



**The
ERISA
Industry
Committee**



Frequently Asked Questions

What is ERIC?

The ERISA Industry Committee (ERIC) is a membership organization representing the employee benefit plans of America's largest employers. For decades, ERIC members have voluntarily provided comprehensive health, retirement, and other benefit and compensation plans to their employees and their employees' families. Together, ERIC members provide and pay for benchmark life security plans directly to more than 1 out of 10 Americans.

What are Life Security benefits?

Life Security benefits guarantee peace of mind. They provide for retirement plans or other financial security arrangements to supplement Social Security and ensure a comfortable retirement, and allow people access to and payment for treatment in the health care system—including physician, hospital, and other health providers. Traditional life security policy has envisioned a balance of employer-provided benefits, employee savings, and government programs as a “three-legged stool.”

What is the New Benefit Platform for Life Security?

The New Benefit Platform outlines a new approach to the provision of Life Security benefits. It frames a simplified structure for providing benefits through independent Benefit Administrators, who compete with each other based on quality, plan design, and cost. The platform provides guiding principles and a new optional approach for simplifying both retirement and health benefits which complements the current voluntary employee benefits system.

Why is a New Benefit Platform necessary?

The American benefit structure has evolved over time, but in many respects and for some companies it no longer responds to employer or employee needs. Increased globalization, a more diverse and mobile workforce and continued competitive pressures require a fundamental redesign of how benefits are delivered.

Do increasing costs drive the need for a new benefit platform?

Yes, escalating costs drive calls for greater efficiency and effectiveness.

- Employers spent \$628.4 billion for retirement benefits in 2005.¹
- Employers spent \$596.5 billion on health benefits in 2005.²
- Few Americans are adequately prepared for retirement. Almost half of workers saving for retirement report total savings and investments of less than \$25,000. The majority of workers who have not put money aside for retirement have little in savings at all: 7 in 10 of these workers say their assets (other than their homes) total less than \$10,000.³

¹ Employee Benefit Research Institute, December 2006. Survey data includes private and public sector workers.

² Ibid.

³ Employee Benefit Research Institute 17th Annual Retirement Confidence Survey, April 2007.

- 44.5 million Americans under the age of 65 lack health insurance.⁴
- Health benefits and some retirement benefits as they are currently provided are not “portable,” which means an employee surrender their benefits when changing jobs. This creates “job-lock,” where an employee feels trapped in a job because of fear of surrendering benefits—a situation that benefits neither the individual nor the employer.

Is this a means to allow employers to get out of providing benefits altogether?

No, in fact, just the opposite. Many if not most employers want to continue to provide benefits to their employees, but the current structure is inefficient and a constant source of frustration both to individuals and to employers. The New Benefit Platform provides an alternative means to provide benefits that assures choice and guarantees access.

How does it work?

The New Benefit Platform proposes creation of a Benefit Administrator — that is, a trusted intermediary with significant expertise in designing, delivering, and managing retirement and short-term savings benefits, and health plans. Benefit Administrators could be direct providers or assemblers of affiliated providers. The Benefit Administrator would be the individual’s point of entry to access the retirement and health care benefits system, and the entity through which any purchaser (individual or employer) could purchase benefits.

Would employers have to participate? Would this replace the current system of employer-based benefits?

No. Participation would be voluntary; employers would be free to maintain their current benefit structure if they so desired.

Who can be a Benefit Administrator?

Any entity that has significant experience and expertise in designing, delivering and managing benefits. These might include banks, mutual fund/investment companies, insurers, health plans, or new “platform” administrators.

Would Benefit Administrators compete against each other?

Yes. Across the nation, uniform service areas would be established particularly for health care coverage; each area would be served by at least two Benefit Administrators.

Who would buy services from a Benefit Administrator?

Individuals or employers both could purchase benefits from a Benefits Administrator.

Who would regulate Benefit Administrators?

Employers conduct business and have employees in more than one state; both retirement and healthcare are not limited by state boundaries. Benefit Administrators therefore, should be federally regulated to avoid patchwork oversight that comes with state-by-state regulation.

Does this proposal expand coverage and reduce the number of uninsured? Does it preclude universal coverage for health care?

The New Benefit Platform assumes universal coverage. Individuals would be required to obtain health coverage—either by purchasing coverage from a Benefit Administrator or by having their employer do so on their behalf. Individuals covered by Medicare, Medicaid, the Veterans Administration, the Indian Health Service, or other government-administered health plans would be unaffected.

⁴ U.S. Census Bureau

How would the New Benefit Platform affect union contracts?

The New Benefit Platform is voluntary, so whether it is applied to union contracts would vary with negotiation in each instance between the company and its labor unions, where applicable. It is anticipated that labor would be receptive to the platform as a means of encouraging employers to continue providing benefits and for employees to enjoy benefit portability.

Does the New Benefit Platform address other shortcomings in our benefits system?

Yes. Transparency is critical to the success of the New Benefit Platform. For example, it adheres to the Four Cornerstones of Value-Based Purchasing as outlined by Health and Human Services Secretary Mike Leavitt: health information technology, public reporting of provider quality information, public reporting of cost information, and incentives for value comparison. Benefit Administrators would be strongly encouraged to adhere to those four cornerstones, allowing transparency of their own administrative and quality information, and competing on the basis of innovation, quality, and price.

What's next?

The New Benefit Platform is an innovative framework designed to encourage all stakeholders to join with us in a thoughtful national conversation about the future of retirement and health benefits.



THE ERISA INDUSTRY COMMITTEE

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Advocating the Employee Benefit and Compensation Interests of America's Major Employers