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December 2013 Benefits Spotlight

Once staid and predictable, employer-provided benefits--whether healthcare or retirement--are undergoing momentous changes. Legal, economic and societal issues have called into question how employers can continue to provide cost-effective benefits that support employees' physical and financial well-being. The articles highlighted below look at several of the pressure points within the benefits arena and offer suggestions for how to manage these challenges.

70 Is the New 65

Two recent publications from the Center for Retirement Research (CRR) at Boston College offer a look at changes to the Social Security system that impact how much of their pre-retirement income workers can replace with this federal program. The first is an article by CRR Director Alicia Munnell, who argues that 70 is now the "real" retirement age. Her article demonstrates how changes in life expectancy and in Social Security's Delayed Retirement Credit, the tax treatment of benefits and new, income-adjusted charges for basic Medicare and Part D negatively affect income replacement rates for many people. For employers, that begs the questions: "Are your employees prepared to work until they reach the age of 70?" and "Is your organization prepared to keep workers on the payroll until they've reached their seventh decade?" You'll find the article [here](#).

The CRR's second publication, [***The Social Security Claiming Guide***](#), is designed to help individuals decide when is the best time to start claiming Social Security benefits. Written in an easy-to-follow format, this guide can be helpful to employees who are contemplating retirement.

HIX

Are you familiar with the latest benefits acronym? If not, be prepared! HIX is shorthand for "health insurance exchange," a phenomenon that is taking hold in the employer-provided arena at the same time that ACA's exchanges are taking hold (well, maybe!) in the private market for health insurance. We came across an [interesting blog](#) by Paul Lambdin of Deloitte Consulting. He sees exchanges as a "mega trend" emerging to meet employers' interest in a defined contribution approach to funding healthcare benefits, a strategy that makes their costs more predictable. A natural outgrowth of consumer directed health plans, health insurance exchanges must be able to meet the need for tools and information that can help individuals make informed healthcare decisions. The author notes that for this to become a reality, insurers need to change their perspective from a B2B mentality--selling group insurance to employers--to a B2C mindset, where the insurer responds to the needs of individual consumers.

For another perspective on private exchanges, we found this [November 20 blog post](#) by Jim Blaney, CEO of the Human Capital Practice at Willis North America: *Are Private Health Insurance Exchanges*

Viable or Just a Cost-Shifting Scheme? Mr. Blaney asserts that many private exchange strategies don't address the main issue--steadily rising costs--noting that while the employer's costs are capped, that's not the case for employees. He advocates combining wellness and population management programs with exchanges to help keep the lid on costs and encourage healthcare consumerism.

Several sessions at our March 2014 Mid-Sized Retirement & Healthcare Plan Management Conference in San Francisco provide insights into the evolving state of employer-provided health benefits. Keynote speaker Paul Fronstin of EBRI offers a long-term perspective on the effect of ACA and private exchanges, while the leader of Mercer's private exchange business, Eric Grossman, shares the firm's early experiences with their launch of this new service. Providing an employer's perspective is Julie Adamik of PETCO, whose case study workshop examines her company's decision to move from traditional healthcare benefits to a private exchange.

The Last Word

Because you don't have enough to do right now, we thought you might like to know what's coming down the road with respect to ERISA compliance for health and welfare plans in 2014. This issue of [Buck Consultants' FYI](#), provides a handy calendar of "due dates" for various compliance tasks. And the first one is in January!

Happy Holidays and Best Wishes for the New Year!