Explore the Top Trends That Will Impact Your Health Benefits

Four employee benefits trends to keep top-of-mind in your planning

1. Continued rise of consumer-driven health plans

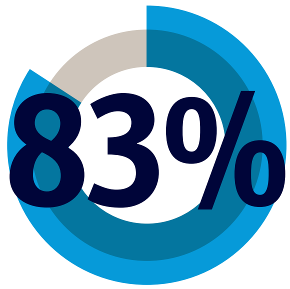
Rising health care costs and the looming Cadillac Tax in 2020 have increased employer interest and adoption of consumer-driven health plans, also known as high-deductible health plans (HDHPs). In 2016, 83% of companies will offer high-deductible health plans.[1] PwC's Health Research Institute found that within the next three years, 44% of employers are expected to offer HDHPs as the only benefit option for employees in an effort to reduce health care spending.[2] In fact, according to Kaiser Foundation, one in four workers today is enrolled in a health insurance plan with a high deductible.[3]

Employers are increasingly leaning towards pairing HDHPs with Health Savings Accounts (HSAs) or Health Reimbursements Arrangements (HRAs) to help employees with out-of-pocket expenses and to keep costs down. The number of HSAs continues to grow at a remarkable rate. An estimated 50 million Americans will have an HSA account by 2020.[4] At Bank of America Merrill Lynch, we are seeing a similar trend in HSA activity with a 48% increase in HSA accounts since 2014.[5]

Implications for employers:

- *Employees are still getting used to high-deductible health plans and HSAs. Employers should offer education on how to use them effectively not just during annual enrollment, but year-round.*
- *As your employees shoulder more of the cost of their health care, consider providing them with tools and resources to help them better understand how they are spending their health care dollars.*

HDHPs gain traction



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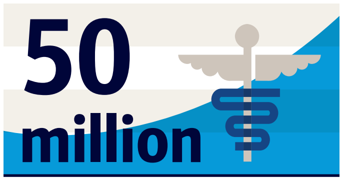
HSA momentum



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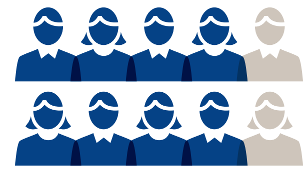
2. Younger employees need help understanding the true benefits of health savings

Beyond the unmistakable growth of HSAs and related high-deductible health plans, we are witnessing interesting demographic trends taking place in our HSA business. While Baby Boomers have the highest HSA balances and the fastest balance growth, no doubt because members of this demographic are in "savings mode," interest in HSAs has picked up among Millennials.

Our latest Plan Wellness Scorecard finds that Millennials now account for 33% of overall HSA enrollment, up from 9% in 2010.[6] While this age group shows slower growth in balances than other HSA participants, perhaps due to a combination of early-career salaries and student debt obligations, Millennials need more education to manage their accounts effectively. Our 2015 Workplace Benefits Report found that just 7% of employers targeted Millennials in their benefits education efforts. And, eight in ten employers report that their employees view their HSAs as mainly near-term spending accounts versus long-term savings vehicles.[7]

Savers vs spenders



8 in 10

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Implications for employers:

- *Review your HSA education efforts, especially your strategy for targeting different age groups.*
- *Help your employees understand the true benefits in the numbers. By stressing the lower premiums they'll enjoy in the HDHP and their ability to save in their HSA, your employees will better understand the savings that can go back into their wallets.*
- *Your health benefit specialists can suggest ideas on how to educate different generations of employees and to boost adoption.*

3. An active legislative and regulatory front remains a given

In a presidential election year, many new issues will be raised and debated, and there will be continued focus on health and retirement plan legislation. In December, Congress passed a two-year delay (from 2018 to 2020) of the 40% excise tax, also known as the "Cadillac Tax," imposed by the Affordable Care Act (ACA) on high-cost employer-sponsored health plans. As it currently stands, many employers could be impacted when the tax goes into effect in 2020.

"Cadillac Tax" delayed

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Implications for employers:

- *The delay of the Cadillac Tax may cause employers to rethink or delay strategies they have been contemplating to avoid the tax, such as increasing premiums or deductibles, eliminating high-cost health plans or even moving employees to private or public exchanges.*
- *While many Republican politicians have stated they want to repeal the Affordable Care Act (ACA), many logistical hurdles will prevent them from doing so anytime in the near future. Employers should continue to prepare using existing law as their guideline.*
- *Visit our [Public Policy & Trends] website for the latest insights on regulatory issues.*

4. Expansion of financial wellness programs and improved decision tools

"Retirement outcomes" is on everyone's lips and employers are taking steps accordingly. Our Workplace Benefits Report found that 83% of employers surveyed, including 97% of large companies, feel a sense of responsibility for the financial wellness of their employees.[7] As a result, companies are expanding their educational resources and making broader financial education and tools more accessible to their employees.

Those educational efforts include new technology-based tools to engage health care consumers and encourage positive actions. According to Deloitte's 2015 Survey of Health Care Consumers, 60% of health care consumers that use technology to measure fitness and health improvement say that utilizing health technologies has improved their behavior.[8]

Financial wellness in the workplace

83%

of employers surveyed, feel a sense of responsibility for the financial wellness of their employees.[7]

Implications for employers:

- *With employers motivated to provide employee financial wellness, many are considering various opportunities to work toward better retirement outcomes. There may be support services or programs that your organization is not using or fully optimizing, or others that are available at low cost. For example, you may have provider-supported workplace meetings, online tools, or one-on-one consultations available to you from a partner managing your retirement or health care account programs.*
- *Emphasize to your employees that staying healthy helps to free up more of their dollars to put toward improving their financial wellness now and into the future.*

TALK TO US

At Bank of America Merrill Lynch, we want to work with you to help encourage your employees on the path to healthier futures.

TO LEARN MORE

CALL:
1.800.992.3200

VISIT:
www.saveituseit.com

[1] National Business Group on Health.
[2] PwC's Health Research Institute.
[3] Kaiser Foundation.
[4] The Institute for Health Care Consumerism as of June 2014.
[5] Acclaris, December 2015.
[6] Bank of America Merrill Lynch Plan Wellness Scorecard, December 2015.
[7] Bank of America Merrill Lynch Workplace Benefits Report, 2015.
[8] Olsen, Tim, "5 trends driving 2016 employee benefit budget planning," Employee Benefit News, January 8, 2016.

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