EBRI EMPLOYEE BENEFIT RESEARCH INSTITUTE

Research Round-Up

EBRI Webinar

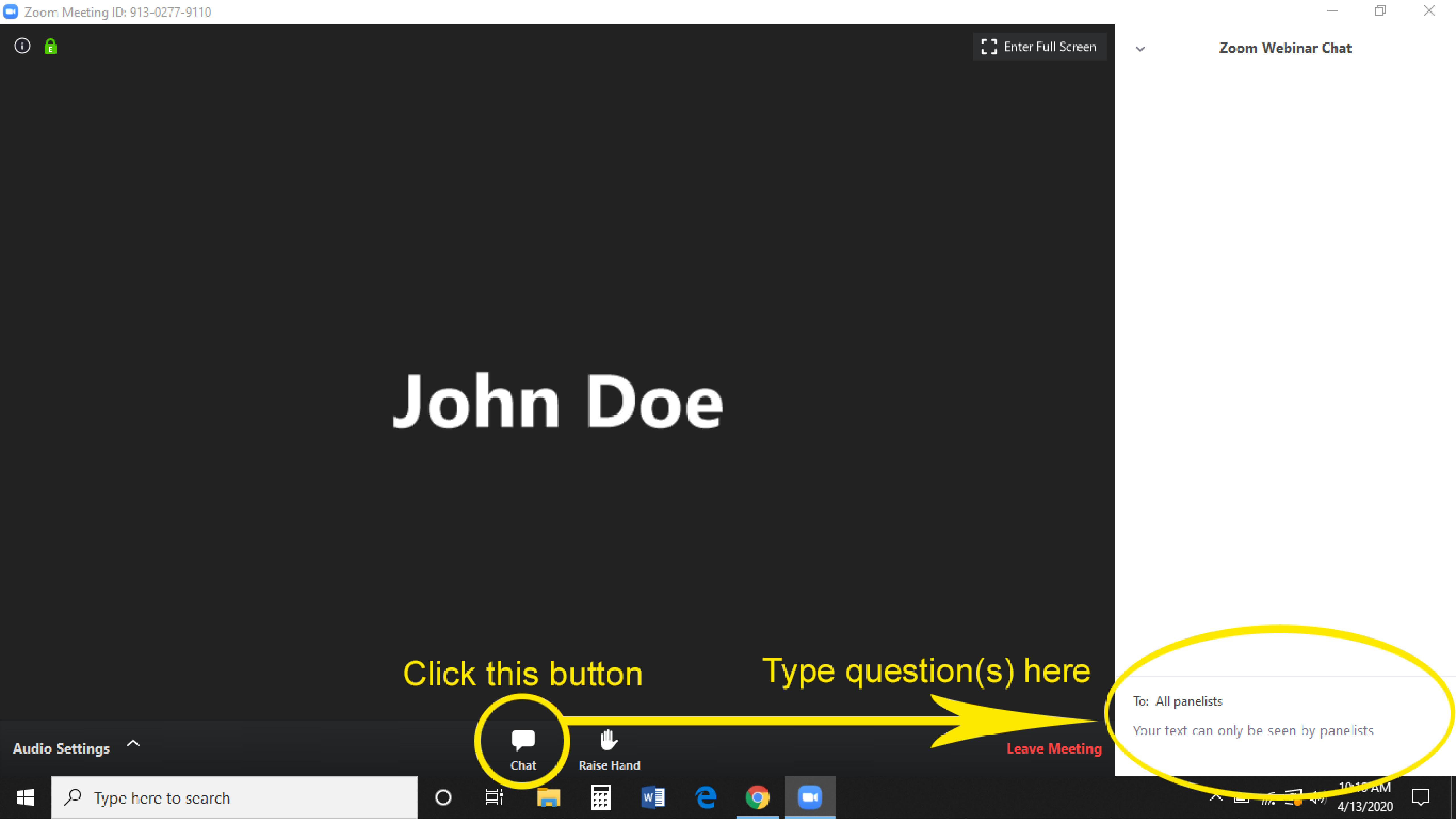
July 15, 2020

Speakers

Zahra Ebrahimi, Research Associate, EBRI

Jake Spiegel, Research Associate, EBRI

Moderated by: **Brett Hammond, Research Leader, Client Analytics Group, Capital Group**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4/13/2020

Retirement Research

Recently Released

- Preliminary Analysis on the Impact of the 2020 Market Crisis on Retirement Income Adequacy
- Retirement Confidence Survey — Before and After the Start of the Pandemic
- The Impact of Rising Household Debt Among Older Americans

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Preliminary Analysis on the Impact of the 2020 Market Crisis on Retirement Income Adequacy

How the COVID-19 Pandemic Could Impact Retirement Income Adequacy for U.S. Workers

* Retirement savings deficits are the present value of retirement deficits for those households simulated to run short of money in retirement.

Source: Jack VanDerhei, "Impact of the COVID-19 Pandemic on Retirement Income Adequacy: Evidence From EBRI's Retirement Security Projection Model®," *EBRI Issue Brief*, no. 505 (Employee Benefit Research Institute, April 21, 2020).

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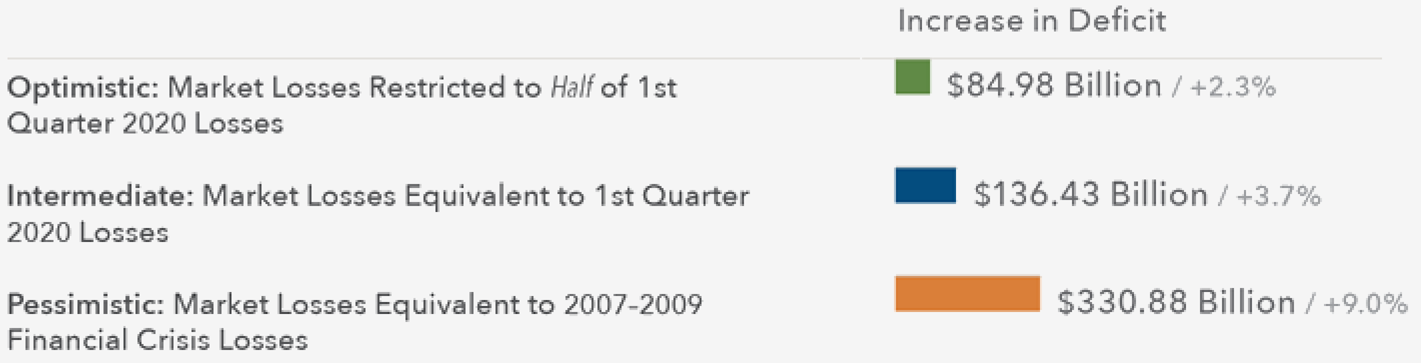
Impact of Investment Losses

Market volatility may be the largest factor during this crisis in increasing retirement deficits, especially under the pessimistic assumptions.

Projected Deficit Increase Due to the Current Pandemic Under Optimistic, Intermediate, and Pessimistic Market Loss Assumptions



Source: Jack VanDerhei, "Impact of the COVID-19 Pandemic on Retirement Income Adequacy: Evidence From EBRI's Retirement Security Projection Model®," *EBRI Issue Brief*, no. 505 (Employee Benefit Research Institute, April 21, 2020).

Impact of Behavioral Changes

Match suspensions, reduced contributions, increases in withdrawals, and decreased eligibility do not have as much impact, though they could have a significant influence on individual households. Plan terminations would have the greatest impact on retirement income adequacy.

Increase in Retirement Deficits Above the $136.43 Billion Experienced in the Intermediate Market Loss Assumption

Scenario 1: Plan Sponsors Suspend Matches 20% Suspend Match for 1 Year	$2.09 Billion
Scenario 2: Scenario 1 + Reduced Contributions 20% Reduction of Contributions by Participants With Suspended Matches for 1 Year	$2.31 Billion
Scenario 3: Small Plan Terminations 40% of Plans With <$10 Million Terminating	$31.24 Billion
Scenario 4: One-Time Increase in Withdrawals 13.2% Increase in Withdrawals for 1 Year	$1.03 Billion
Scenario 5: Decrease in DC Eligibility 10% Decrease in Eligibility for 2 Years Due to Unemployment	$4.23 Billion

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Source: Jack VanDerhei, "Impact of the COVID-19 Pandemic on Retirement Income Adequacy: Evidence From EBRI's Retirement Security Projection Model®," *EBRI Issue Brief*, no. 505 (Employee Benefit Research Institute, April 21, 2020).

Aggregate Impact

The combined impact of all intermediate assumptions, although damaging, appears manageable. Even the combination of pessimistic assumptions only increased the aggregated retirement deficits by 11.2%.

Aggregate of Market Loss Assumptions Combined With Scenarios 1–5 on the Previous Slide

Source: Jack VanDerhei, "Impact of the COVID-19 Pandemic on Retirement Income Adequacy: Evidence From EBRI's Retirement Security Projection Model®," *EBRI Issue Brief*, no. 505 (Employee Benefit Research Institute, April 21, 2020).

Retirement Confidence Survey — Before and After the Start of the Pandemic

Worker and Retiree Confidence in Financial Security Throughout Retirement

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?

2020 Workers n=1,018, n=505 2020 Retirees n=1,024, n=499

	2018	2019	2020	March 2020
Workers				
Very Confident	17%	23%	27%	24%
Very or Somewhat Confident	64%	67%	69%	63%
Retirees				
Very Confident	32%	35%	30%	26%
Very or Somewhat Confident	75%	82%	77%	76%

= Up significantly from previous year
= Down significantly from previous year
= Up significantly from January 2020
= Down significantly from January 2020

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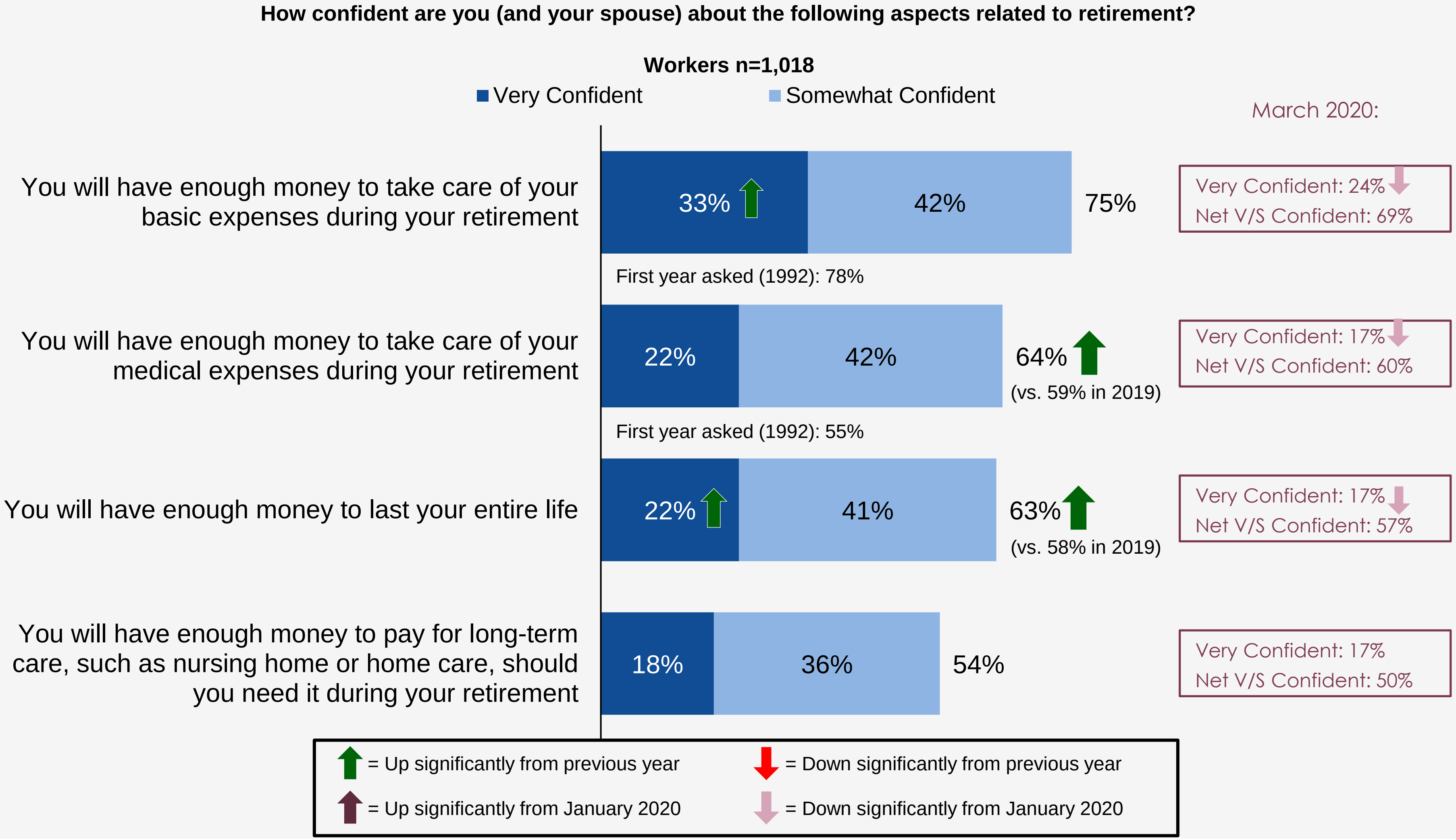
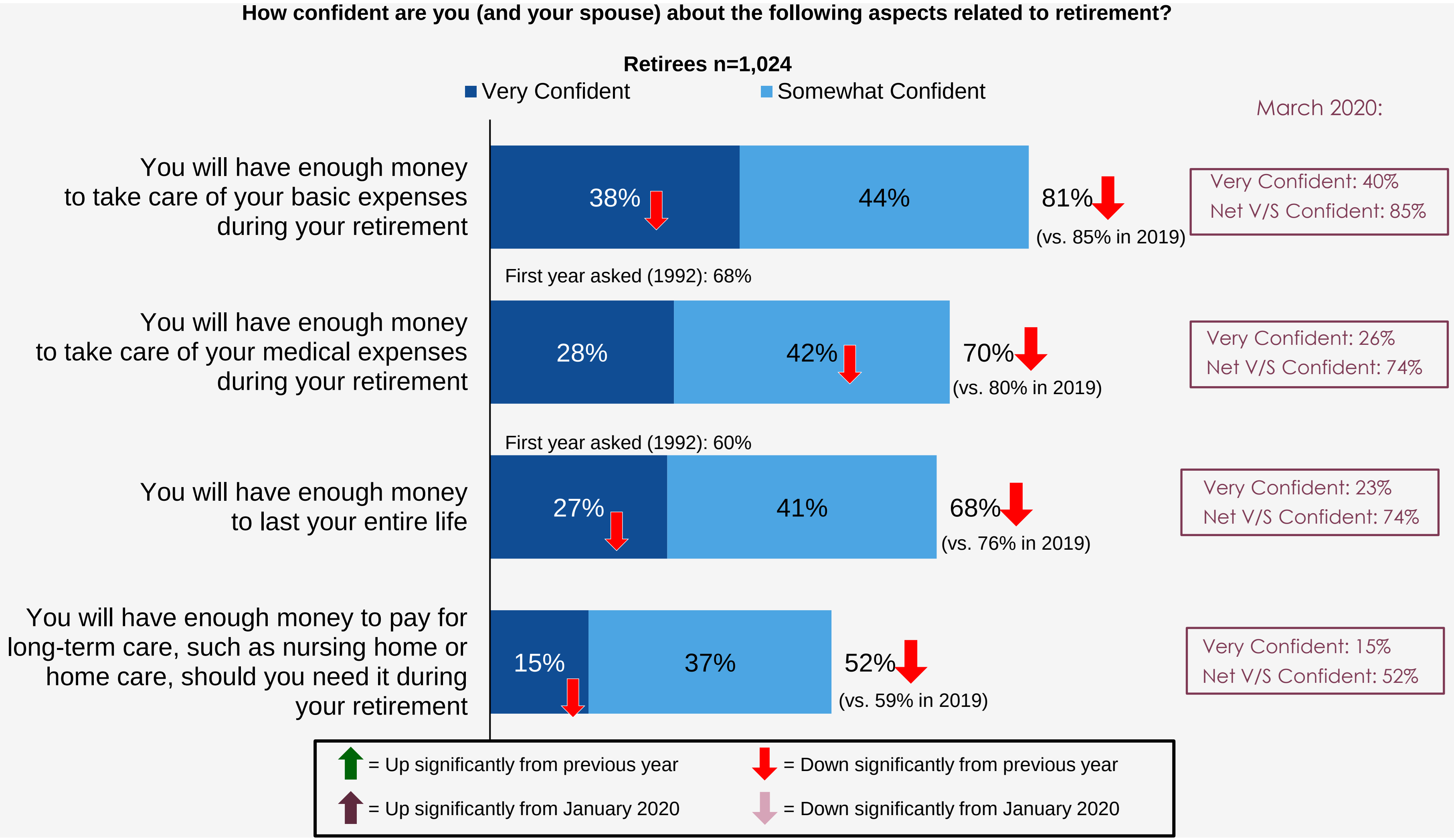
Source: Employee Benefit Research Institute and Greenwald & Associates, 2018–2020 Retirement Confidence Surveys and March 2020 RCS Refield.

Worker Confidence in Other Aspects Related to Retirement



Source: Employee Benefit Research Institute and Greenwald & Associates, 1992, 2019, and 2020 Retirement Confidence Surveys and March 2020 RCS Refield.

Retiree Confidence in Other Aspects Related to Retirement



Source: Employee Benefit Research Institute and Greenwald & Associates, 1992, 2019, and 2020 Retirement Confidence Surveys and March 2020 RCS Refield.

Worker Confidence in Doing a Good Job in Preparing for Retirement

How confident are you that you (and your spouse) are doing a good job of preparing financially for your retirement?
2020 Workers n=1,018, n=505

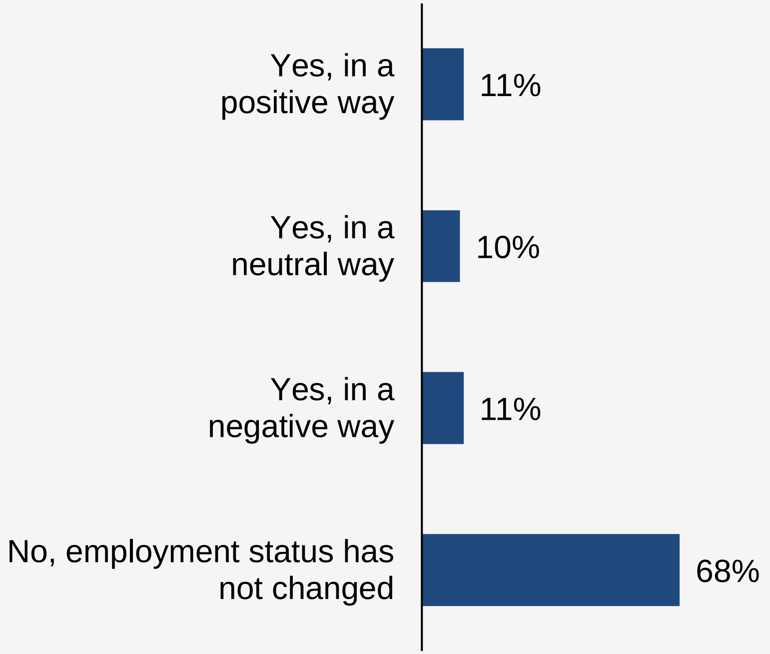
	2018	2019	2020	March 2020
Workers				
Very Confident	14%	21%	25% ⬆	21%
Very or Somewhat Confident	60%	63%	67%	64%

⬆ = Up significantly from previous year
⬇ = Down significantly from previous year
⬆ = Up significantly from January 2020
⬇ = Down significantly from January 2020

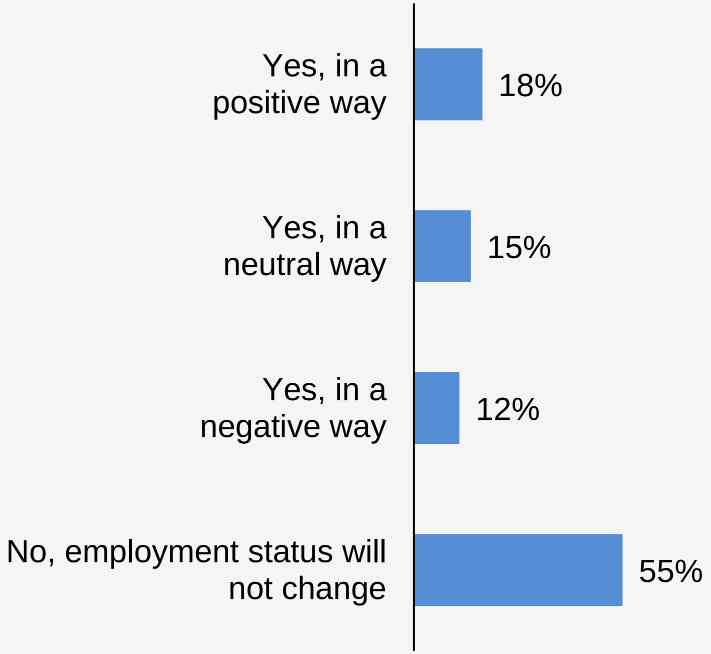
Source: Employee Benefit Research Institute and Greenwald & Associates, 2018–2020 Retirement Confidence Surveys and March 2020 RCS Refield.

Job Change Status and Expected Job Status Change

Has your employment status changed since February 1st, 2020?
Workers n=505



In the next 6 months do you believe your employment status will change?
Workers n=505



Source: Employee Benefit Research Institute and Greenwald & Associates, March 2020 Retirement Confidence Survey Refield.

Worker Confidence for Those With and Without a Negative Employment Status Change

Differences by Change in Employment Status
Workers n=505

% Very/Somewhat Confident	No Negative employment status change*	Negative employment status change*
They will have enough money to live comfortably in retirement	**67%**	47%
They will have enough money to last their entire life	**62%**	39%
They will have enough to take care of medical expenses	**63%**	46%
They will have enough to take care of basic expenses	**72%**	55%
They will have enough for long-term care expenses	**56%**	28%
They are doing a good job preparing for retirement	**67%**	49%
The Medicare system will continue to provide benefits of at least equal value to the benefits received by retirees today	**58%**	39%
The Social Security system will continue to provide benefits of at least equal value to the benefits received by retirees today	**55%**	35%

All bolded percentages are statistically significant
*Negative employment status change or anticipated negative change in employment status in next 6 months

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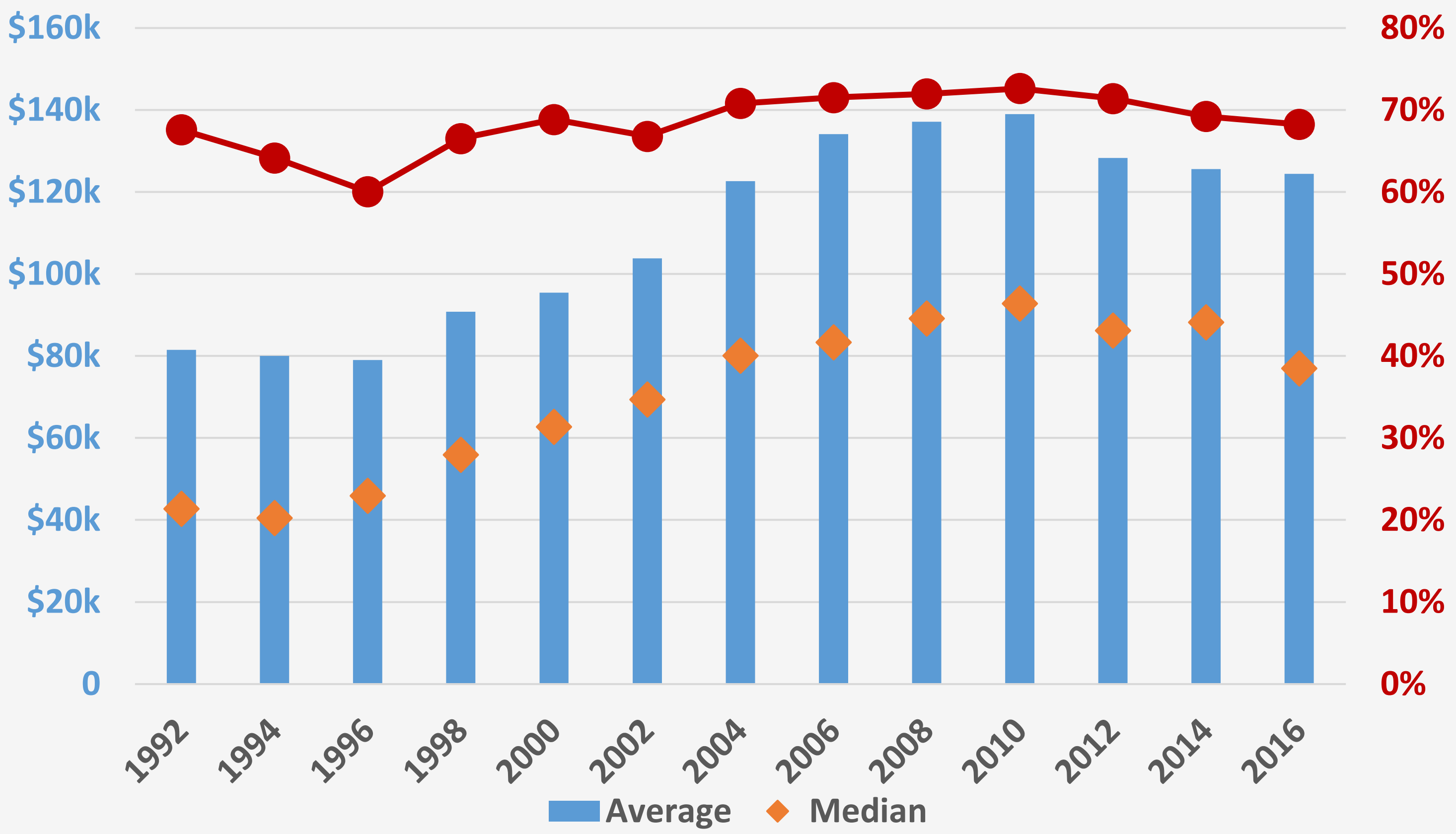
Source: Employee Benefit Research Institute and Greenwald & Associates, March 2020 Retirement Confidence Survey Refield.

The Impact of Rising Household Debt Among Older Americans

Share With Debt, Average* and Median* Total Debt Conditional on Having Debt, 50–64 Years Old

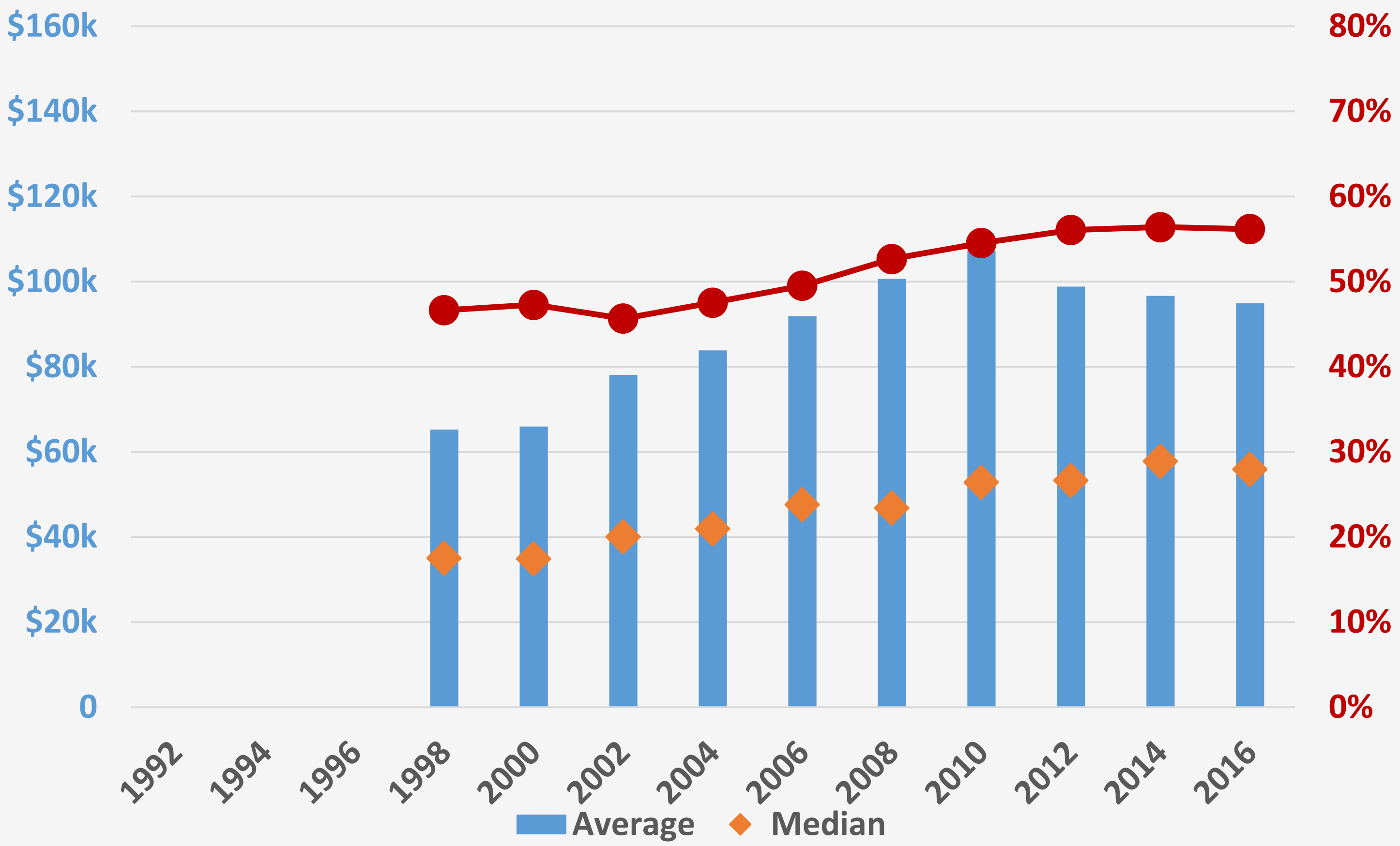
Among those ages 50–64, the average (and median) total debt sharply increased from 1992 to 2016.



Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

Share With Debt, Average* and Median* Total Debt Conditional on Having Debt, 65–74 Years Old

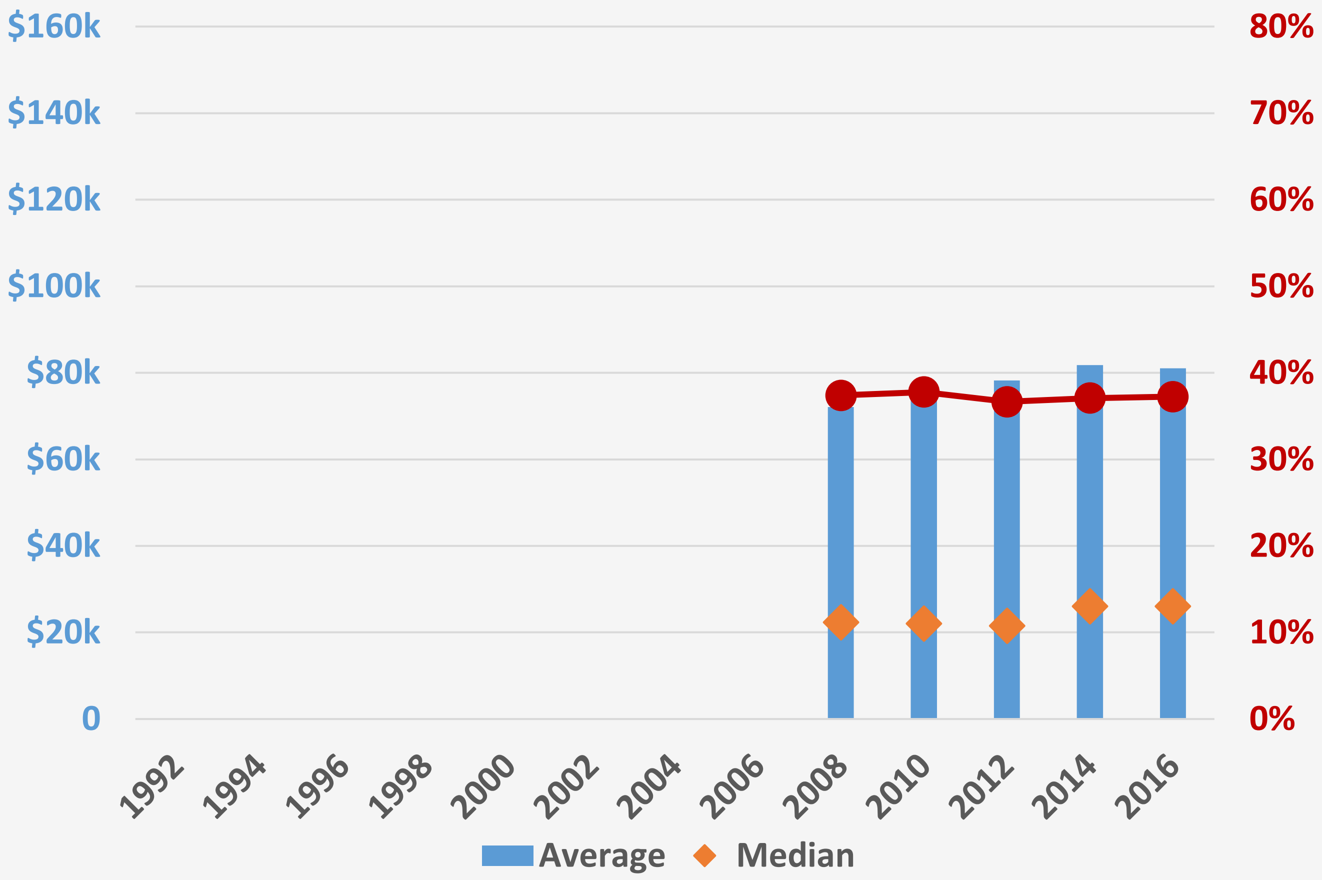
Among those ages 65–74, both the share of households having debt and the average (and median) amount of debt increased over the period.



Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

Share With Debt, Average* and Median* Total Debt Conditional on Having Debt, 75+ Years Old

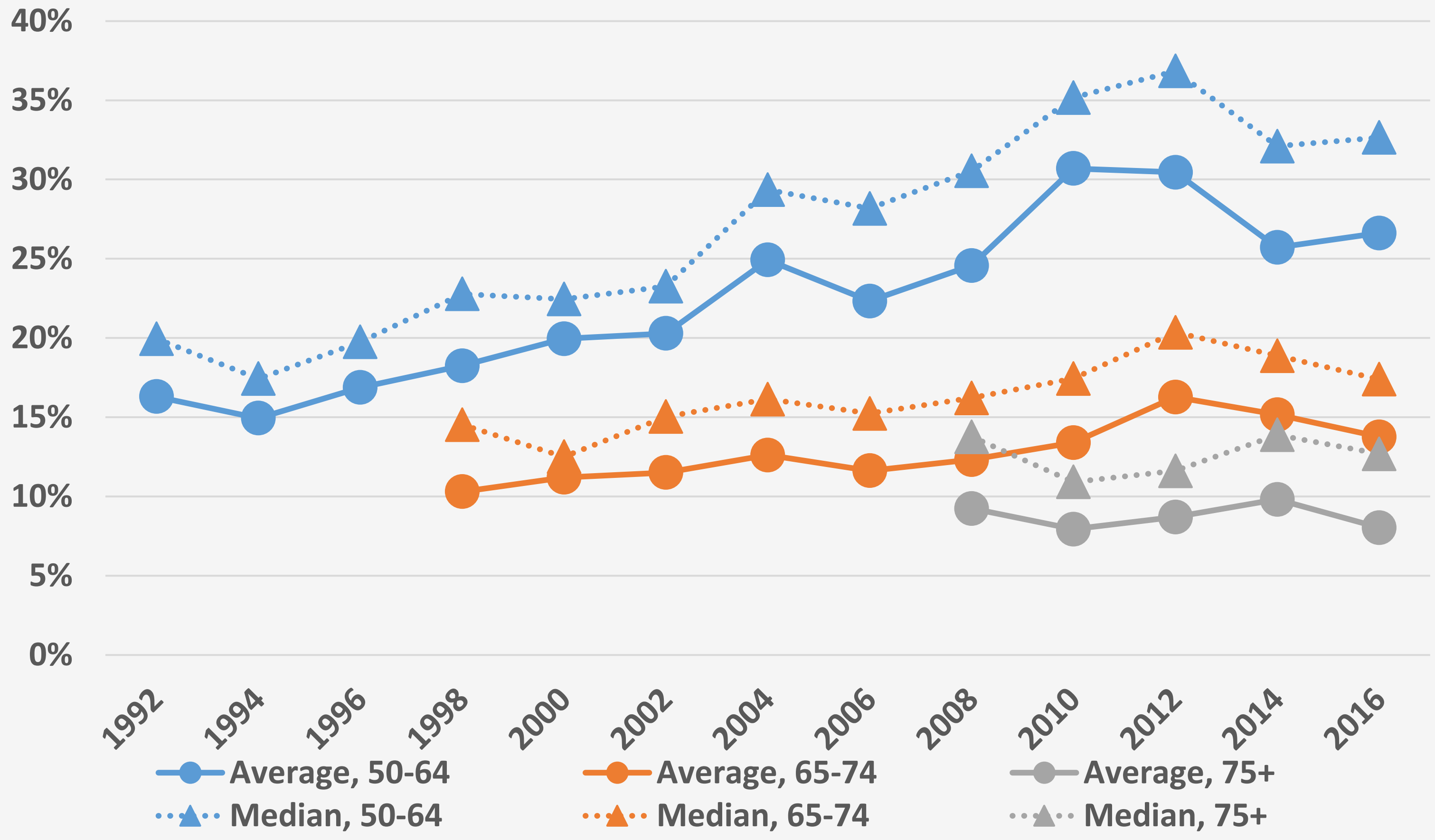
Among those ages 75 and older, the percentage of those having debt as well as average and median debt stayed relatively the same during this period.



Note: * In 2016 Dollars; HRS Household weight applied for analysis.
Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

Average and Median Debt-to-Total-Net-Wealth Ratios by Age and Year

Older households in all age groups have became more leveraged between 1992 and 2016. For instance, the average total debt-to-total-net-wealth ratio of those ages 50–64 increased from 16 percent in 1992 to 27 percent in 2016.



Source: Employee Benefit Research Institute estimates from the Health and Retirement Study (HRS).

Future Research

- 401(k) AUM Projected Through Year-End 2030 by Plan Size and Employee Demographics as a Function of Alternative Financial Market Assumptions (with special emphasis on the impact of the SECURE Act)
- Impact of the CARES Act on Retirement Income Adequacy
- Balance Growth of Those Having Both a 401(k) Plan and an IRA
- Asset and Debt Holdings of American Families
- Retirement Income
- Trends in Student Loans
- Individual Retirement Account Withdrawals in the Health and Retirement Study
- Spending Profiles; Findings from HRS and CAMS
- Workplace Wellness Survey
- Financial Wellbeing Employer Survey

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Health Care Topics

- Recently Released
  - Cost Differences in Oncology
  - A Look at HSA Investors
  - Savings Needs for Medicare Beneficiaries Since 2020
  - HSA Contributions and State Taxes
  - Adverse Selection Among COBRA Enrollees

- In Progress/In the Pipeline
  - Medicare Buy-in Analysis
  - Workplace Wellness Survey
  - Consumer Engagement in Health Care Survey
  - Future of health care benefits focus groups
  - Copayments vs. Coinsurance

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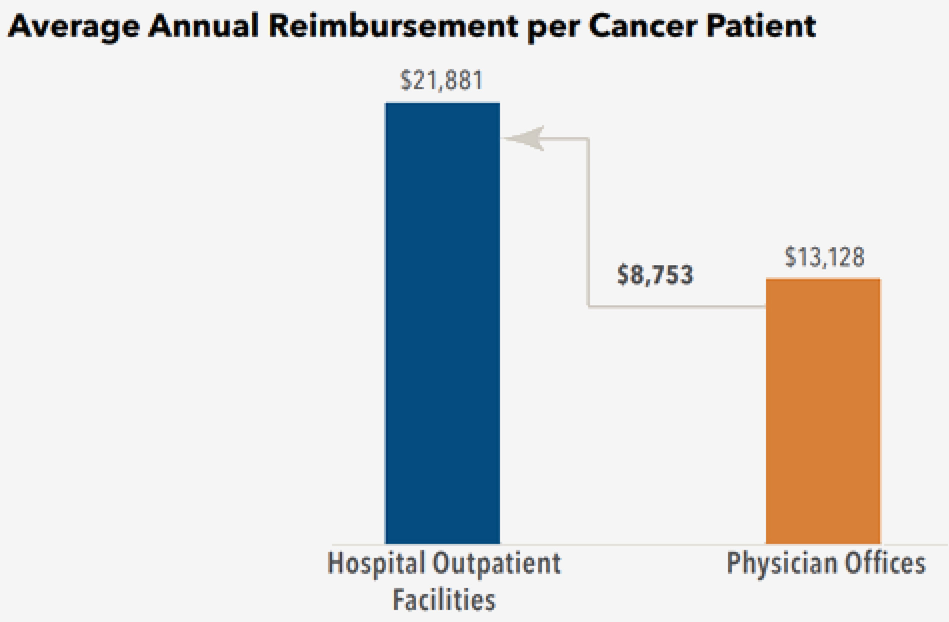
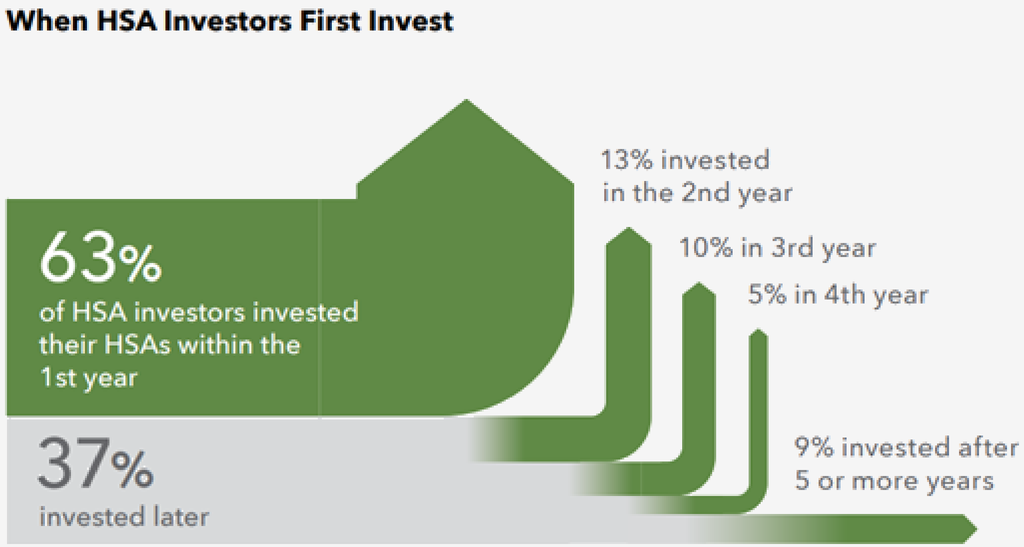
Cost Differences for Oncology Medicines

- For this study, we used a commercial database of claims from employer-sponsored plans
- Previous research has shown that insurers pay more for oncology medicines when they are administered at hospital outpatient departments rather than physician's offices
- However, it was unclear whether the cost differences were because of different treatment regimens or different patient characteristics
- This study isolated the cost of drugs themselves
  - Disaggregated the differences in patient characteristics and the composition of the drugs themselves
  - Each drug was more expensive at an HOPD, and ranged from being 28% more expensive to 328% more expensive
  - The average insurer reimbursement for oncology drugs was $13,128 at physician's offices and $21,881 at hospitals



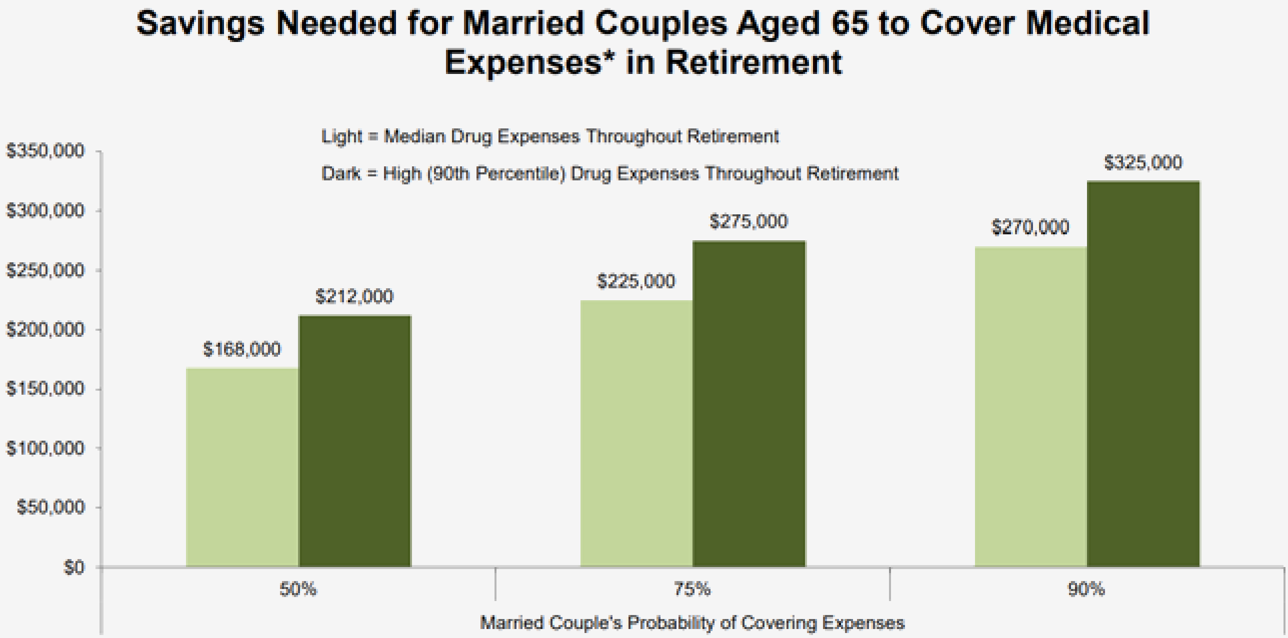
A Look at HSA Investors

- For this study, we used data from EBRI's HSA Database
- Only about 6% of HSA owners invest their accounts. What can we learn about the accountholders who have transitioned to investing?
- Most HSA owners who invest do so right away
  - Of those who do not invest right away, most decide to start investing after their first few years of account ownership
- Longer account tenures and larger account balances are associated with an increase in the probability of transitioning to investing
- There isn't much evidence to suggest that account owners wait to accumulate a specific balance before investing
  - High deductibles don't seem to be an impediment, either



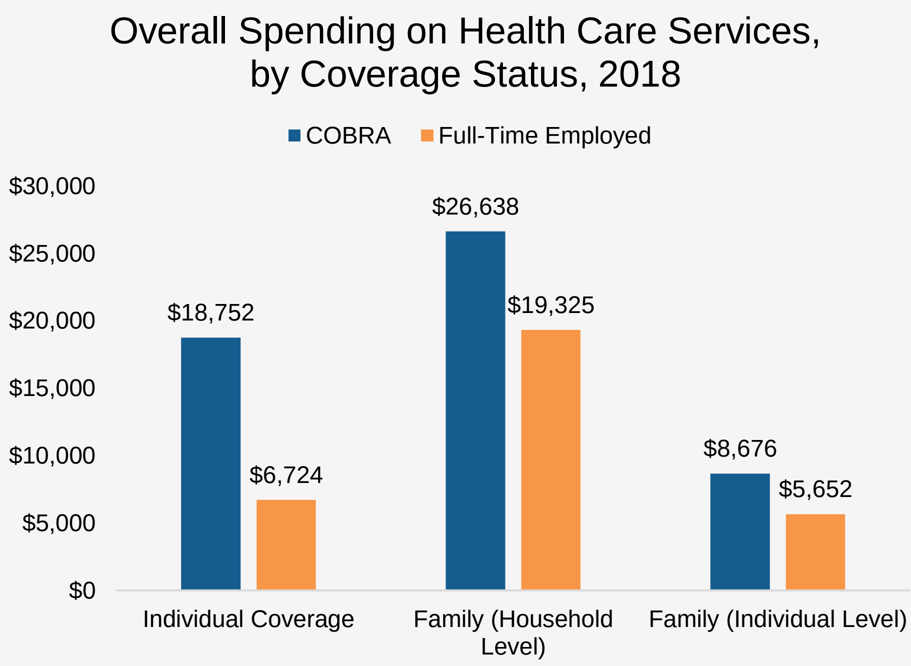
Savings Needs for Medicare Beneficiaries

- Savings targets for Medicare beneficiaries fell between 8 and 10 percent from 2019
  - Predicted expenses include premiums, deductibles and out-of-pocket expenses
  - Savings targets fell because the Medicare Trustees lowered projected costs for Medicare Part D premiums and out-of-pocket expenses
- For a 90 percent chance of having enough to cover health care expenses in retirement, a couple with drug expenses at the 90th percentile needs to have saved $325,000



Adverse Selection Among COBRA Enrollees

- For this study, we used a commercial database of claims from employer-sponsored plans
- COBRA is an arrangement that allows recently-separated workers to continue their enrollment in employer-sponsored health insurance
  - COBRA benefits can be expensive, and enrollees have 60 days to decide to take them up, so there exists a potential for adverse selection where only those who anticipate high medical costs will enroll
- Our study finds that COBRA beneficiaries spent significantly more than those with coverage through a full-time employee (FTE)
  - COBRA beneficiaries used an average of $18,752 in health care services, compared to $6,724 for those with FTE coverage
- The ratio of spending by COBRA enrollees to spending by people with FTE coverage has decreased over time, suggesting that ACA exchanges have partially mitigated adverse selection



HSA Contributions and State Taxes

- For this study, we used data from EBRI's HSA Database
- To what extent are state tax laws correlated with contributions to HSAs?
  - Some states do not levy a state income tax, and some states do not offer a break on state taxes for HSA contributions
  - The value of a marginal dollar contributed to an HSA is higher in a state with high income taxes, and vice versa for states with low/no state taxes
- We find that contributions tended to be lower in states with no income tax or do not offer a tax benefit on contributions
  - California, South Dakota, Washington, and Wyoming had slightly higher than above average contributions, while Alaska, Florida, Nevada, New Hampshire, New Jersey, Texas, Tennessee had below-average contributions
  - Some states that ***do*** provide a tax benefit for HSA contributions had some of the lowest average contributions, such as Kentucky, Maryland, Virginia, and Mississippi
- We also used the results of this analysis as the first installment of a new series of EBRInteractive visualizations

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In-Progress Research

- Medicare buy-in analysis
  - How many workers might switch from an employer-based health plan to Medicare if given the option, and how might that affect employers?
- Workplace Wellness Survey
  - Revamped survey instruments to make more consistent with other surveys, which helps in identifying trends, and added instruments to gauge impact of COVID-19 pandemic
- Consumer Engagement in Health Care Survey
  - Added new survey instruments to better gauge telemedicine usage, wellness offerings in the workplace, and the impact of the COVID-19 pandemic on workers
- Future of Health Benefits Focus Groups
  - We are currently conducting focus groups with benefits executives to explore their organizations' responses to the COVID-19 pandemic, and under what circumstances they might choose to stop offering health benefits
- Copayments vs. Coinsurance
  - When it comes to health care utilization, are workers more sensitive to coinsurance or copays?

Q&A

EBRI Research Centers & Surveys

Centers function as think tanks within EBRI. Each analyzes the state of play of the current system and the potential impact of proposed policy changes.

- Retirement Security Research Center
- Center for Research on Health Benefits Innovation
- Financial Wellbeing Research Center

Surveys Available due to Member Sponsorship

- Retirement Confidence Survey
- Consumer Engagement in Health Care Survey
- Workplace Wellness Survey

Contact Betsy Jaffe jaffe@ebri.org to find out how to leverage these resources

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Upcoming EBRI Programs

- Savings and Caregiving in the Age of COVID 19, American Savings Education Council Meeting – July 22
- Retirement Confidence Survey Findings: Financial Wellness & Debt Webinar – July 28
- COBRA: Are Subsidies Needed? – August 4
- Winter Policy Forum – December 10

- Please visit ebri.org for more information.
- Align your brand – Sponsor these events: contact Betsy Jaffe, jaffe@ebri.org