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Key Legislative Developments Affecting Your Human Resources US

Volume 9 | Issue 4 | February 1, 2018

State of the Union Sets Tone for 2018

The president delivered his first State of the Union address to Congress and the nation this week. His speech primarily focused on immigration, spending for infrastructure, national defense and trade, but he also touched on several employment-related matters.

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State of the Union

While the overarching themes of immigration, infrastructure, defense and trade dominated the [address](#), President Trump wove in tax reform and the elimination/reduction of regulations that ultimately filter down and impact employers, employees and employee benefits.

Labor and Employment

The president touted progress over the last year in creating new jobs, raising wages and reducing unemployment. He outlined work for the future — investing in workforce development, job training, and vocational schools. And he asked generally for support of paid family leave to help working families, though he did not say anything specific about this.

He called out small and large firms for their efforts in hiring and expanding their businesses in response to tax reform: small business Staub Manufacturing added 14 more workers; Apple Inc. announced plans to “invest a total of \$350 billion in America” and hire another 20,000 workers. More broadly, he called out that roughly 3 million workers have already received “tax-cut bonuses,” a notion supported by the many announcements of companies paying bonuses, increasing wages, and adding to pension funding in response to the tax cuts. (See our *HR Insights* blog on the [Tax Cut Bonus Club](#).)

Healthcare

The president mentioned the recent repeal of the individual mandate under the ACA. He also pledged to bring down drug prices, noting that it is one of his “greatest priorities” (in addition to addressing the opioid crisis). This is an issue the president has mentioned over the



past year and raised again at the swearing in of the new Secretary of Health and Human Services (HHS), Alex Azar, earlier this week. Secretary Azar has said that addressing prescription drug prices is a central part of his agenda for HHS. No specific plans have been proposed, but both the president and secretary have alluded to increasing competition, encouraging the development of generic drugs, and focusing on the pharmaceutical supply chain (such as insurance companies and pharmacy benefit managers), as well as lightening the regulatory burden to get drugs approved.

Comment. A decrease in prescription drug costs could be good news for employers, but it will depend on the strategy that is implemented. A focus on the pharmaceutical supply chain could ultimately result in a cost shift and cost increase for other areas that support employer group health plans.

Pension and Retirement

No remarks in the address suggested that there might be changes in store for retirement plan requirements or relief. But President Trump did remind his audience that the stock market has “smashed one record after another,” which has been terrific for 401(k) account balances, pensions and college savings.

Looking Ahead

Congress still needs to address this year’s budget. The continuing resolution currently in effect funds the government through February 8. Immigration issues will be the primary hurdle for negotiations to keep the lights on beyond that date. In all likelihood there will be one, and perhaps two, more extensions before a final budget is adopted and work then starts on the budget for the next fiscal year. Family leave, wages and healthcare costs — more so than retirement — could be topics that Congress addresses in 2018.

Democratic Response

Representative Joe Kennedy, D-Mass., delivered the official **Democratic response**, which included their take on similar themes, including living wages, paid leave, affordable childcare and solvent pensions.

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Produced by the Knowledge Resource Center of Conduent Human Resource Services

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