EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

Research Round-Up

EBRI Webinar

February 10, 2021

Speakers

Zahra Ebrahimi, Research Associate, EBRI

Jake Spiegel, Research Associate, EBRI

Moderator: **Michael Sowa, Solutions Strategist - Defined Contribution, LGIMA, Moderator**

The Research You Want, in the Format You Need

Issue Briefs

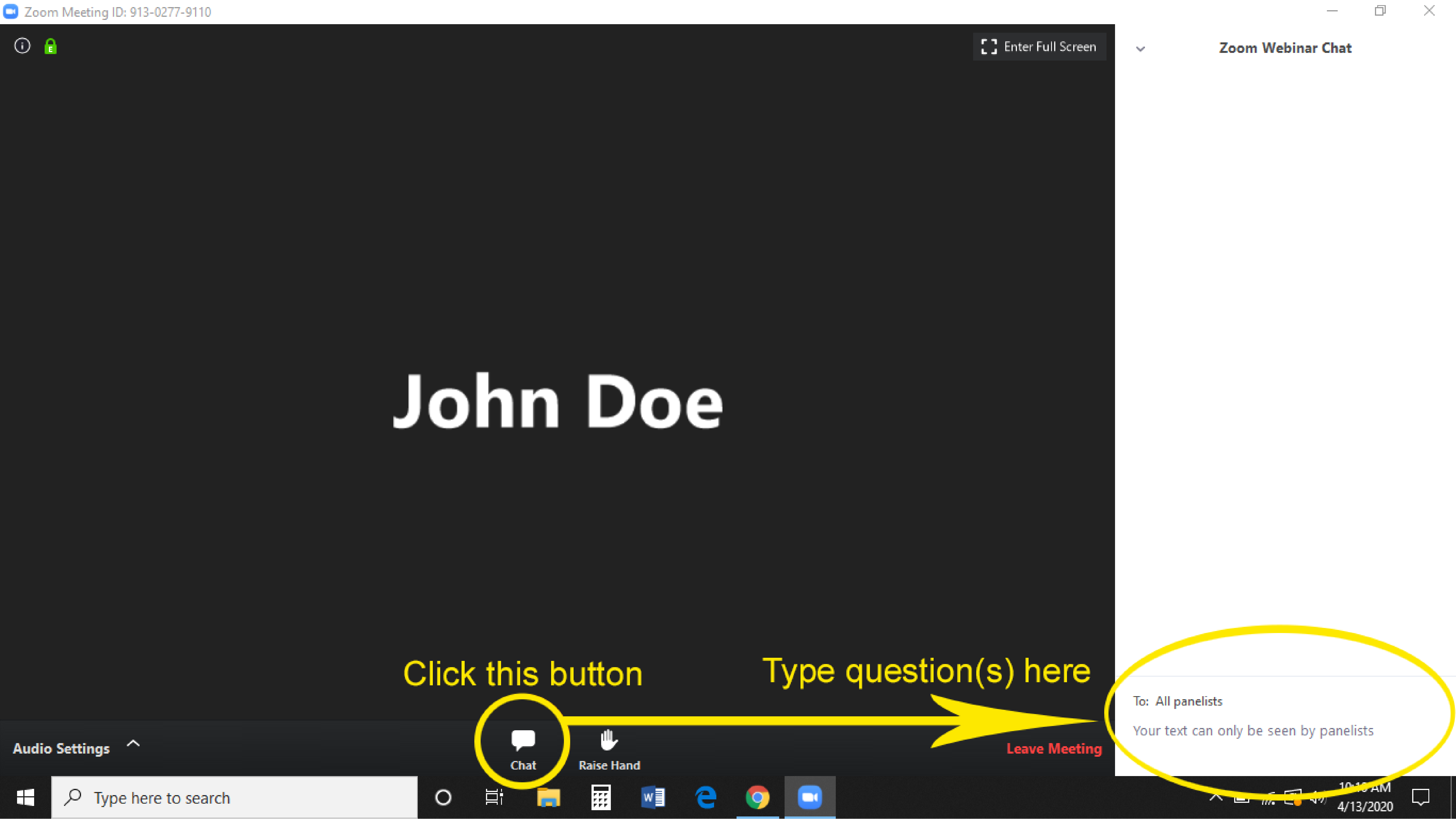
- EBRI's most in-depth expert analyses of employee benefit issues and trends, including data updates; emerging designs, practices, and products; and employee benefit policies and proposals.
- Summaries are included for those needing a quick overview.

Fast Facts

- Provides high-level takeaways of EBRI research in a condensed format.
- Become quickly informed on benefits topics.

Infographics/Interactives

- Conveys EBRI research and analysis in visually intuitive, graphical formats.
- PowerPoint presentations of these visuals are also available to make it easier for you to share with colleagues and clients.



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Retirement and Financial Wellbeing Research Round-Up

Zahra Ebrahimi, *EBRI Research Associate*

Retirement and Financial Wellbeing Research

Recently Released

- Two’s a Crowd: Do HSA Contributions Crowd out 401(k) Contributions?
- Who Is Most Vulnerable to the Ticking Debt Time Bomb in Retirement: Families With the Oldest, Black/African American, and Hispanic Family Heads
- Having Both a 401(k) Plan and an IRA: How Much Does This Change the Retirement Asset Picture?
- EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2017 Update
- Older Americans' Spending Profiles: One Size Does Not Fit All

TWO'S A CROWD: DO HSA CONTRIBUTIONS CROWD OUT 401(K) CONTRIBUTIONS?

Study Overview

- This study uses data from the EBRI/ICI Participant-Directed Retirement Plan Data Collection Project and EBRI's HSA Database to examine the impact of initial health savings account (HSA) contributions on employee 401(k) contributions.
- Data from 45,132 employees, 19 and older, with both a 401(k) and an HSA are examined.
- 401(k) participants who:
  - Could be followed over a two-year study period.
  - Made their first HSA contribution in the second year of the two-year study period (see appendix).
- Change in employee 401(k) contributions:
  - Defined as Year 2 employee 401(k) contribution minus Year 1 employee 401(k) contribution adjusted for salary growth.
- Rate of crowding out between employee 401(k) contributions and employee HSA contributions:
  - Defined as the change in employee 401(k) contributions between Year 1 and Year 2 divided by the amount of employee HSA contributions in Year 2.

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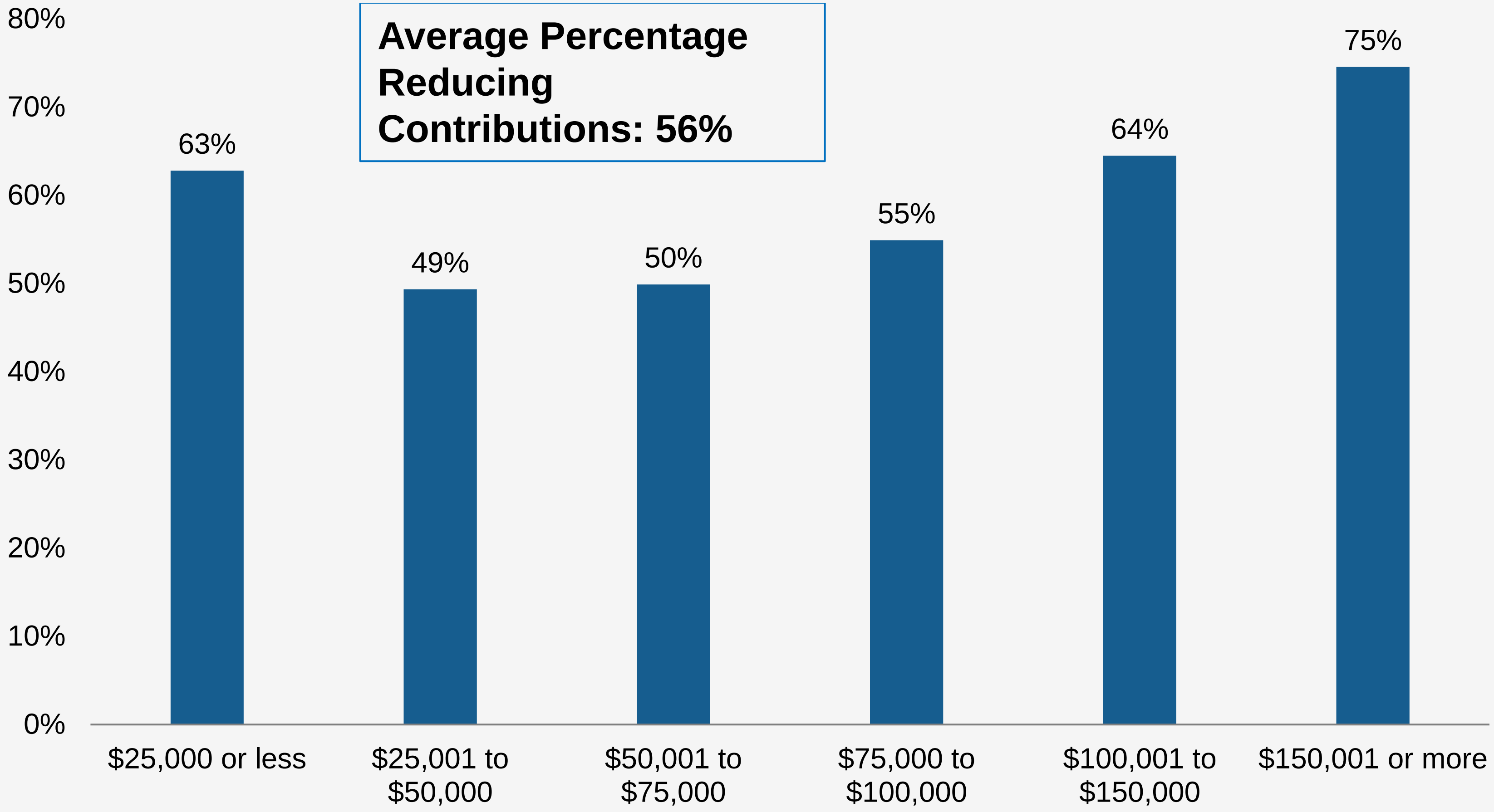
Percentage of 401(k) Participants Who Reduced Contributions in the First Year They Made HSA Contributions, by Participant Annual Income

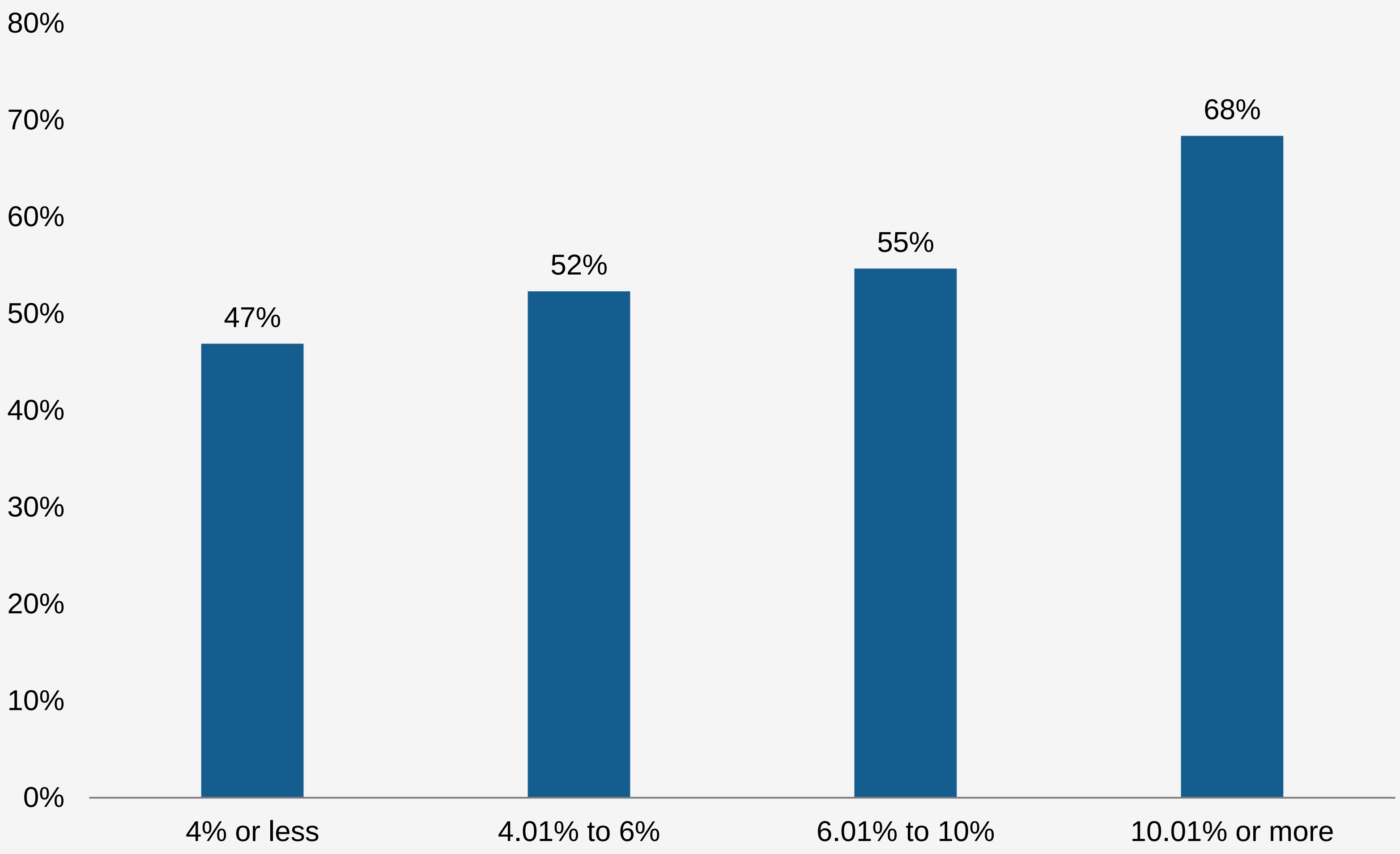
- Overall, 56 percent of 401(k) participants reduced their contributions in the first year that they made HSA contributions.

- Lower- and higher-income workers are most likely to reduce 401(k) contributions in the first year that they made HSA contributions.



Percentage of 401(k) Participants Who Reduced Contributions in the First Year They Made HSA Contributions, by Participant 401(k) Contribution Rate in Year Before

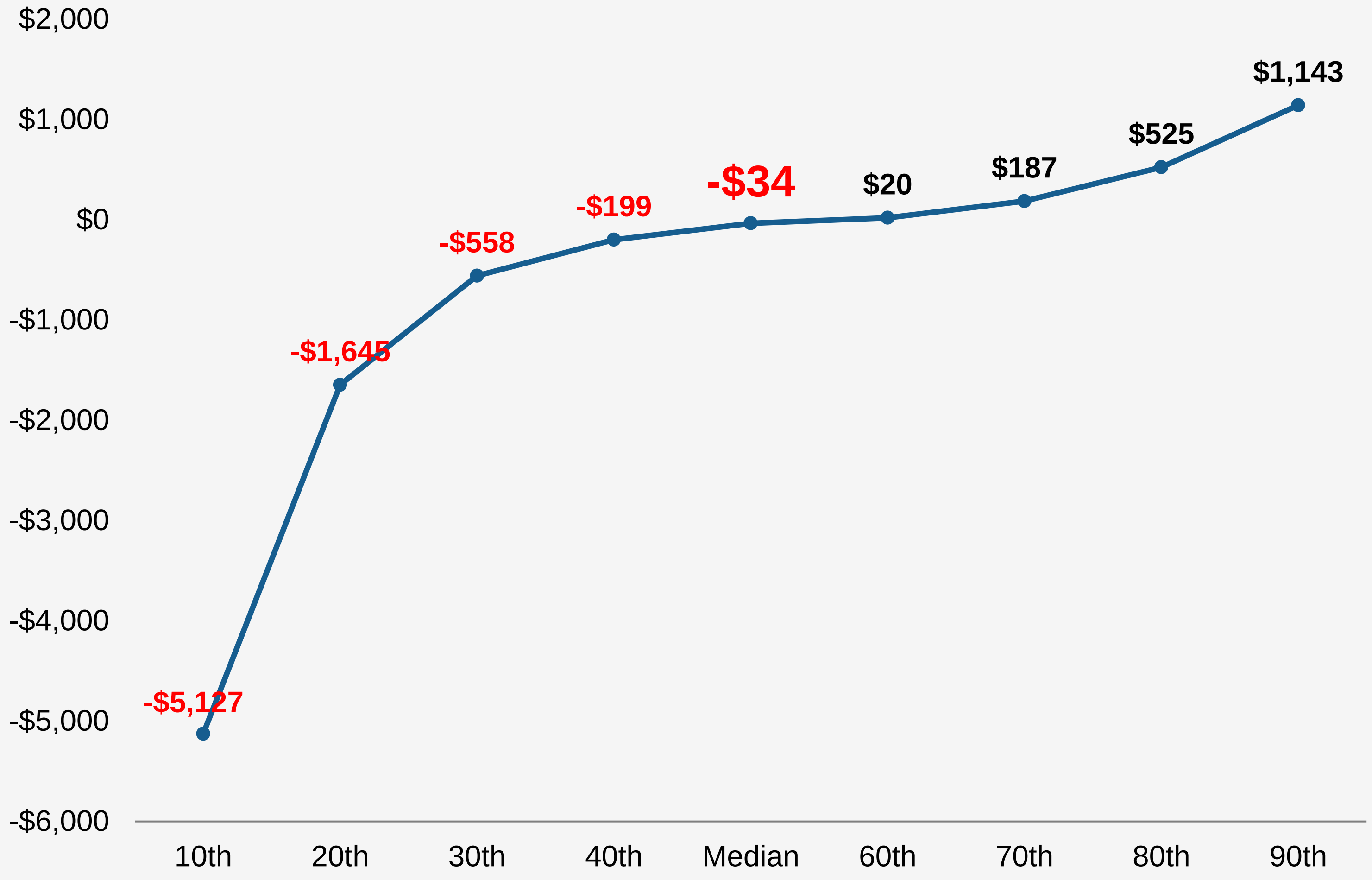
- Those with the highest 401(k) contribution rate in Year 1 were most likely to reduce 401(k) contributions in Year 2.



Distribution of Dollar Change in Participant 401(k) Contributions in First Year of HSA Contributions

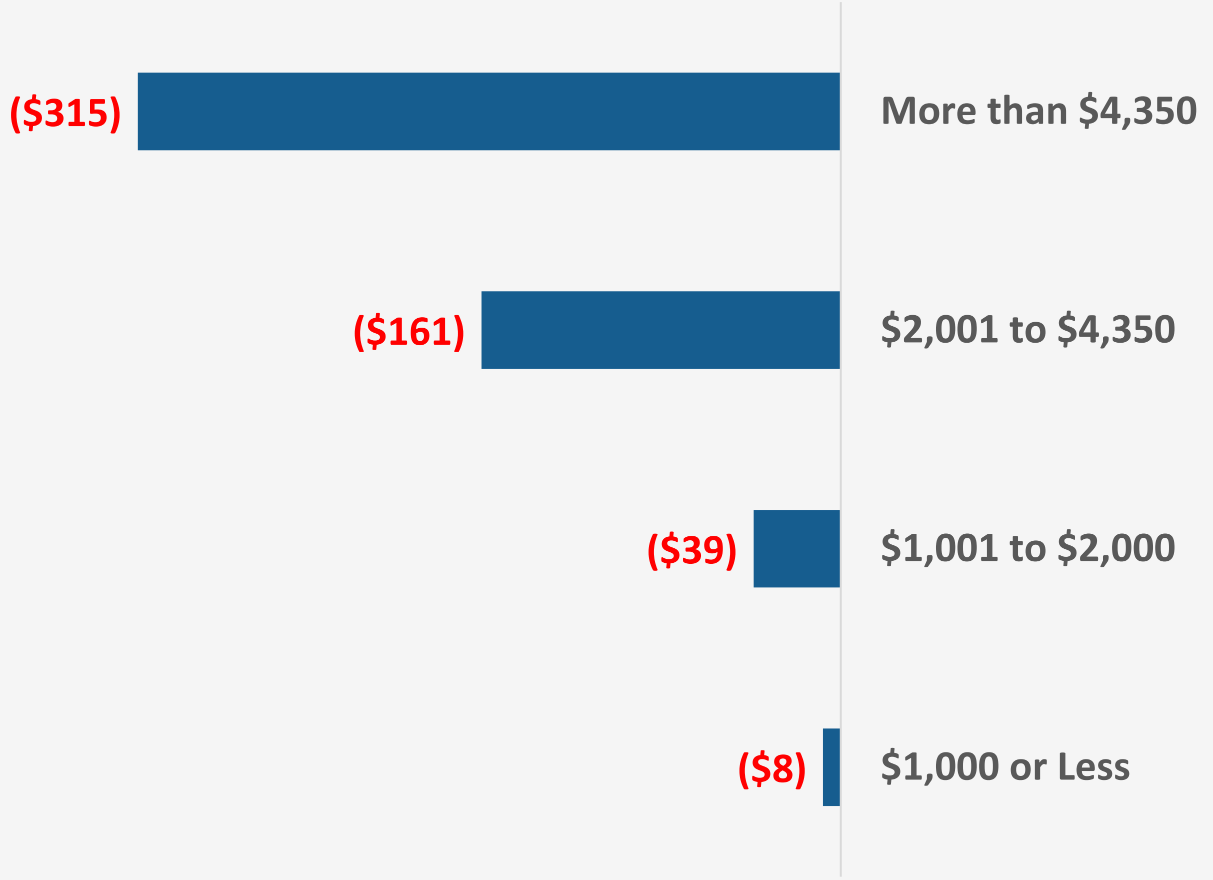
- The median dollar change in participant 401(k) contributions in the first year that they made HSA contributions was a reduction of $34.

- But ranged from a large reduction of $5,127 to a large increases of $1,143.



Median of Dollar Change in Participant 401(k) Contributions in First Year of HSA Contributions, by HSA Contributions

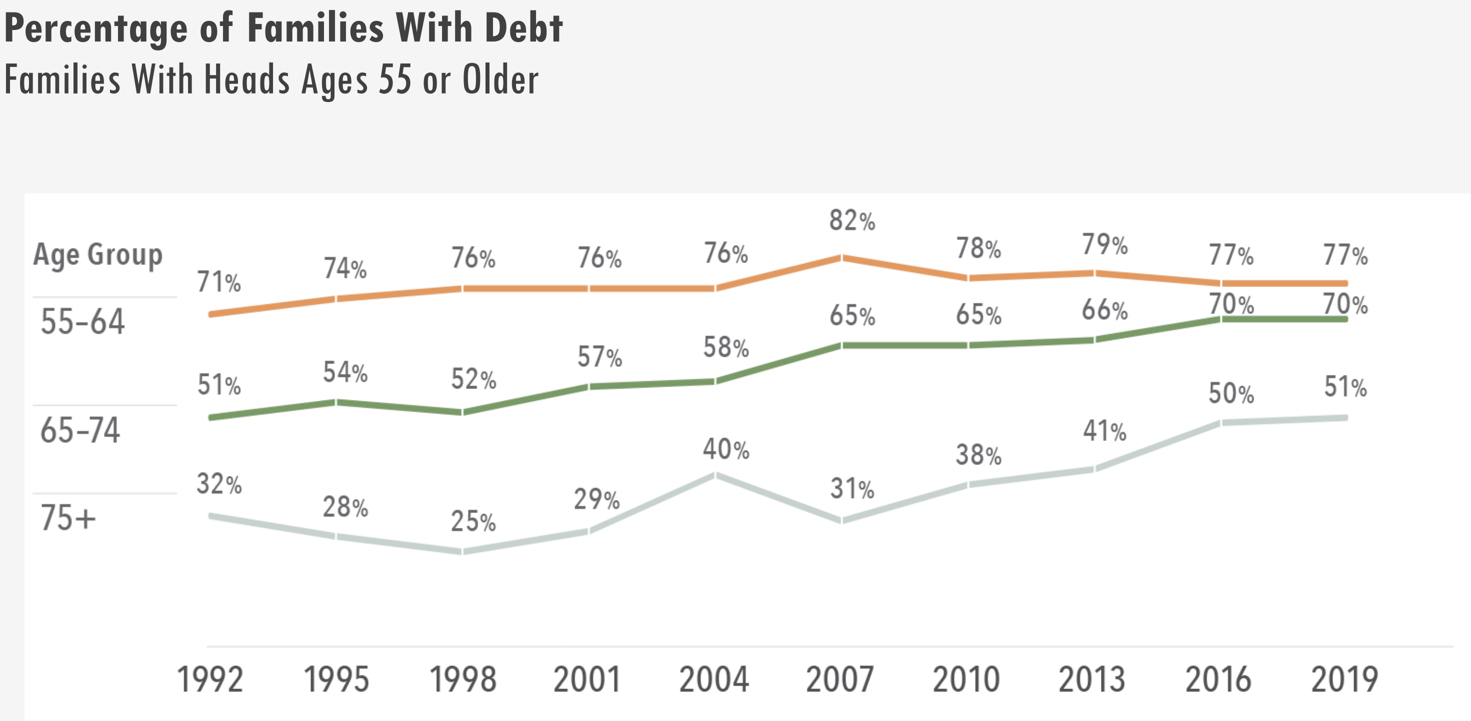
- Higher HSA contributions were associated with lower 401(k) contributions.
- At the median, 401(k) contributions fell $315 among HSA participants contributing more than $4,350.
- Among HSA participants contributing $1,000 or less, median 401(k) contributions fell only $8.



WHO IS MOST VULNERABLE TO THE TICKING DEBT TIME BOMB IN RETIREMENT: FAMILIES WITH THE OLDEST, BLACK/AFRICAN AMERICAN, AND HISPANIC FAMILY HEADS

Share With Debt

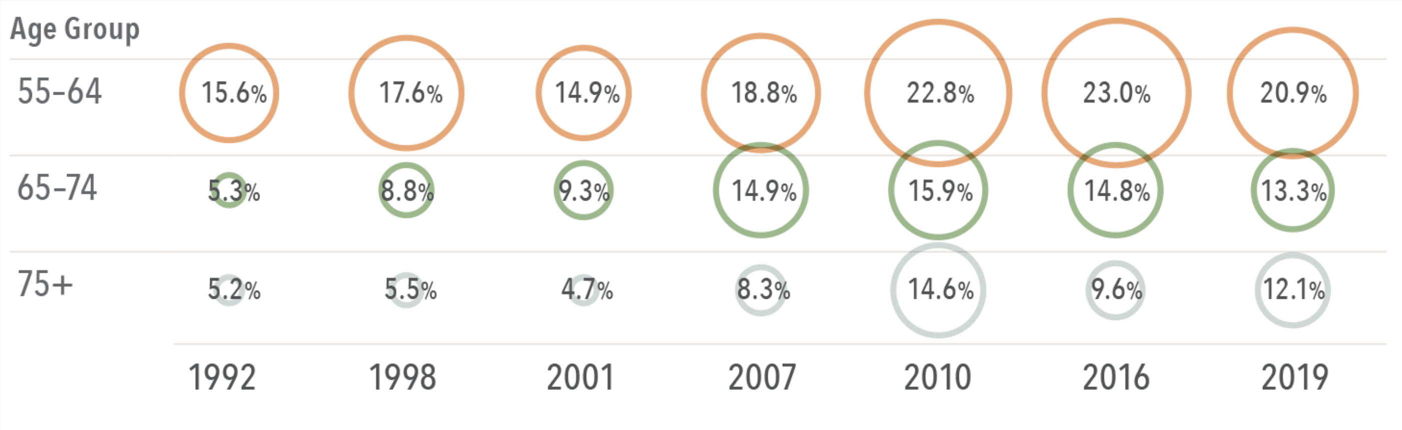
- Although households with heads ages 55–64 are the most likely to have debt, those with heads 75 or older experienced the steepest increase in debt prevalence since 2007.



Debts / Assets

- Families with heads 65 or older experienced a significantly greater increase in their debt-to-asset ratios than families with heads ages 55–64 since 1992.

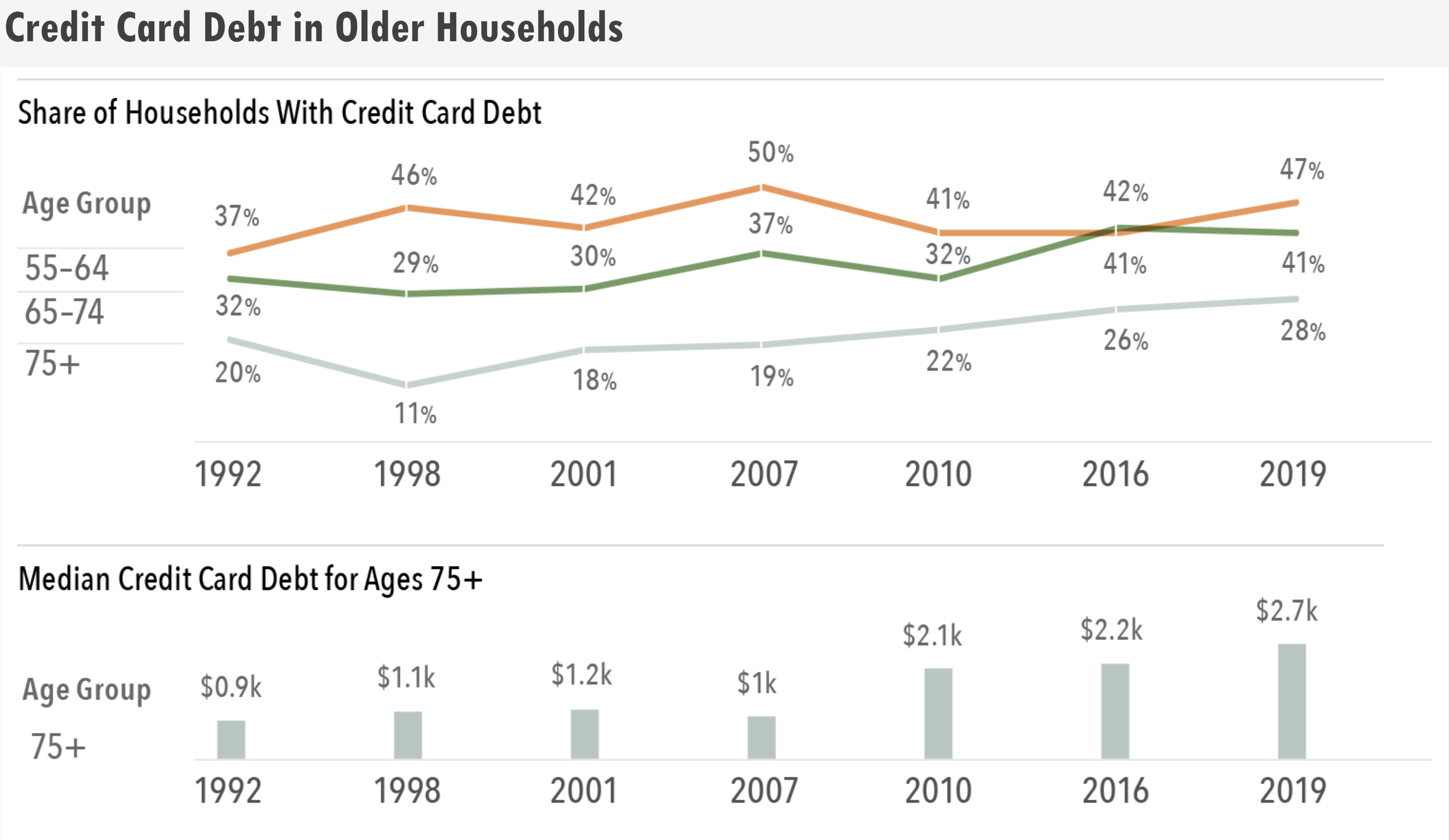
Median Total Debt-to-Asset Ratio



Source: Copeland, Craig, "Who Is Most Vulnerable to the Ticking Debt Time Bomb in Retirement: Families With the Oldest, Black/African American, and Hispanic Family Heads," *EBRI Issue Brief*, no. 521 (December 17, 2020).

Credit Card Debt

- The proportion of households with heads ages 75 or older having credit card debt reached its highest level since 1992 in 2019. The median amount of this debt also reached its peak in 2019.



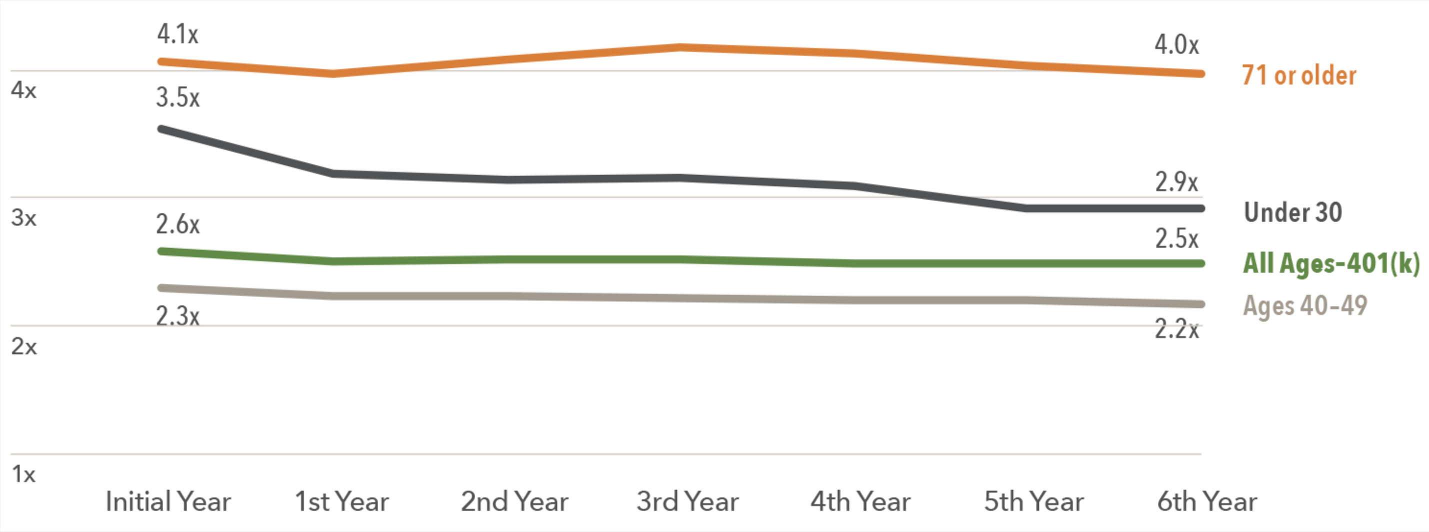
Source: Copeland, Craig, "Who Is Most Vulnerable to the Ticking Debt Time Bomb in Retirement: Families With the Oldest, Black/African American, and Hispanic Family Heads," *EBRI Issue Brief*, no. 521 (December 17, 2020).

HAVING BOTH A 401(K) PLAN AND AN IRA: HOW MUCH DOES THIS CHANGE THE RETIREMENT ASSET PICTURE?

Combined Balances Show Higher Growth

- When individuals own both 401(k) plans and IRAs, balances are larger than when they just have a 401(k) plan. The youngest and oldest have the highest ratios of combined to 401(k)-only balances. IRAs of older individuals likely represent 401(k) plan rollovers.

Ratio of Average Combined* Account Balances to Average 401(k) Plan Balance
By Age Group



* 410(k) plan and IRA balances held each year.

Source: Craig Copeland, "Having Both a 401(k) Plan and an IRA: How Much Does This Change the Retirement Asset Picture?," *EBRI Issue Brief*, no. 511 (Employee Benefit Research Institute, August 20, 2020).

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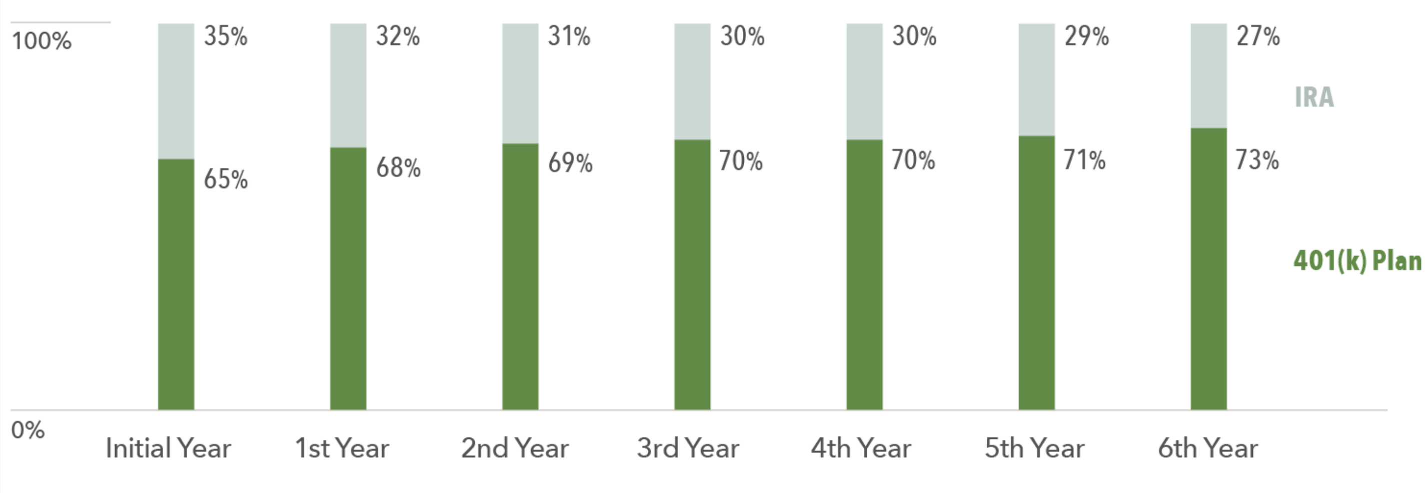
Share of 401(k) vs. IRA Holdings

- 401(k) plans represent the greatest portion of the combined account balances of individuals, and increase as a portion of the whole over time. This is presumably driven by the higher likelihood of contributions, higher contribution limits to 401(k) plans than to IRAs, and company matching contributions.

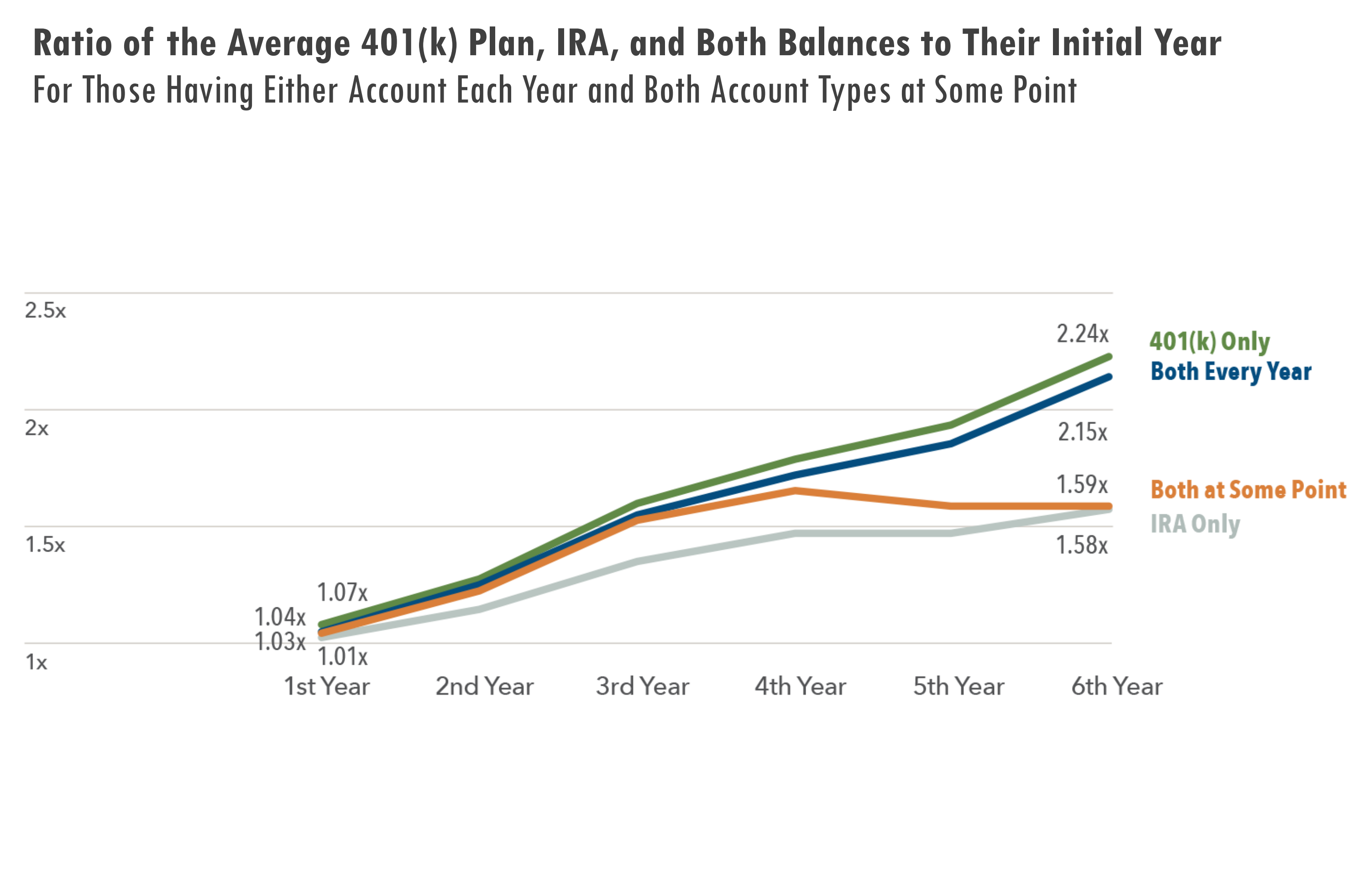
Among Individuals With Both a 401(k) Plan and an IRA, the Majority of Assets Were Held in 401(k) Plans and Increased Over Time



Source: Craig Copeland, "Having Both a 401(k) Plan and an IRA: How Much Does This Change the Retirement Asset Picture?," *EBRI Issue Brief*, no. 511 (Employee Benefit Research Institute, August 20, 2020).

Evidence of Leakage

- While balances grow steadily for those with only 401(k) plan balances or both account types throughout the period, those switching between account types (orange line) begin to see reduced balances. This is likely due to cessations in contributions and/or withdrawals that indicate leakage from the system.



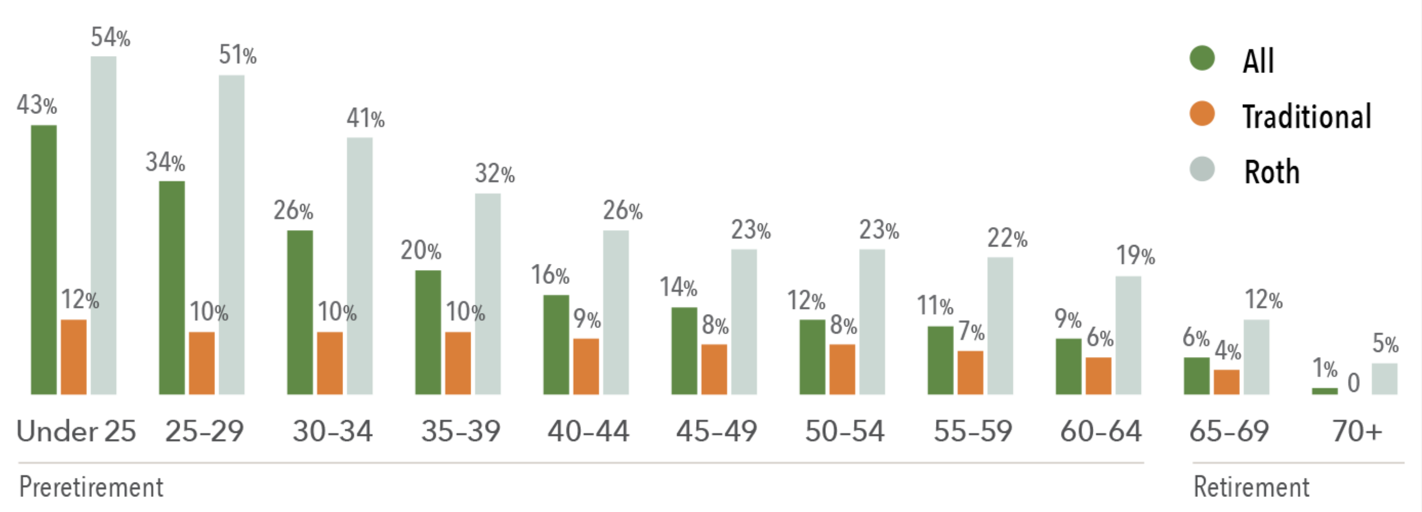
Source: Craig Copeland, "Having Both a 401(k) Plan and an IRA: How Much Does This Change the Retirement Asset Picture?," *EBRI Issue Brief*, no. 511 (Employee Benefit Research Institute, August 20, 2020).

EBRI IRA DATABASE: IRA BALANCES, CONTRIBUTIONS, ROLLOVERS, WITHDRAWALS, AND ASSET ALLOCATION, 2017 UPDATE

Contributions

- The percentage of Traditional IRAs receiving a contribution did not differ dramatically by age. Younger Roth IRA owners were materially more likely to contribute to their Roth IRA than were older Roth IRA owners.

Percentage of IRAs That Received a Contribution, by Age in 2017

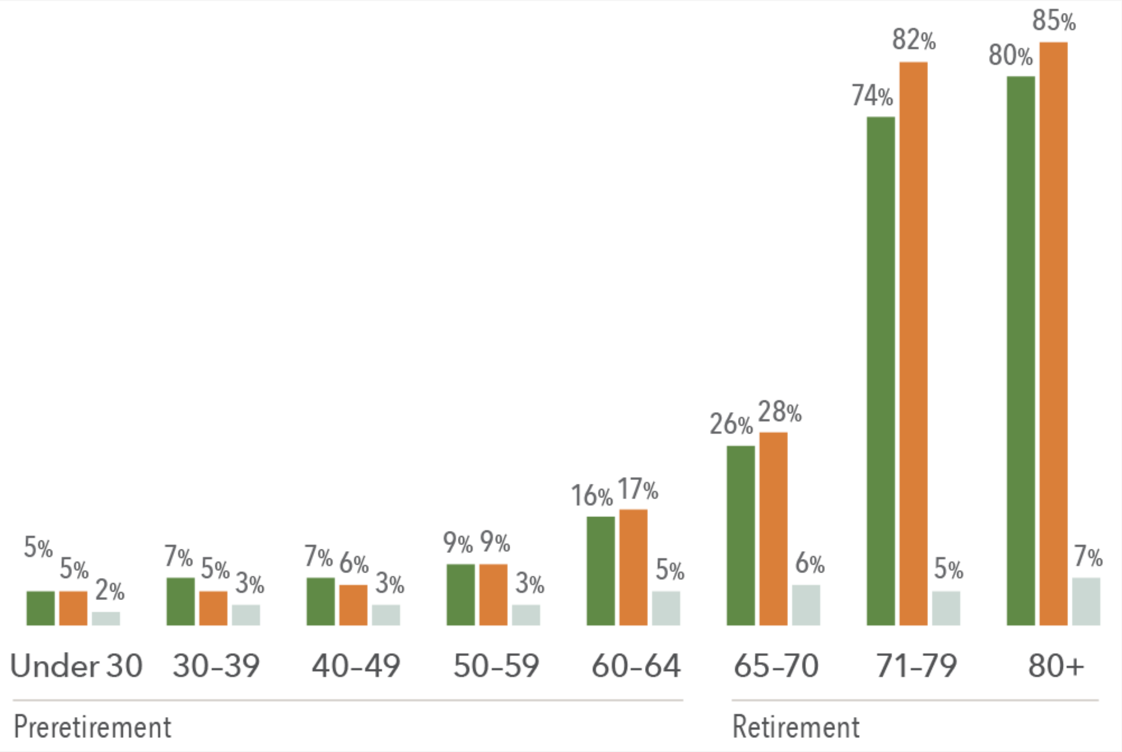


Source: Craig Copeland, "EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2017 Update," *EBRI Issue Brief*, no. 513 (Employee Benefit Research Institute, September 17, 2020).

Withdrawals

- Conversely, the percentage of Traditional IRA owners taking a withdrawal increased with age. The percentage of Roth IRA owners with a withdrawal increased negligibly as account owners aged. The sharp increase in the 71-or-older age group is consistent with the RMD* rules.

IRA Owners Taking a Withdrawal, by Age in 2017



* RMD = required minimum distribution.

Source: Craig Copeland, "[EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2017 Update]," *EBRI Issue Brief*, no. 513 (Employee Benefit Research Institute, September 17, 2020).

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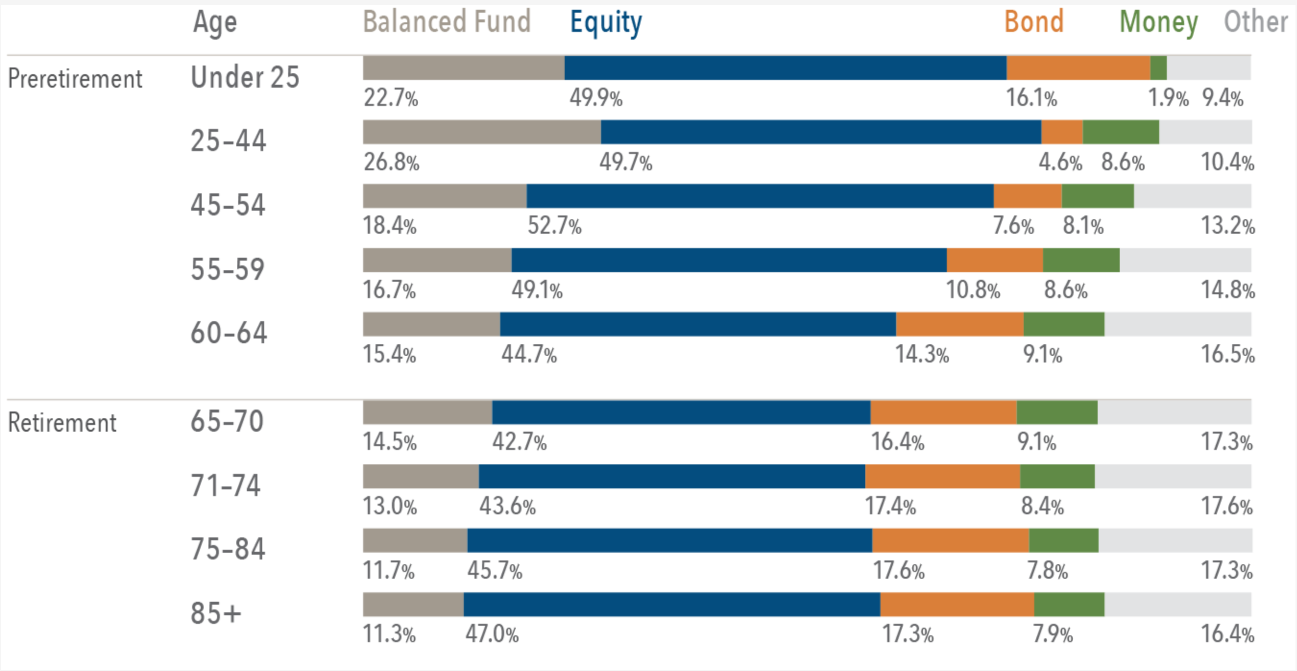
Asset Allocation

- IRA equity allocations peaked by ages 45–54. Equities, including the equity portion of balanced funds, peaked for accounts owned by those ages 25–44. Those allocations then declined through ages 65–70.

IRA Asset Allocation, by Age in 2017



Source: Craig Copeland, "[EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2017 Update]," *EBRI Issue Brief*, no. 513 (Employee Benefit Research Institute, September 17, 2020).

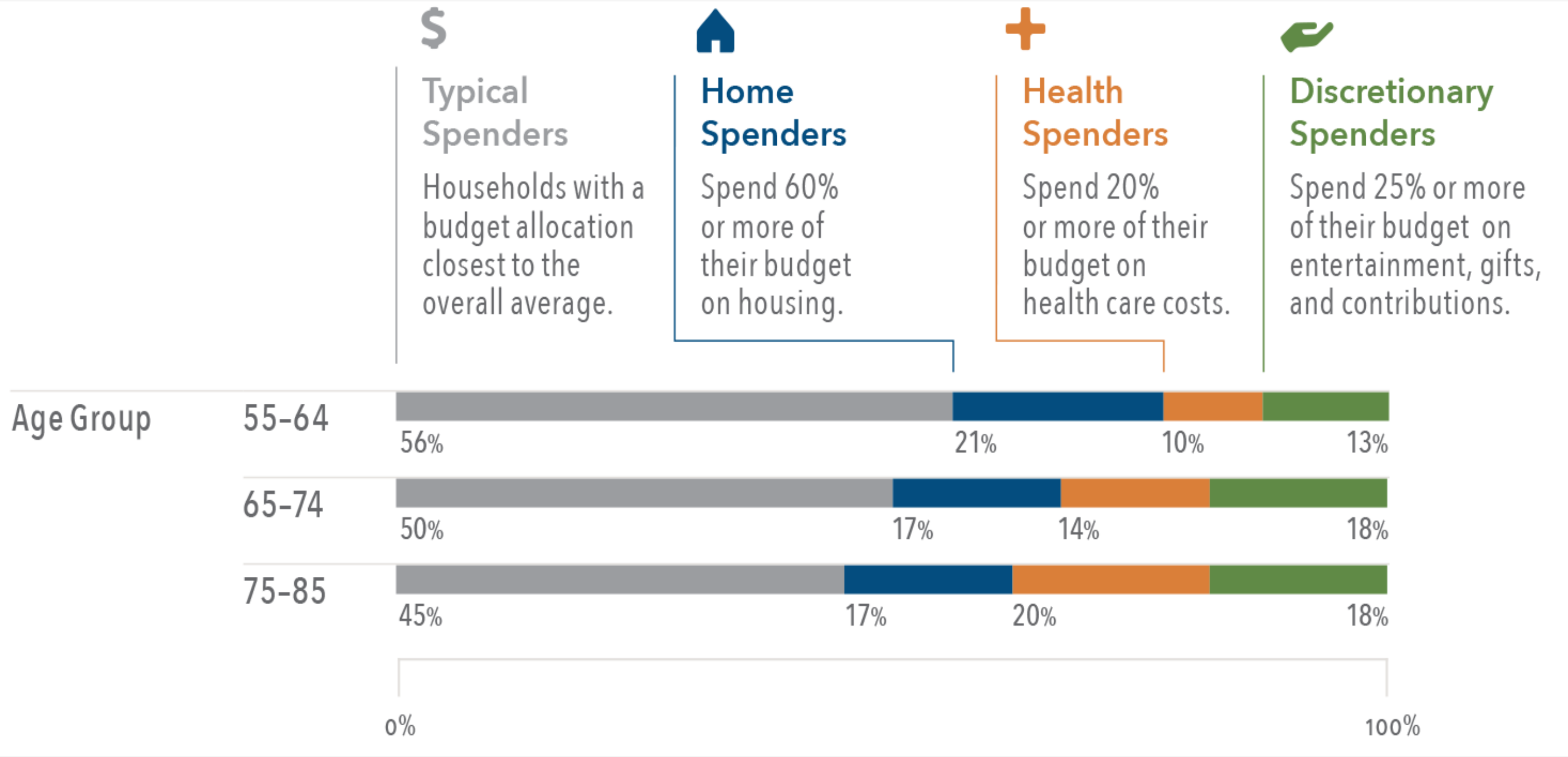
OLDER AMERICANS' SPENDING PROFILES: ONE SIZE DOES NOT FIT ALL

- EBRI was able to fund the development of this research thanks to a generous grant from the **RRF Foundation for Aging**.
- Thanks to the RSRC members whose comments/suggestions helped improve and clarify the findings of this research: **American Funds/Capital Group**, **Ameriprise Financial**, **BlackRock**, **Empower Retirement**, **J.P. Morgan**, **Mercer**, **Principal Financial Group**, **Prudential**, **Retirement Clearinghouse**, **SS&C Technologies**, **Transamerica Retirement Services**, and **Wells Fargo**.

Spending Profiles

- We identified four mutually exclusive spending profiles by analyzing the estimated total spending and spending allocations for individual categories. We also observed how spending profiles changed as individuals aged.

Share of Each Spending Profile
By Age Group



Note: All dollar amounts are in 2016 dollars. Based on data from the Health and Retirement Study and the Consumption and Activities Mail Survey.

Profile Characteristics

- Discretionary Spenders had the highest total income across all age groups.
- Home Spenders tended to have the lowest average wealth.
- Discretionary Spenders were most likely to report being in a coupled household rather than a single household.
- Home Spenders were also the least likely to hold a college degree.

Socio-Economic Characteristics of Four Spending Profiles

Household Expenditure Distribution by Category in 2016 Dollars

	Age Group	Typical Spenders	Home Spenders	Health Spenders	Discretionary Spenders
Total Income (Average)	55-64	$74k	$58k	$73k	$142k
	65-74	$69k	$54k	$51k	$111k
	75-85	$45k	$35k	$40k	$88k
Total Wealth (Average)	55-64	$292k	$248k	$417k	$868k
	65-74	$358k	$301k	$439k	$1,156k
	75-85	$404k	$288k	$386k	$1,064k
Single Households (%)	55-64	48%	70%	48%	35%
	65-74	54%	67%	45%	34%
	75-85	62%	75%	58%	49%
College Degree or Higher (%)	55-64	23%	20%	24%	44%
	65-74	18%	15%	17%	38%
	75-85	16%	11%	14%	38%

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Note: All dollar amounts are in 2016 dollars. Based on data from the Health and Retirement Study and the Consumption and Activities Mail Survey.

Q&A

Health Care Research Round-Up

Jake Spiegel, *EBRI Research Associate*

Health Care Research

- Employee Attitudes Toward the Future of Workplace-Sponsored Health Benefits
- The Impact of Medicare Buy-in on Employers
- What Happens after the Deductible?
- HSA Database (Cross-Sectional, Longitudinal)

EMPLOYEE ATTITUDES TOWARD THE FUTURE OF WORKPLACE-SPONSORED HEALTH BENEFITS

Study Overview

- EBRI conducted interviews with over two dozen benefits executives representing a wide range of firm sizes and industries.
  - In total, our interviewees employed over 500,000 workers and accounted for more than $3 billion in health benefits spending
- We asked each interviewee about their outlook on health benefits, such as severing the link between employment and health benefits, the future of telemedicine, and the role of government in healthcare

Summary of Findings

- Interviewees viewed their firm's health benefits as an important recruiting and retention tool
  - Nearly all replied that they did not see their firms severing the link between employment and health benefits
  - However, when asked if their competitors took that step, most interviewees responded that they would consider it
- Interviewees were optimistic about the role telemedicine could play in the future
- Interviewees were split on the role of government in health care, but were curious about the possibility of a Medicare buy-in program

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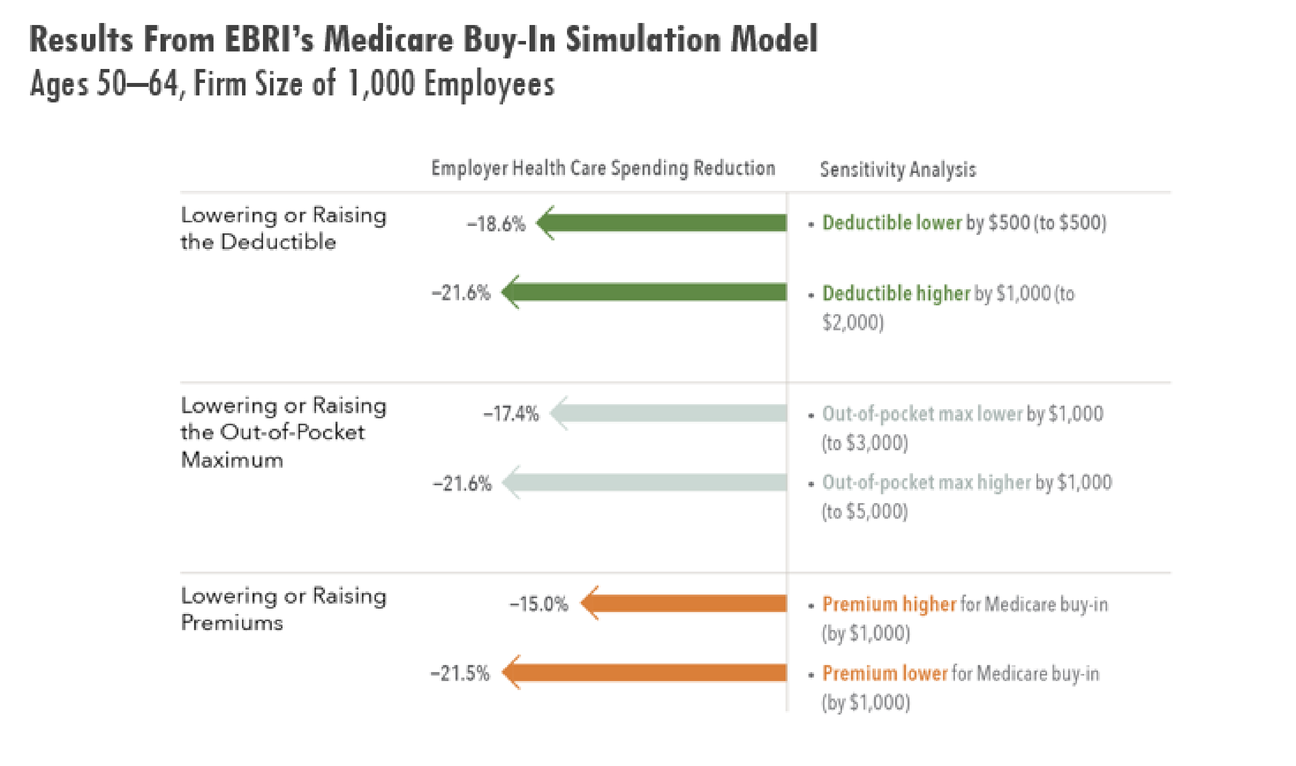
THE IMPACT OF MEDICARE BUY-IN ON EMPLOYERS

Model Overview

- EBRI built a simulation model to analyze the impact of a Medicare buy-in policy on employers
  - A Medicare buy-in could be appealing to those who have low expenditures, since Medicare does not feature an out-of-pocket limit like employer-sponsored plans do
  - However, a Medicare buy-in could be appealing to those who have high expenditures, since Medicare features lower reimbursement rates for health care relative to employer-sponsored plans

Review of Model Results

- EBRI's simulation model suggested that the workers who would benefit from a Medicare buy-in policy tended to be healthier, lower-spending workers
- Since at least some workers move to the buy-in, this has the effect of lowering employers' spending on health care
- However, this could have the effect of raising premiums for workers who remain on the employer-sponsored plan



WHAT HAPPENS AFTER THE DEDUCTIBLE?

Research Overview

- Raising health plan deductibles is an increasingly popular way to control health care cost inflation and encourage patients to shop around for better value and forgo unnecessary care
- But what happens once patients have already hit their deductible? In theory, this should make them less sensitive to prices
- The Center for Research on Health Benefits Innovation (CRHBI) produced two papers examining this issue
  - One that examines the extent to which patients use more low-value health care services after meeting their deductible
  - One that examines the extent to which copayments affect the use of health care relative to coinsurance

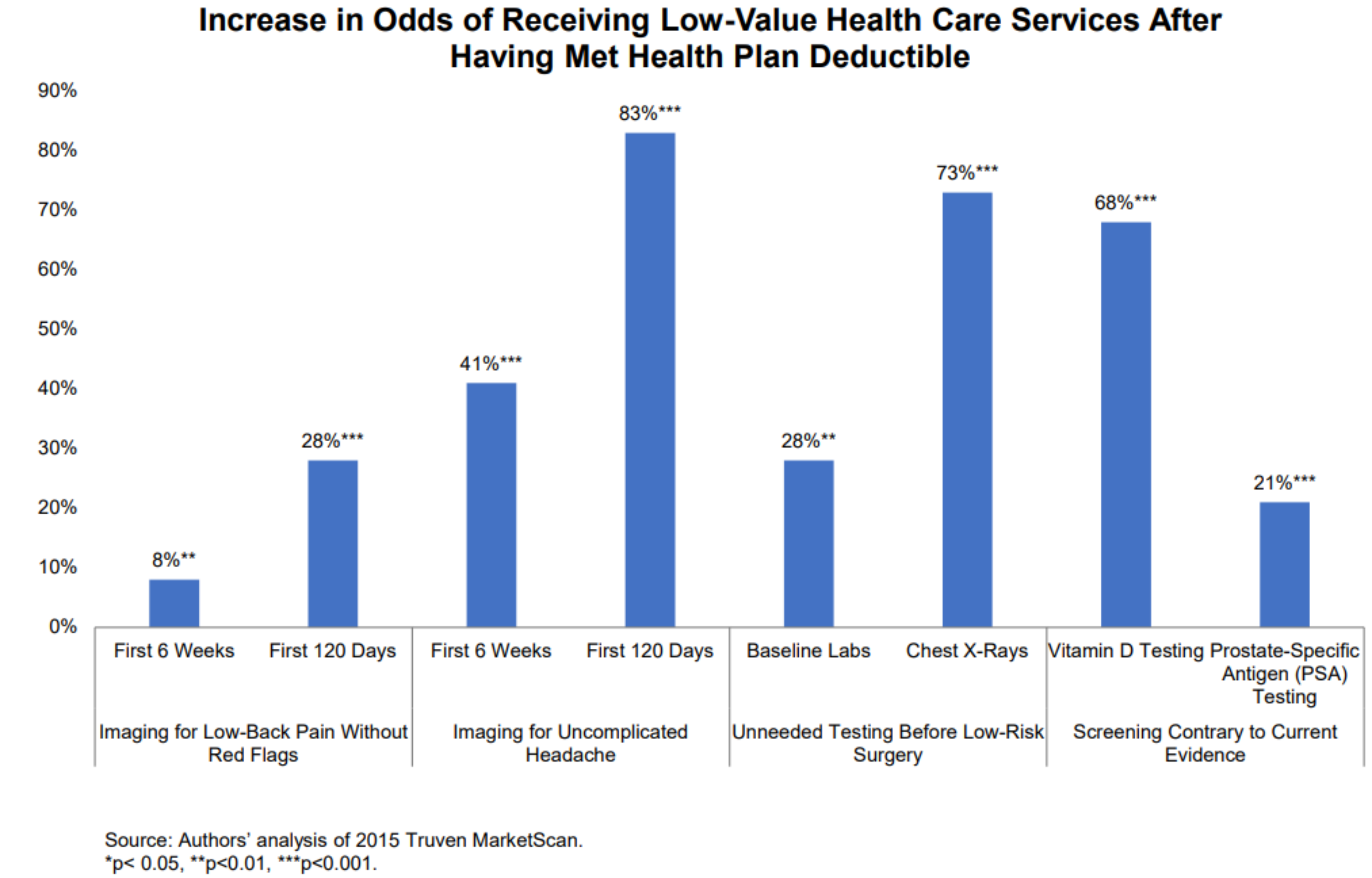
Low-Value Health Care Services

- Advocates of HDHPs argue that higher levels of cost-sharing encourage patients to seek out higher-value health care
- However, after meeting their deductible, patients will be theoretically less sensitive to prices, since they are no longer paying full freight
- EBRI examined six different “low-value” health care services, such as conducting imaging for lower-back pain and uncomplicated headaches (within 6 weeks of their diagnosis)

Low-Value Health Care Services (cont.)

- Patients who ***had*** met their deductible increased their consumption of low-value health care services relative to patients who ***had not*** met their deductible

- Strategies that nudge patients to seek out higher-value health care post-deductible may be necessary



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Copayments vs Coinsurance

- This paper examined the differential effects of copayments (a set fee for a specialist visit, for example) and coinsurance (a percentage of the total bill that insurance picks up)
- Patients may better understand their liabilities with copayments relative to coinsurance, and so patients with copayments may use health care services differently

Copayments vs Coinsurance (cont.)

- We find that coinsurance reduces the usage of inpatient and specialist office visits more than do copayments.
  - Copayments reduce the usage of primary care office visits.
  - Other types of care, such as physical therapy and emergency room visits, were not sensitive to the type of cost sharing
- Since coinsurance reduces the usage of specialist office visits, employers seeking to rein in high users of high-cost health care services may want to consider moving from copayments to coinsurance

Figure 8
Demand Responses to Cost Sharing, by Type of Health Care Service

	Overall Elasticities	
	Copayments (Model #1)	Coinsurance (Model #3)
Inpatient Days	-0.05	-0.18***
Emergency Department Visits	0.03	0.004
Primary Care Physician Office Visits	-0.19***	-0.11***
Specialist Physician Office Visits	-0.03	-0.08***
Physical Therapy Visits	-0.25***	-0.23***
Chiropractor Visits	-0.33***	-0.16***
Psychotherapy/Counseling Visits	-0.09***	-0.10***

Source: Authors' analysis of IBM MarketScan administrative enrollment and claims data.
*p< 0.05, **p<0.01, ***p<0.001.

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HSA DATABASE

Updates to EBRI's HSA Database

- In 2019, EBRI's HSA Database grew by more than 700,000 to total 10.5 million HSAs, and total assets contained within these accounts grew by $5.3 billion to total $28.1 billion
- EBRI conducts yearly longitudinal and cross-sectional analyses of the HSA Database
- This year, key findings included:
  - Average balances increased but remained relatively modest at $3,055
  - Few accountholders (7%) invest some portion of their balances in assets other than cash
  - Accountholders who had the benefit of receiving an employer contribution tended to have higher balances and more frequently invested, suggesting that employers can play a key role in fostering employer engagement with HSAs
  - Accountholders with longer tenure – people who have had their HSAs for a while – tended to have higher balances, higher contributions, and invested more frequently, suggesting that there is a familiarity effect

Q&A

Wrap-Up

Research Round-Up: *Mike's Take*

Retirement and Financial Wellbeing	
Two's a Crowd: Do HSA Contributions Crowd out 401(k) Contributions?	*HSA contributions led to lower 401(k) contributions, particularly among those with already high 401(k) contribution rates.*
Who Is Most Vulnerable to the Ticking Debt Time Bomb in Retirement	*Debt in retirement has been increasing steadily over the last 30 years in both percent of population with wealth, amount, and as a ratio to personal wealth.*
Having Both a 401(k) Plan and an IRA: How Much Does This Change the Retirement Asset Picture?	*Utilization of both 401(k) and IRA accounts indicate higher balances, however constant switching between the two lessens overall outcomes.*
EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2017 Update	*Younger populations used Roth IRAs more heavily while older populations take greater IRA withdrawals.*
Older Americans' Spending Profiles: One Size Does Not Fit All	*Spending patterns in retirement evolve over time and are influenced by factors such as education, marriage status and wealth.*
Health Care	
Employee Attitudes Toward the Future of Workplace-Sponsored Health Benefits	*Employers are thinking strategically about the future of healthcare benefits given the focus among employees and recruits.*
The Impact of Medicare Buy-in on Employers	*Medicare buy-in's benefits healthier low-spend participants. Overall employer costs decline, however average spends increase due to the resulting population.*
What Happens after the Deductible?	*Participants spend more on low-value items but don't increase high-value spends while coinsurance users utilize less specialty medical services.*
HSA Database	*Despite the growing use of HSAs, a fraction of the population leverages the long term benefits of the platform.*

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Looking to the Future

Retirement and Financial Wellbeing

- 401(k) AUM Projected Through Year-End 2030 by Plan Size and Employee Demographics as a Function of Alternative Financial Market Assumptions
- The Current State of Public Defined Contribution Plans: Findings from the Public Retirement Research Lab
- Disparities in Retirement Income Adequacy by Race and Ethnicity: Current Status and the Potential Impact of Various Legislative, Regulatory, and Plan Design Modifications
- 2021 Retirement Confidence Survey
- Who is Building up Assets in Individual Account Retirement Plans and Their Importance in Families' Net Worth? Is This Different for Families With Minority Heads? An Analysis of the 2019 Survey of Consumer Finances
- Spending Profiles; Findings from EBRI Survey
- The Impact of the Pandemic on Older Americans

Health Care

- Trends in health insurance plan design
- Cost differentials by site of treatment
- Consumer Engagement in Health Care Survey and Workplace Wellness Survey
- Telemedicine study
- Introducing the FSA Database

Upcoming Events

Tuesday, February 16 — Workplace Wellness: Firm Size Matters webinar

Wednesday, February 24 — COVID-19, Telemedicine, and More: Findings from the 2020 Consumer Engagement in Health Care Survey webinar

Thursday, March 11 — Student Loan Debt: Who Has It, What Is Its Impact, and What Are Employers Doing to Help?

Save the Date: Spring Virtual Policy Forum May 10, 11, and 13

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