

# Benefits and Campaign 2016

On the campaign trail and Capitol Hill

September 2016

# Benefits Issues in Democratic Party 2016 Platform

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## Health care

Build on ACA. Provide public option. Encourage state innovation. Repeal Cadillac tax. Reduce premiums and OOP costs. Fight excessive premium increases. Cap prescription drug prices and OOP costs. Ban pay-for-delay. Allow importation and Medicare negotiation. Fully enforce MHP. Require coverage for autism benefits.

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## Retirement

Ensure workers protected when pensions in distress. Prohibit cuts to earned pension benefits. Fight efforts to roll back fiduciary rule.

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## Social Security and Medicare

Improve benefits for caregivers. Adjust cost-of-living calculation. Fight efforts to privatize or cut benefits. Impose payroll tax on income over \$250,000. Allow Medicare buy-in.

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## Other

Increase minimum wage to \$15. Provide paid family and medical leave. Provide affordable child care. Establish Fair Share income tax surcharge.

# Benefits Issues in Republican Party 2016 Platform

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## Health care

Repeal ACA. End tax discrimination against individual purchase of health coverage. Empower individual and small business purchasing pools. Provide continuous coverage protections for those with pre-existing conditions. Promote price transparency. Allow insurance to be sold across state lines. Support HSAs and HRAs. Block grant Medicaid.

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## Social Security and Medicare

Establish Medicare premium support program. Consider all options to preserve Social Security.

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## Other

Create pro-growth tax code. States should address minimum wage.

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## Hillary Clinton's Key Benefits and Workforce Proposals



Provide paid family and sick leave.

Build on ACA. Increase premium tax credit. Reduce out-of-pocket costs. Fix family glitch. Oppose Cadillac tax. Support public option and Medicaid expansion. Cap out-of-pocket prescription drug costs. Allow HHS to negotiate drug prices and allow importation. Provide Medicare buy-in for those 55+. Strengthen mental health parity.

Support Paycheck Fairness Act. Increase minimum wage to \$12. Address worker classification. Support Obama overtime rules. Provide affordable child care.

Oppose Social Security and Medicare privatization, age increases and COLA reductions. Increase benefits for widows and caregivers. Broaden payroll tax.

Create *Rising Profits, Rising Incomes* tax credit.

## Donald Trump's Key Benefits and Workforce Proposals



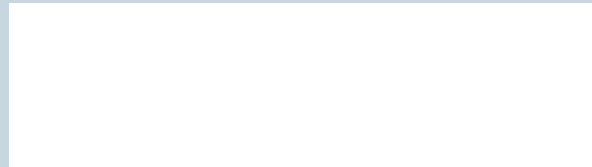
Provide paid family leave.

Repeal ACA. Allow individuals to fully deduct health insurance premiums. Allow coverage to be sold across state lines. Use HSAs. Convert Medicaid to block grants. Work with states to ensure coverage. Require price transparency. Allow prescription drug importation and encourage entry of new drugs to market.

Allow deduction for child and elder care expenses. Establish new Dependent Care Savings Account.



Adopt House GOP task force tax brackets: 12%, 25% and 33%. Eliminate estate tax and net investment income tax. Tax carried interest as ordinary income.

## Candidates on Health Care

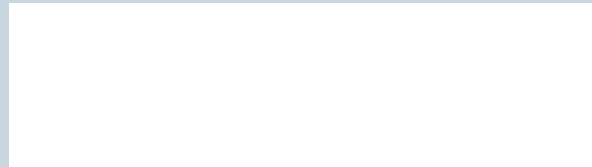


# Health Care on the Campaign Trail

## Key Issues At-a-Glance

	
<b>Donald Trump</b>	<b>Hillary Clinton</b>
<ul style="list-style-type: none"><li>▪ Repeal ACA</li><li>▪ Use HSAs</li><li>▪ Allow full deduction for premiums</li><li>▪ Sell insurance across state lines</li><li>▪ Convert Medicaid funding to block grants</li><li>▪ Require price transparency</li><li>▪ Allow drug importation</li><li>▪ Encourage entry of new drugs to market</li></ul>	<ul style="list-style-type: none"><li>▪ Build on ACA</li><li>▪ Increase tax credits</li><li>▪ Create new tax credit for out-of-pocket costs</li><li>▪ Require coverage for 3 sick visits before deductible</li><li>▪ Fix family glitch</li><li>▪ Support public option</li><li>▪ Fund first 3 years of Medicaid expansion</li><li>▪ Cap out-of-pocket prescription drug costs</li><li>▪ Require HHS to negotiate drug prices</li><li>▪ Allow drug importation</li><li>▪ Allow Medicare buy-in for those 55 and older</li><li>▪ Strengthen mental health parity</li></ul>

## Candidates on Other Issues





# Wages and Labor

## Compensation and workforce policy



**Donald Trump**

- Child care expenses
  - Tax deduction for child and elder care expenses
  - New Dependent Care Savings Accounts
  - Increased employer tax credit for onsite child care
- States should set minimum wage





**Hillary Clinton**

- \$12 minimum wage, encourage states to do more
- Support Employee Free Choice Act
- Support Paycheck Fairness Act
- Protect against worker misclassification
- Promote policies to provide fair schedules and affordable child care
- Support Obama overtime rules

# Paid Leave

State and local paid leave trend expected to continue

	
Donald Trump	Hillary Clinton
<ul style="list-style-type: none"><li>▪ Paid family leave<ul style="list-style-type: none"><li>▪ Six weeks for workers whose employers do not provide paid leave</li><li>▪ Paid for through changes in unemployment insurance</li></ul></li></ul>	<ul style="list-style-type: none"><li>▪ Paid family leave<ul style="list-style-type: none"><li>▪ 12 weeks</li><li>▪ Pay at least 2/3 of income</li><li>▪ Paid through fair share tax</li></ul></li><li>▪ Support paid sick leave</li></ul>

## Tax Reform

Tax code changes carry significant implications for compensation and benefits

**Tax proposals do not focus on tax treatment benefits**

**Other proposals hold significant implications for tax treatment of health, retirement and other benefits**



**Donald Trump**

- Tax brackets: 12%, 25%, 33%
- Increase standard deduction; eliminate personal exemption
- Cap itemized deductions
- Repeal estate tax (capital gains tax would apply)
- Repeal ACA tax on net investment income
- Tax carried interest as ordinary income



**Hillary Clinton**

- Fair share tax on incomes over \$5 million
- Restore estate tax to 2009 parameters
- Close loopholes
- Impose Buffett Rule
- Raise capital gains rate on short-term trading
- Tax carried interest as ordinary income

# Retirement

Focus on Social Security

## Social Security

- **Oppose:**
  - Privatization
  - COLA reductions
  - Retirement age increases
  - Benefit cuts
- **Expand benefits for:**
  - Surviving spouses
  - Caregivers
- **Expand wage base**



***Rising Profits, Rising Incomes* credit for employers to establish profit-sharing**

## Gary Johnson's Key Benefits and Workforce Proposals

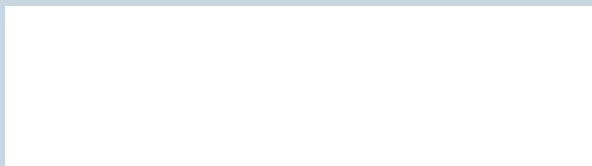
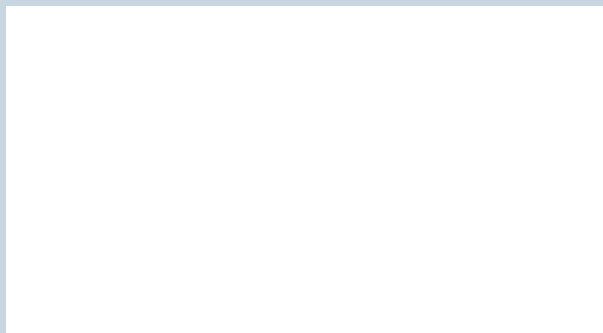
Libertarian candidate receiving attention as alternative to Trump and Clinton



Gradually move toward consumption tax. Consumption tax would replace current income and payroll taxes.

Increase jobs by reducing regulatory and legal burden on employers.

# Elections and Congress



# Legislative Path to 2017

## Campaigns and the Congressional session

### September session:

Fiscal 2016 ends September 30. Congress must fund government operations for fiscal 2017. Must-pass legislation can carry unexpected provisions.

Likely recess in late September/early October to focus on elections.

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### Election Day:

November 8. Elections will determine next President and Congress. Could also lame duck outlook.

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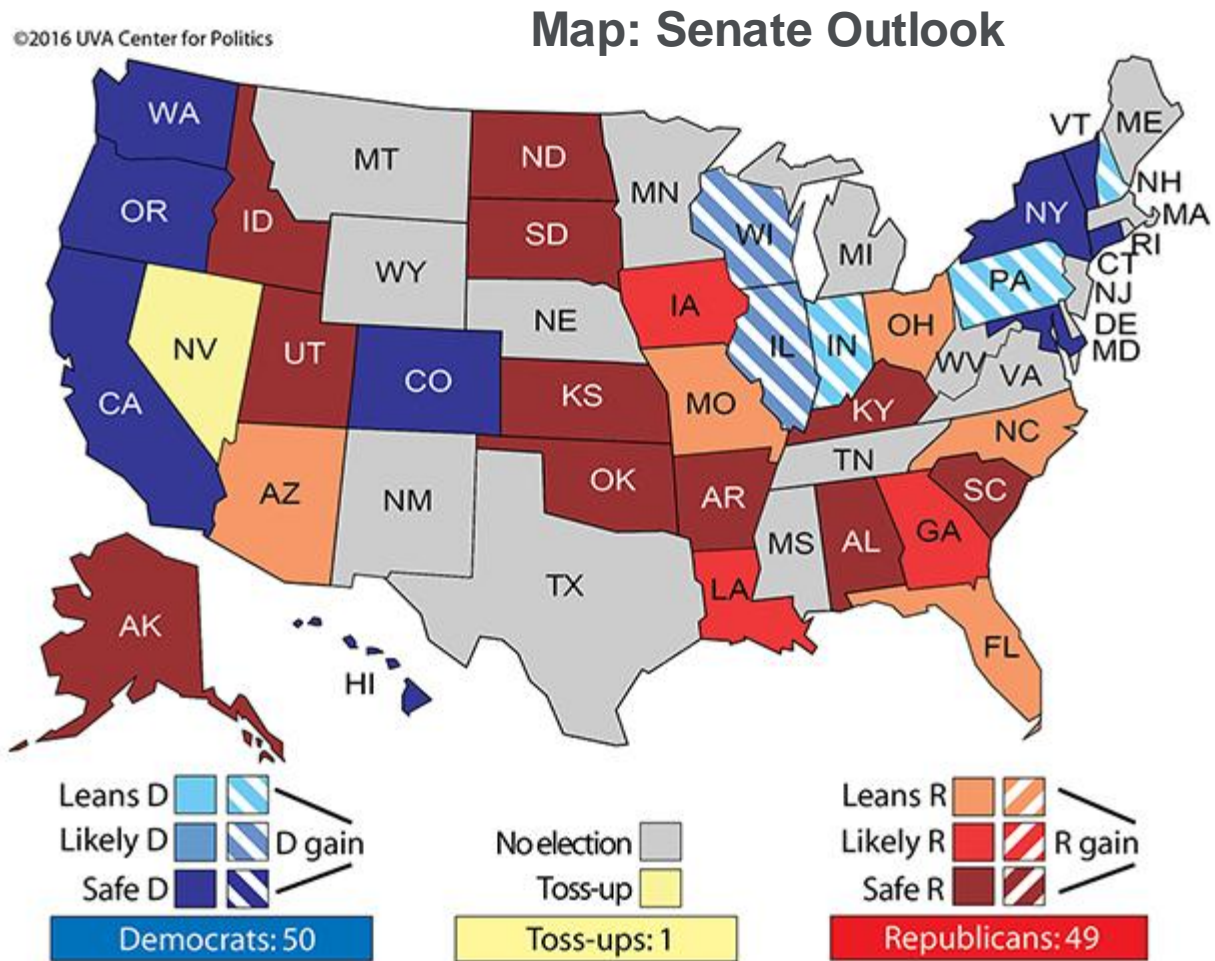
### Lame duck?

Post-election legislative sessions common so that Congress can finish must-pass legislation, but some lawmakers hoping to avoid one this year.

# Congressional Elections

Entire House, one-third of Senate facing reelection

- **Congressional outcome will help determine agenda and outlook**
- **Senate**
  - **Democrats poised to gain seats**
  - **GOP defending 24 seats**
  - **Democrats defending 10 seats**
  - **51 votes is majority but need 60 votes for effective control**
- **House GOP majority generally safe**



Updated September 7, 2016



## Speaker Ryan's Task Forces

Tax, health care reform and poverty task forces have direct benefits implications

### Tax Reform

- Brackets: 12%, 25%, 33%
- Income = all employment compensation; special rules for health and retirement
- Retain but consolidate retirement tax incentives; create Universal Savings Accounts

### Health Care Reform

- Repeal and replace ACA
- Provide premium tax credit
- Cap exclusion for employer-provided coverage
- Expand consumer-directed health plans
- Retain some ACA market reforms
- Create continuous coverage protections

### Poverty

- Direct Congress to set PBGC premiums to ensure solvency
- Discourage funding reform as revenue raiser
- Reject DOL fiduciary rule
- Support open multiple employer plans
- Encourage electronic disclosure

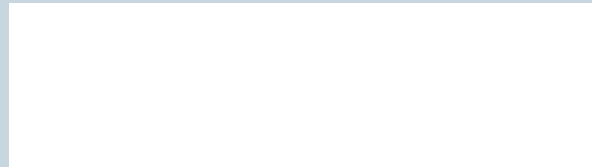
### Economy

Improve retirement security using private pension system

### Constitution

Improve regulatory and legislative drafting

## Election Outcome Scenarios



## Election Scenarios: Possible Outcomes and Outlook

- Congressional outcome will help determine agenda and priorities
- Relationships between Congress and White House will play key role
- Meaningful action will take time
- Congress may have to use budget reconciliation to move key priorities
- Trade, foreign affairs, homeland security and regulatory reform may be on the agenda

### GOP Sweep

- ACA repeal likely, not guaranteed
- ACA replacement possible; could change tax treatment of employer plans
- Likely need to use reconciliation
- Tax reform discussions. Action unlikely
- No federal action on paid leave or minimum wage increase.

### Pres: GOP Senate: Dem House: GOP

- Senate can block ACA repeal
- Some ACA changes possible
- Tax reform discussions. Action unlikely
- Senate push for paid leave and minimum wage increase, but House can block

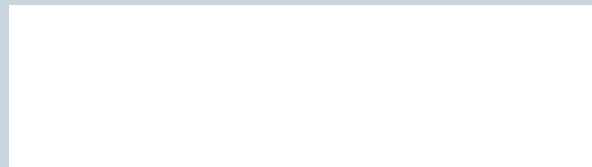
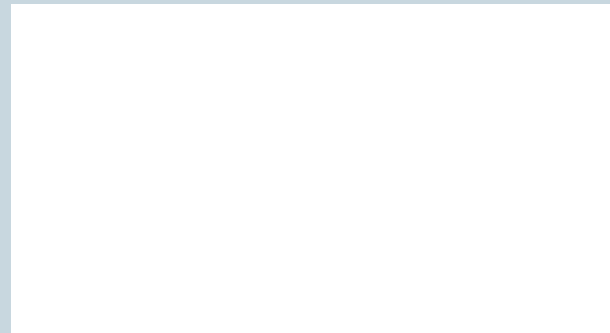
### Pres: Dem Senate: Dem House: GOP

- No ACA repeal
- Targeted, bipartisan ACA changes possible
- Tax reform discussions. Action unlikely.
- White House, Senate push for paid leave and minimum wage increase. House can block.

### Dem Sweep

- Build on ACA
- Push for paid leave
- Push for minimum wage increase
- Possible action on Paycheck Fairness Act and Employee Free Choice Act
- Tax reform discussions. Action unlikely.

# Tax Reform



## Tax Reform and Tax Expenditures

Employer-provided benefits are significant tax expenditures

### Key Federal Tax Expenditures

Joint Committee on Taxation, December 7, 2015

Provision	Tax expenditure (2015-2018, in billions)
Employer health plans	\$770
Health savings accounts (HSAs)	\$12
Defined benefit plans	\$315
Defined contribution plans	\$504
Saver's credit	\$6
Transportation benefits	\$27.2
Home mortgage interest	\$420
Charitable contributions (other than education and health)	\$198
State & local income, sales and property tax deduction	\$342

Health and retirement are top tax expenditures

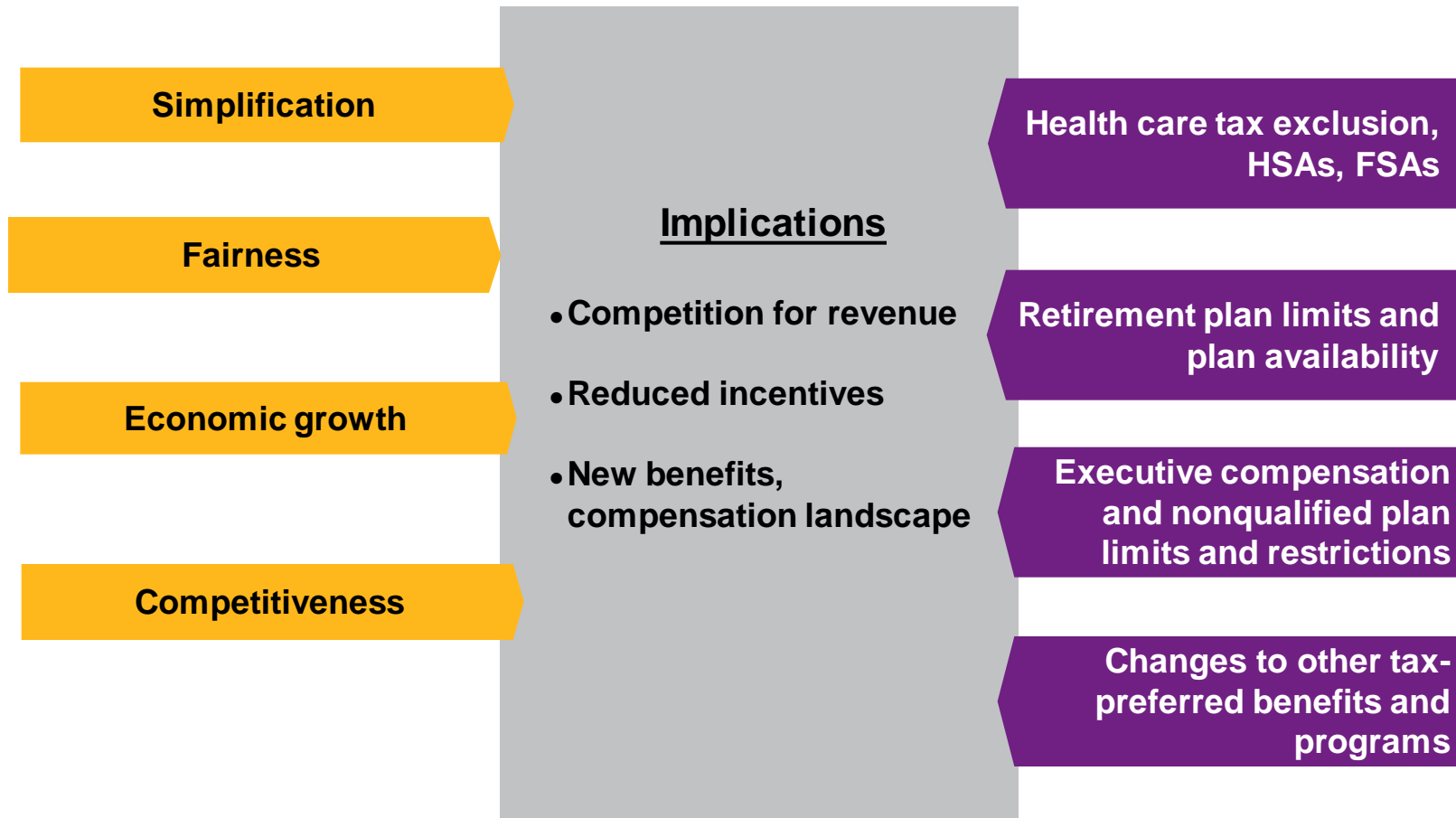
- Tax expenditures affect rates
- Are expenditures “fancy loopholes”?
- Without tax reform, changes to these rules could raise revenue for other bills

# Balancing Tax Reform and Benefits

Tax changes have significant implications for benefit programs

## General tax reform goals

## Benefit plans



# Tax Exclusion for Employer-Provided Coverage

Increasing attention in tax reform and health care reform discussions

## Political criticism of unlimited exclusion

- Unfair and regressive
- Encourages overconsumption
- Conceals cost of coverage and care
- Contributes to job lock
- Reduces choice and distorts markets

## Growing House GOP support for cap

- Included in House task force proposal
- Included in several ACA replacement bills

## Cap seen as means to:

- Expand coverage
- Improve flexibility and choice
- Increase wages
- Reduce tax expenditure
- Reduce health care costs

## Details make the difference

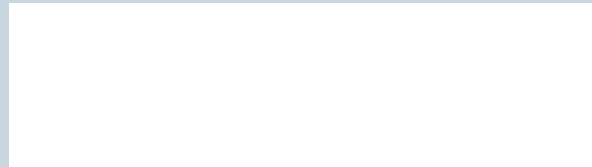
Scope of coverage included in value of plan

Indexing: CPI, medical inflation, blend or other?

Benefit mandates that increase cost of coverage

Reforms that reduce health care costs and/or increase transparency

## 2017-2018 Legislative Outlook





## Retirement Agenda

Retirement discussions will focus on access and adequacy

- **Multiple employer plans**
  - Allow open MEPs – unrelated employers
  - Eliminate “one bad apple” rule
- **Plan Leakage**
  - Extend payback period for plan loans after termination
  - Allow contributions after hardship distribution
  - Limit number of plan loans
- **Auto-enrollment safe harbor with higher automatic escalation**
- **Lifetime income disclosure**
- **State retirement plan initiatives**

## Health Care Agenda

Partisan hearings and bill introductions expected to continue

- **Targeted ACA changes**
- **Long-standing Republican proposals**
  - Repeal ACA
  - Expand HSAs and CDHP coverage
  - Premium support program for Medicare
  - Block grant program for Medicaid
- **Prescription drug costs**
  - Speed generics to market
  - Increase education

## Executive Compensation

Most of pending legislation likely to be re-introduced

- **Limit 162(m) deduction**
  - Link to average worker pay
  - Remove performance-based exception
  - Broaden number of companies subject to limit
- **Amend 409A**
- **Repeal pay-ratio disclosure**
- **New restrictions for proxy advisory firms**

*Executive compensation legislation is always on the table because most of the bills are revenue raisers that can be used to pay for other priorities.*

## Student Loan Assistance Programs

Focus on student loans will continue into 2017

- **Senator Wyden retirement discussion draft**
  - Treat student loans as elective deferrals to DC plan
  - Allows for employer match
- **Tax advantage for employer-provided student loan repayment**
  - Amend existing exclusion for employer-provided educational assistance
  - Create a separate exclusion for student loan assistance with higher limit
- **Expand college savings programs**
  - Allow employer contributions to section 529 plans
  - Facilitate payroll deduction contributions to section 529 plans
  - Expand Savers Credit to section 529 plan contributions

*Student loan assistance has attracted bipartisan support and there is growing employer interest in these benefits that could drive legislative activity.*