

# What Lies Ahead for Health Benefits: An Employer Watch List

Although it is difficult to forecast the benefits environment, many employers naturally think ahead and keep watch to see what unfolds, especially as they plan future initiatives. We are following four key trends that we believe will continue to dominate the health benefits space:

## 1. Uncertainty will remain a certainty, especially in the regulatory environment

After a turbulent political year and unsuccessful attempts to repeal and replace the Affordable Care Act (ACA) by the Republican Party, which controls both the legislative and executive branches of government, it remains law. Provisions such as the ban of pre-existing condition limitations and coverage for dependents to age 26 are popular with the public, but the individual mandate is under threat by legislators.

While attention has shifted to other legislative matters, the President and Congress still have the ACA in their cross hairs, while Americans wait and watch to see what happens. With premiums rising and the insurance markets unsettled by the uncertainty surrounding the law, the pressure remains on the government to stabilize the health care system. How they will do so is an open question. But with premiums rising and some insurance companies pulling back from selling coverage altogether, the pressure may be on legislators to come up with viable alternatives.



### Implications for employers:

Employers should diligently follow developments in the health care reform space. Be sure to check news and viewpoints on the [Bank of America Merrill Lynch Retirement & Benefit Plan Services Workplace Insights™ page](#).

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Health savings account (HSA) assets have surpassed the

**\$42**  
**BILLION**  
THRESHOLD

with

**21**  
**MILLION**  
ACCOUNTS<sup>1</sup>

## 2. HSAs will continue to be a force and play a prominent role in the larger retirement picture

The trajectory of HSAs shows no signs of abating. HSA assets have surpassed the \$42 billion threshold, with the number of accounts now at 21 million, according to Devenir.<sup>1</sup>

The growth isn't surprising, given the savings of HSA-eligible plans over other types of health plan options. But while awareness of the role of the HSA as a viable savings vehicle for health care expenses in retirement is climbing, too many employees still consider their HSAs as a short-term spending account versus a long-term savings strategy, according to Bank of America Merrill Lynch's *Workplace Benefits Report*.<sup>2</sup> Employees need more education to learn how to earmark funds for long-term growth and how to maximize an HSA more effectively as a savings vehicle for health care expenses in retirement.



### Implications for employers:

*Employers need to provide education to employees on funding an HSA, helping them understand the importance of keeping a portion of their account, but not all, in cash, and to invest the rest. Employers should be sure to emphasize that employees will be able draw upon this account to pay for health care expenses later in retirement, but only if the funds are there in the first place.*

## 3. A renewed focus on saving and investing in HSAs

Experts continue to view an HSA as an important strategy to manage health care costs and as a positive opportunity to accumulate savings to cover health care expenses in retirement. While a majority of account holders keep their HSA savings in cash, a growing portion are discovering the merits of investing their funds for the future. As of June 2017, HSA investments totaled an estimated \$6.8 billion, with the potential to grow to \$11.9 billion by 2019.<sup>1</sup> With a renewed focus on saving and investing in an HSA, it's critical that the underlying funds be as efficient and cost effective as possible.



### Implications for employers:

*Employers should expect a continued push within the industry to optimize HSA investment vehicles, resulting in greater efficiency and choice. Beyond the triple tax advantage<sup>3</sup> offered by an HSA (contributions are pre-tax, any earnings grow tax-deferred, and withdrawals for qualified medical expenses are tax free), it's expected that investment options for HSAs will continue to improve, including the availability of lower-cost options.*

## 4. Innovation will win the day

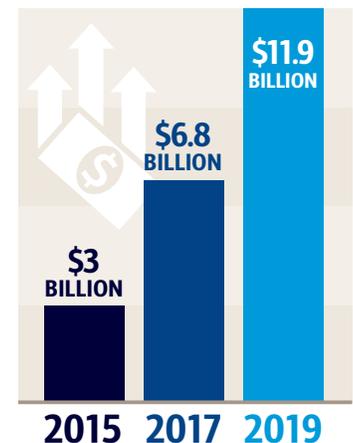
As the health care industry and provider marketplace evolve, employers will continue to favor providers who focus on innovation and remain committed to the business, even as some providers consolidate or exit the business altogether.



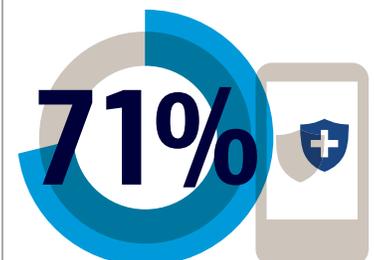
### Implications for employers:

*Online tools and apps will continue to proliferate, with a focus on approaches that are more intuitive and engaging for employees and help them make more informed decisions, not only during annual enrollment but year round.*

### HSA assets that are invested (estimated)<sup>1</sup>



### Tapping into technology



of employees would manage their health care with mobile technologies when given the opportunity<sup>4</sup>

# How we can help

In the face of change, be sure to let us know what we can do here at Bank of America Merrill Lynch to make your job easier and help you improve your benefits program to attract and retain top talent. We continue to believe an HSA is a critical component of financial wellness and we are investing heavily in our Health Benefit Solutions business.

We will continue to introduce enhancements intended to improve the employee and plan sponsor experience, making managing health care expenses easier, reducing the administrative burden for the employer, and motivating employee learning. We are also taking steps to enhance our HSA investment offering to respond to employer and employee needs, especially important given the prominent role HSAs play in overall financial wellness. Our focus continues to be on innovating, delivering value and providing a positive experience that will encourage your employees to prioritize saving for retirement and live their best financial lives.

## TALK TO US

*Contact us to learn more about our Health Benefits Solutions and for insights on ways to educate your employees.*

## TO LEARN MORE



**CALL:**  
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[www.saveituseit.com](http://www.saveituseit.com)

“When you think about living expenses in retirement, health care is a wild card, and people are concerned about it. What we try to do is bring ideas like longevity and its health-expense implications to the table. With HSAs, folks are still trying to understand what they are and what they’re not. This is a topic that needs to be incorporated into the overall employee education about finances and retirement.”

Lorna Sabbia, managing director, head of Retirement and Personal Wealth Solutions

<sup>1</sup> 2017 Midyear Devenir HSA Research Report, August 16, 2017

<sup>2</sup> 2016 Bank of America Merrill Lynch *Workplace Benefits Report*.

<sup>3</sup> About Triple Tax Advantages: Participants can receive tax-free distributions from their HSA to pay or be reimbursed for qualified medical expenses they incur after they establish the HSA. If they receive distributions for other reasons, the amount withdrawn will be subject to income tax and may be subject to an additional 20% tax. Any interest or earnings on the assets in the account are tax free. Participants may be able to claim a tax deduction for contributions made to the HSA. We recommend that applicants and employers contact qualified tax or legal counsel before establishing a HSA.

<sup>4</sup> “Top Ten Things I learned: 2017 BenefitsPRO Broker Expo,” BenefitsPRO, April 17, 2017.

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