

Legislate[®]

Key Legislative Developments Affecting Your Human Resources

Volume 2 | Issue 02 | February 14, 2013

The State of the Union: health, retirement, and other HR issues

In his recent State of the Union address, President Barack Obama spoke for nearly an hour, and, surprising to some, only mentioned the Affordable Care Act once. Although he alluded to tax reform, he did not mention two of the biggest expenditures: the tax favorable treatment of employer health and retirement plans. He did, however, specifically request that Congress raise the minimum wage and pass the Paycheck Fairness Act.

In this article: [Health care](#) | [Pension and retirement](#) | [Tax reform](#) | [Minimum wage and Paycheck Fairness Act](#) | [In closing](#)

Health care

In his address, Mr. Obama mentioned the Affordable Care Act (ACA) directly once, stating that “[a]lready the Affordable Care Act is helping to slow the growth of health care costs.” However, Mr. Obama did not elaborate on this. Some have wondered what it means that the ACA was only mentioned once and even then in passing. One conclusion is that health care reform is not on the President’s legislative agenda, even though it remains an administration priority through the regulatory and guidance process.

However, the fight on Medicare may have just begun. Mr. Obama stated that he was “prepared to enact reforms that will achieve the same amount of health care savings by the beginning of the next decade as the reforms proposed by the bipartisan [Simpson-Bowles](#) commission.” Some of these recommendations included changes to the doctor reimbursement rate and cost-sharing rules. Mr. Obama elaborated on this by saying he is willing to “reduce taxpayer subsidies to prescription drug companies and ask more from the wealthiest seniors” and change “the way our government pays for Medicare, because our medical bills shouldn’t be based on the number of tests ordered or days spent in the hospital – they should be based on the quality of care that our seniors receive.” Mr. Obama concluded that although he is open to additional reforms from both parties, reform (presumably Medicare) should not violate the guarantee of a secure retirement.

Pension and retirement

Mr. Obama did not directly address either Social Security or private retirement reform, although he did express concern that our current tax system and Medicare could jeopardize future generations’ retirement security.

Tax reform

Mr. Obama directly called for tax reform stating that it is needed to encourage job creation and bring down the deficit. He also stated that tax reform should simplify the tax code to help small businesses. Mr. Obama did not get into any specifics on tax reform, including whether he would eliminate or change the tax preferential treatment for employer-sponsored health and retirement benefits. For more details on possible tax reform scenarios to these plans, see our December 18, 2012 [Legislate](#).

Minimum wage and Paycheck Fairness Act

Mr. Obama was very specific in his call to raise the federal minimum wage to \$9 per hour. He did not, however, go into any detail about how this would impact how much employers spend on benefits, such as health and retirement, or workforce development.

Mr. Obama also urged Congress to pass the [Paycheck Fairness Act](#), which was introduced twice in previous Congresses. Recently, Senator Barbara Mikulski (D-MD) introduced the bill in this Congress. In part, the Paycheck Fairness Act would require an employer to prove that pay disparity was based on a factor other than sex, such as education, training, or experience. Given the Republican dominated House of Representatives, it is doubtful that this will become law during this Congress.

In closing

Although the State of the Union was short on any details regarding the President's position on employer-provided health or retirement benefits, this term his agenda will include many employee-centered proposals. In addition, it would not be surprising if we were to see increased enforcement activities from the EEOC or DOL aimed at protecting employees.

Authors

Chantel Sheaks, JD
Richard Stover, FSA, MAAA

Produced by the Knowledge Resource Center of Buck Consultants at Xerox

The Knowledge Resource Center is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, surveys, training, and knowledge management. For more information, please contact your account executive or email fyi@xerox.com.

You are welcome to distribute *Legislate*® publications in their entirety. To manage your subscriptions, or to sign up to receive our mailings, visit our [Subscription Center](#).

This publication is for information only and does not constitute legal advice; consult with legal, tax and other advisors before applying this information to your specific situation.

©2014 Xerox Corporation and Buck Consultants, LLC. All rights reserved. Xerox® and Xerox and Design® are trademarks of Xerox Corporation in the United States and/or other countries. Buck Consultants® is a registered trademark of Buck Consultants, LLC in the United States and/or other countries.