-sponsored Plan
 - Prototype/MEP: State as administrator/oversight
 - *Example: Massachusetts non-profits*
- Non-ERISA State-sponsored Plan: Payroll Deduction Auto-IRA
 - Employer mandate, auto-enroll
 - *Example: Illinois, Maryland and Oregon Secure Choice*
- ERISA and No State-sponsored Plan
 - *Example: Marketplace: Washington and New Jersey*

Specific choices facing policymakers, including the range of approaches to:

- Employers' participation, responsibilities, and liabilities.
- Employees' enrollment, contributions, and withdrawals.
- How contributions will be invested and savings will be protected
- How the programs will be governed and administered, including the likely costs and the potential state liabilities.

Example of policy tradeoff – threshold for employer mandate: Number of workers excluded from Illinois Secure Choice



Small employer views on state policy initiatives

- Pew conducted focus groups of small to mid-sized businesses, 8 total across the country
- Plan sponsors and non-sponsors
- Questions on offering retirement plan, Secure Choice and marketplace exchange approaches

	Small Company (5-49 employees)	Mid-Sized Company (50-249 employees)	TOTAL
No retirement plan offered	1 Philadelphia group 1 Dallas group	1 Chicago group 1 Los Angeles group	4 groups
Retirement plan offered	1 Chicago group 1 Los Angeles group	1 Philadelphia group 1 Dallas group	4 groups
TOTAL	4 groups	4 groups	8 groups

Small employers on ‘Secure Choice’ approach

- “And it doesn’t matter what state because if I need to talk to somebody, what red tape am I going to have to go through because you’re talking about millions of people, probably, that are going to be enrolled in this. And so if I have an immediate personal issue, am I going to be able to talk to somebody? Or am I go through what I go through if I have to call the city for anything? Or the state for anything? Which is a nightmare.”
- “We don't have a state that is organized enough to handle its *own* future. We're in really *big* trouble, and you're talking about they're going to organize a retirement plan?”

Deep skepticism about government capability beyond ideology

Employers without retirement plans more open to Secure Choice approach

Small employers on automatic enrollment

- “I think it's very un-American. I don't like it. I don't want someone telling me or my employees they're automatically enrolled, and then now you have to figure out a way, you have to call somebody, you have to get on the computer, you have to do something to get out of it.”
- “[I]t’s like you’ve been forced. You’ve been tricked. You know, you haven’t been treated as an adult that’s able to make their own decision.”
- But...
- “I think it would be a good thing for certain people. Some employees might like that because they won't take the time to actually sign up for it, and if they want, they can actually just go in there and deny it, so they would probably benefit either which way it goes.”

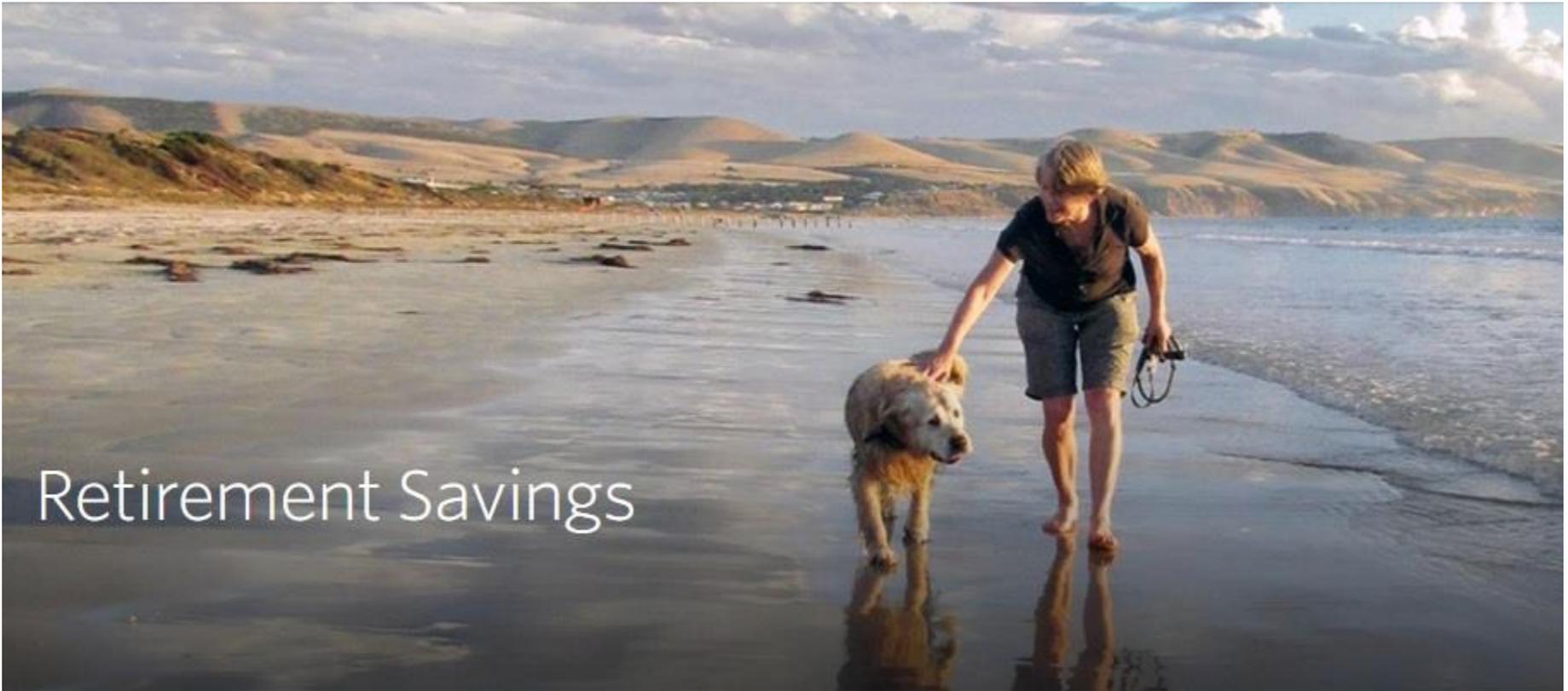
Automatic enrollment and Secure Choice approaches pose a communications challenge for employers and for low income employees

Small employers on marketplace exchanges

- “That’s redundant. My investment company already does that, and I don’t want my tax dollars going into this particular program. That money could be better spent someplace else.”
- “I think you can do that now on Google.”
- “You could do this on your own! [laughs] You get on the website, go online. Why do you need the government to give you a list?”

Without a corresponding financial education effort, a marketplace will not reduce the retirement plan coverage gap.

If cost is a major issue, a marketplace would need to increase competition among providers.



Retirement Savings

Thank you!

John Scott, Director, Retirement Savings Project

The Pew Charitable Trusts

Project page: <http://www.pewtrusts.org/en/projects/retirementsavings>

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Research and Perspectives on Turning Savings Plans into Retirement Plans

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Reducing Leakage & Incubating Savings

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Employee Engagement in Health and Retirement Challenges and Reforms

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