



HSA Plans: A Retirement Benefit in Disguise?

Date: May 24th, 2017 – 10:00 – 11:00 am Pacific



Webinar Overview

- ❖ Fundamentals of Medical Savings Accounts
 - ❖ Dispelling Misperceptions
 - ❖ Plan Design Trends
 - ❖ Combining Health & Wealth For Employees
 - ❖ Next Steps for Plan Sponsors & Fiduciaries
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- ❖ Please submit questions via the chat feature, we will address them at the end of the prepared remarks

Speaker Introductions

Rick Unser, Moderator

- ❖ Retirement Plan Consultant
- ❖ Host, 401(k) Fridays Podcast
- ❖ Nearly twenty years of industry experience
- ❖ Help employers & plan sponsors:
 - Enhance fiduciary protection
 - Streamline plan operations, and
 - Improve participant retirement readiness



Ken Forsythe

- ❖ Head, Product Innovation & Strategy, Empower Retirement
- ❖ 18 years retirement plan experience
- ❖ Responsible for delivering:
 - Ideation/innovation of new products & services
 - Overall product strategy
 - Go-to-market strategy



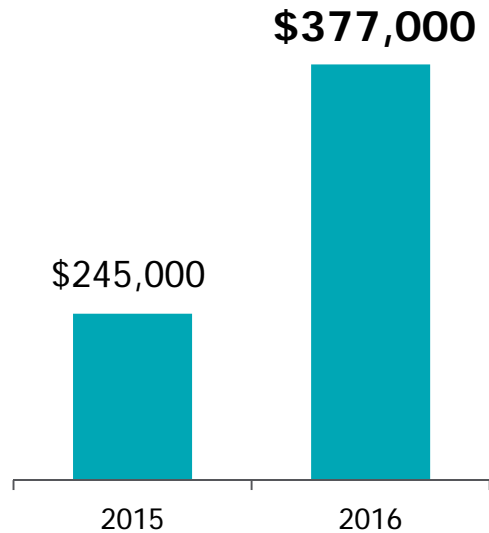


Fundamentals of Medical Savings Accounts

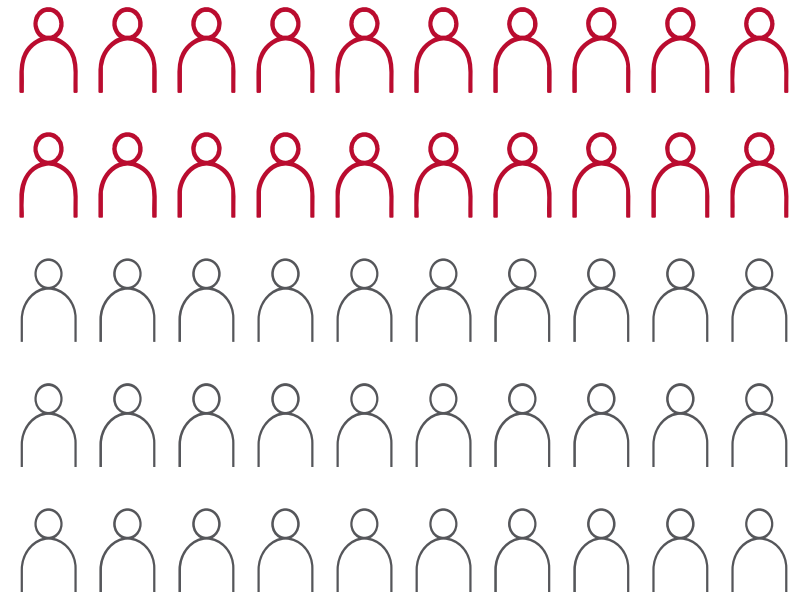


Deconstructing Medical Costs in Retirement

A couple retiring today will spend nearly **\$400,000** in healthcare expenses in retirement¹



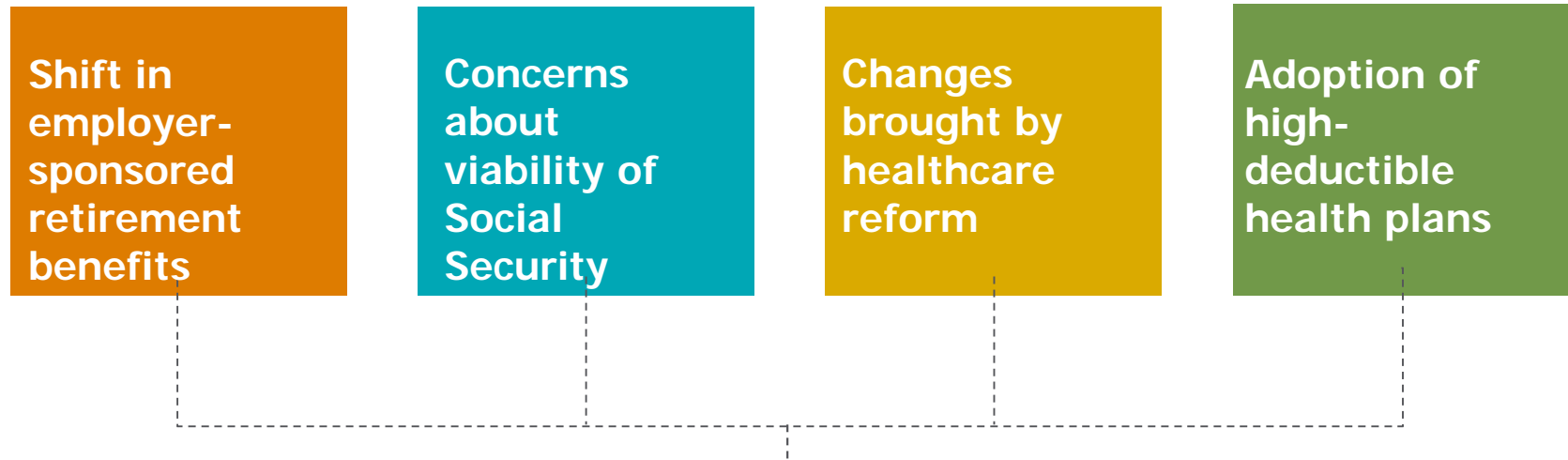
Yet, **40%** of workers age 50 or older are not planning for healthcare costs²



¹ \$377,412 in today's dollars, according to HealthView Services' 2016 Retirement Health Care Cost Data Report.

² AARP. Planning for health care costs in retirement: A 2014 survey of 50+workers. aarp.org/content/dam/aarp_research/surveys_statisticsecon/2014/Planning-for-Health-Care-Costs-in-Retirement-A-2014-Survey-of-50-PlusWorkers-AARP-econ.pdf. Sept. 2014. Accessed Sept. 22, 2016.

How Has Retirement & Medical Savings Evolved?

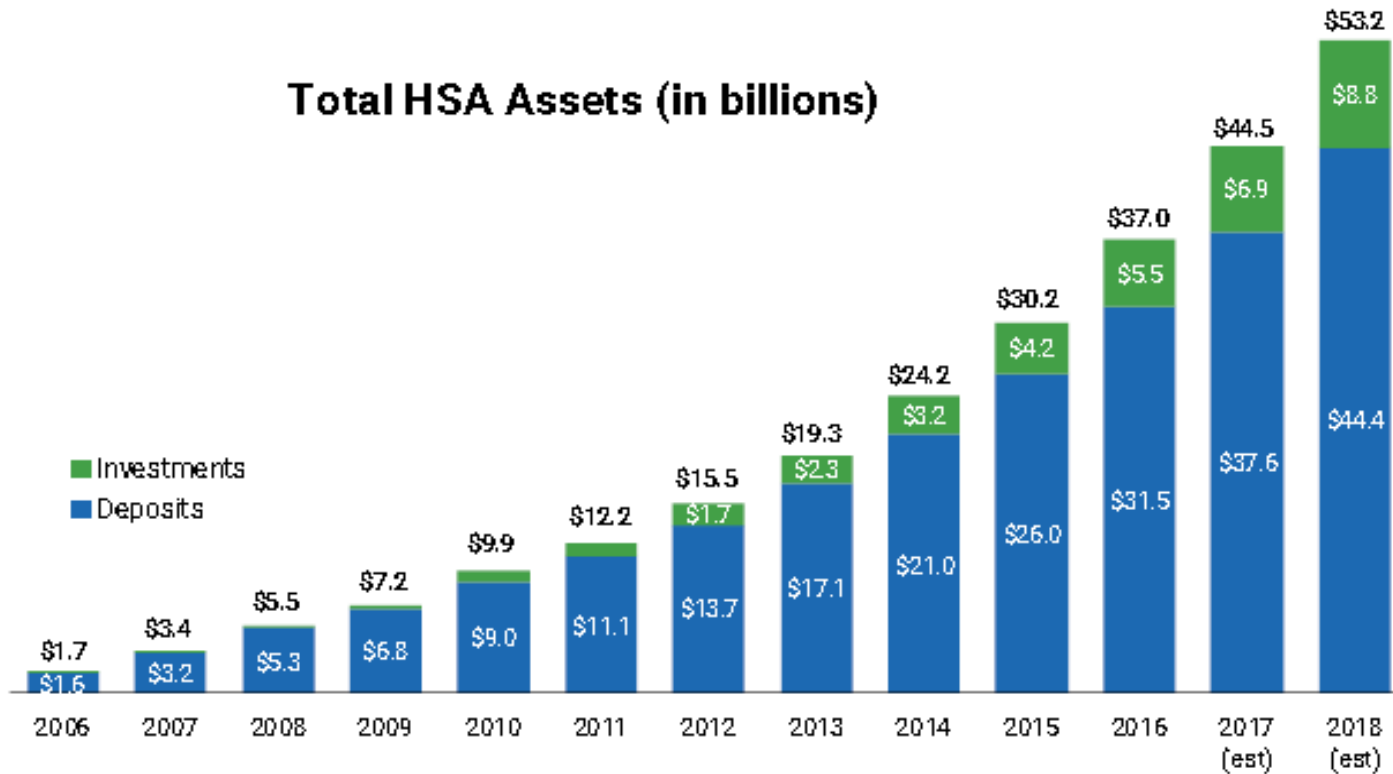


Risk continues to shift to the individual

Alphabet Soup of Medical Savings Accounts

	FSA	HRA	HSA
Group Insurance Plan Req.	NONE	Group Health Plan	High Deductible
Ownership	Employee	Employer	Employee
2017 Contribution Limits	\$2,600	\$4,950 (single) \$10,000 (family)	\$3,400 (single) \$6,750 (family) Catch-up (55): \$1,000
Contribution sources	Employee/ Employer	Employer	Anyone
Portability	NONE	Employer discretion	Yes
Investments	NONE	NONE	After cash threshold met – mutual funds

Are More Employers Pursuing HSA Plans?



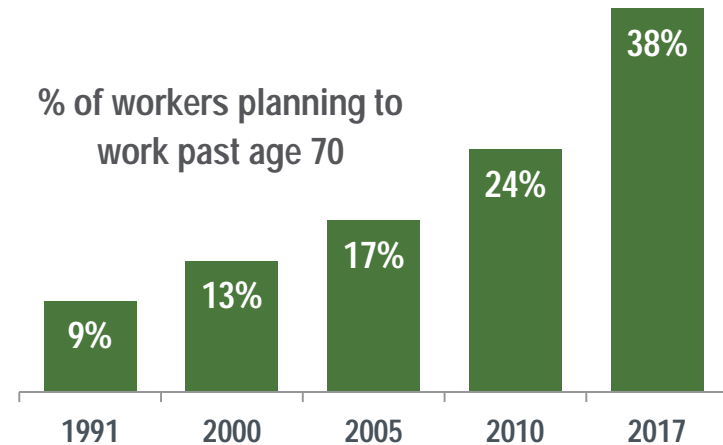
Source: Estimates derived from 2016 Year-End Devenir HSA MarketSurvey, press releases, previous market research and market growth rates.

- ❖ Devenir HSA Market Research Report 2016

Is This Part of a Bigger Narrative?

Working longer to get access

- ❖ A growing number of workers – nearly 1 in 3 expect to work past age 70¹
- ❖ 74% plan to do so to get access to healthcare
- ❖ Delays in retirement can cost \$50,000 per worker²



Lack of confidence

- ❖ Less than half - 47% - of Baby Boomers are confident they will be able to cover their medical expenses in retirement.
- ❖ 46% of employees distracted at work and
- ❖ Spend more than 3 hours/day dealing with personal finances



Planning for Your Next Open Enrollment



What Advantages Do HSA's Provide Employers?



- ❖ Employers continually look for ways to maximize benefit dollars – high-deductible healthcare plans often help reduce overall benefit spend.
- ❖ Employers want their people to be healthy and engaged contributors to the business but also have to be competitive with regard to wage costs, benefits costs, etc.
- ❖ Most employees are not well-informed healthcare consumers and see the shift to high-deductible healthcare plans as negative (despite the opportunity they present for the vast majority).

Health & Wealth Narrative



Engage in
wellness programs



Utilize resources
that help them
become better
healthcare
consumers **today**



Maximize savings
for **tomorrow's**
retirement
expenses

Trends in HDHP & HSA Plan Design?

- ❖ 24% of firms with healthcare benefits offer an HSA
- ❖ HSA enrollment increased from 17-29% over last 5 years
- ❖ Average employer contribution is \$686
- ❖ 14% of HSA assets are invested and growing



What Are The Biggest Employee Mistakes/Misperceptions?

1. Use It or Lose It Confusion
2. Not Investing Balance
3. Contribution Limits
4. Purchasing Non-Eligible Medical Supplies
5. Paying a Medical Bill Early



HSA Plan Investing Like Retirement Plan Investing?

- ❖ Dual purpose of HSA (covers current year and future medical expenses) presents challenges.
 - Setting investment thresholds based on employee demographics can help address challenge.
- ❖ Some argue that HSA investment allocation may need to be more aggressive due to higher inflation rate of healthcare costs.





Regulatory, Legislative & Tax



How Could Tax Reform Impact HSA Plans?

- ❖ Impact of Trump Administration Tax Proposals
- ❖ AHCA-HSA Proposal
 - Effective 2018, contribution limits nearly double to \$13,100 family/ \$6,550 single coverage (\$15,100/yr for family coverage with age 55 catch-up, for both spouses age 55)
 - Qualifying expenses expanded to include health insurance premiums (incl. med supp plans), over-the-counter meds, preventative health
 - Unused tax credits to purchase insurance can be contributed to HSA
 - Non qualifying withdrawals penalty reduced from 20% to 10% and lapses at age 65





Next Steps



Next Steps for Plan Sponsors

- ❖ How Important is Helping Your Employees Plan for Medical Costs in Retirement?
- ❖ Help Your Employees Become Better Healthcare Consumers

- ❖ Don't Have an HSA?
 - Conduct a High Deductible Health Plan Impact Analysis

- ❖ Already Have an HSA?
 - Address lingering confusion around HSA and other Medical Savings Accounts
 - Evaluate your provider (Send us an email for sample RFP Questions)
 - Integrate resources to learn about retiree medical costs into your wellness program
 - Explore decision making tools to help prioritize medical and & retirement savings

- ❖ This webinar has been submitted for one hour of SHRM and HRCI Recertification Credits, we will send an email to all attendees with the necessary codes once approved.

Thank you!

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Feedback or questions?

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To be the best place to do business and to work.

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