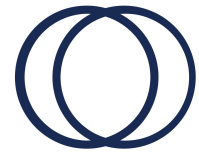




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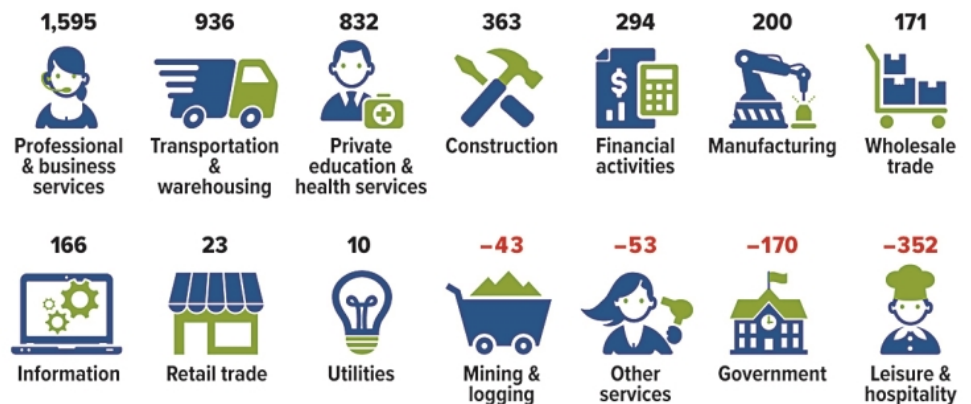


Fall is officially here! We're heading into one of the most beautiful and busiest times of the year. Mark your calendars to review your employee benefits and/or Medicare benefits during OPEN ENROLLMENT and plan to join us on October 11th for a Social Security seminar in the office.

Uneven Jobs Recovery

The U.S. economy lost nearly 22 million jobs during the two-month pandemic recession of March–April 2020. The total job count returned to pre-pandemic levels in June 2022, and by July 2023, there were almost 4 million more Americans working than before the pandemic. But jobs shifted among industries. The biggest gains have been in professional & business services (which includes many remote workers) and transportation & warehousing, while the biggest losses have been in leisure & hospitality and government, largely in public education.

Change in U.S. employment by industry between February 2020 and July 2023, in thousands



Source: U.S. Bureau of Labor Statistics, 2023

New Medicare Rules Tackle Prescription Drug Prices

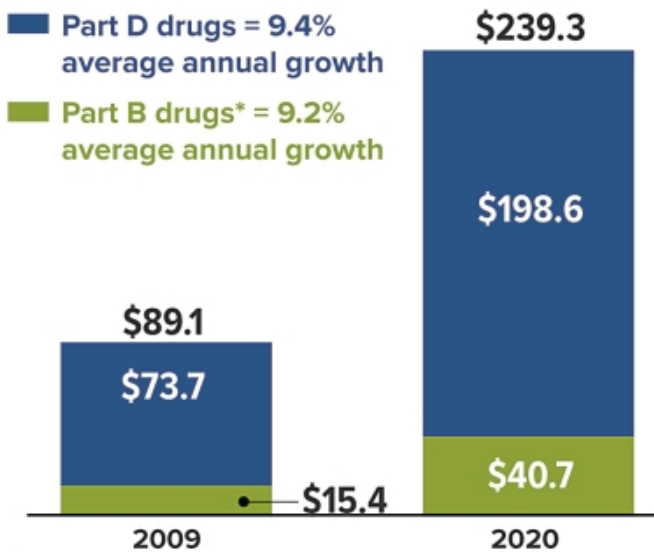
The Inflation Reduction Act of 2022 included provisions intended to lower prescription drug costs for Medicare enrollees and slow drug spending by the federal government. According to an estimate by the Congressional Budget Office, the law's drug pricing reforms could reduce the federal budget deficit by \$237 billion over 10 years (2022 to 2031).¹

Here's an overview of the changes to the Medicare program — which covers 64 million seniors and people with disabilities — and timelines for when they take effect.

Drug Price Negotiation

For the first time, the federal government will negotiate lower prices for some of the highest-cost drugs covered under Medicare Part B and Part D. The first 10 drugs selected for the negotiation program were announced in August of 2023. The negotiated "maximum fair prices" for the initial 10 drugs are to be published by September 1, 2024, and go into effect starting January 1, 2026. Up to 15 drugs will be subject to negotiation each year for 2027 and 2028, and up to 20 more drugs for each year after that.²

Rising Medicare spending on drugs (in billions) between 2009 and 2020



*Typically administered by a health professional in a hospital or another medical facility

Source: MedPAC Data Book, July 2022

Inflation Rebates

By one estimate, the list prices of about half of all drugs covered by Medicare between 2019 and 2020 rose faster than inflation.³ To discourage this practice, manufacturers of drugs covered under Medicare Part B and Part D will be required to pay rebates to the federal government if price increases for brand-name

drugs without generic or biosimilar competition exceed an inflation-adjusted benchmark (beginning in 2023). Medicaid, a federal program that provides health coverage for low-income Americans of all ages, already receives similar inflationary rebates.

Redesigned Part D Benefits

The new law also modifies the design of Medicare's benefits and shifts liabilities so that Part D insurance plans will pay a larger share of the program's drug costs, while enrollees and the government pay less.

Under the 2023 Medicare Part D standard benefit, enrollees pay a \$505 deductible and 25% of all drug costs up to the catastrophic threshold, and then a 5% coinsurance (above \$11,206 in total costs or \$7,400 in out-of-pocket costs). But there is currently no limit on the total amount that beneficiaries might have to pay out of pocket if high-cost drugs are needed.

Starting in 2024, the 5% coinsurance requirement for Part D prescription drugs in the catastrophic phase is eliminated, which effectively caps enrollees' out-of-pocket drug costs at about \$3,250. A hard cap of \$2,000 will apply to out-of-pocket costs for Part D prescription drugs in 2025 and beyond (adjusted for inflation). Annual premium increases will also be limited to no more than 6%.⁴

Insulin Cost-Sharing Limits

Starting in 2023, deductibles will not apply to covered insulin products under Medicare Part D or Part B for insulin furnished through durable medical equipment. Also, the applicable copayment amount for covered insulin products will be capped at \$35 for a one-month supply.

Medicare enrollees who live with a chronic disease like diabetes or face any illness that requires treatment with high-cost specialty drugs (such as cancer or multiple sclerosis) could see significant savings in the coming years thanks to these changes. Still, younger individuals who are uninsured or have private insurance plans with high deductibles could continue to feel financial pain from rising drug costs — with one notable exception.

Three major drugmakers have announced deep price cuts of at least 70% for older forms of insulin. These decisions may have been influenced by public backlash, new competition, and changing market dynamics, along with the threat of financial penalties soon to be imposed by Medicaid because drug prices were raised faster than the rate of inflation.⁵

1) Congressional Budget Office, 2023

2) U.S. Department of Health and Human Services, 2023

3–4) Kaiser Family Foundation, 2023

5) *USA Today*, March 16, 2023

College Forecast: Skepticism Toward Higher Education Rises

A notable shift in public opinion over the past decade about the value of a college degree may portend a reckoning for the higher education industry in the years ahead — and for the families who are trying to save for and manage the costs. A 2023 survey found disaffection spreading to all age groups, with 56% of Americans saying a four-year college degree isn't worth the cost due to students graduating with significant debt and a lack of specific job skills vs. 42% who think college is worth it.¹ Ten years ago, the survey numbers were almost reversed.

Lower College Enrollment

Public misgivings about college intensified during the pandemic, when academic instruction moved online and families began questioning sky-high tuition costs. This translated into lower enrollment, which continued post-pandemic. For the 2022–2023 school year, the college enrollment rate was 62%, down from 66.2% in 2019–2020. Over the past decade, college enrollment has declined by about 15%.²

There are other factors at play besides public skepticism. A robust job market for less-educated workers has made it easier for high school graduates to justify skipping college and head straight into the labor market. At the same time, alternative forms of job training, such as apprenticeships and certificate programs, have become more prevalent and are increasingly seen as viable educational paths toward landing a good job.

Cost: The Elephant in the Room

A big reason Americans are souring on college is the cost. For the 2022–2023 school year (most recent data available), the average one-year cost for tuition, fees, room, and board was \$23,250 for in-state students at a four-year public college, \$40,550 for out-of-state students, and \$53,430 at a four-year private college.³ But many schools, especially "elite" private colleges, cost substantially more, with some over the \$80,000 mark.⁴

Even with a discount on the sticker price, the total cost over four years is too much for many families to absorb. One result of high sticker prices in recent years has been a surge of interest in public colleges, particularly state flagship universities, many of which offer robust academic and student life opportunities comparable to their private counterparts.

Another factor in the college value proposition is time. Four years (or longer if a student changes majors or doesn't have enough credits to graduate) is a significant investment of time when compared to a one- or two-year certificate or apprenticeship program. Some students are balking at the traditional time commitment of college and the lost opportunity cost of not entering the job market sooner.⁵

Federal Student Loan Interest Rates

	2022–2023	2023–2024
Direct Loan: Undergraduate	4.99%	5.50%
Direct Loan: Graduate	6.54%	7.05%
PLUS Loan: Parent and Graduate	7.54%	8.05%

Source: U.S. Department of Education, 2023

The Burden of Student Loans

Many students need to take out federal, and sometimes private, loans to cover college expenses. Interest rates on federal student loans are based on the rate for the 10-year U.S. Treasury note and reset each year. For the 2023–2024 school year, they have increased again and are now the highest in a decade.

The burden of student loan debt was bubbling in the public consciousness for years but boiled over during the pandemic. Nine payment pauses since March 2020 halted repayment, and widespread calls to cancel student debt led to an executive order in August 2022 cancelling up to \$10,000 in federal student loans (\$20,000 for Pell Grant recipients) for borrowers with incomes below certain limits, an order that was struck down in June 2023 by the U.S. Supreme Court.⁶ Also in June, as part of the debt ceiling agreement, Congress ordered an end to the payment pause, and the Department of Education later clarified that payments would start back up in October — a sobering reality for millions of borrowers after three-and-a-half years of payment pauses.⁷

To help those who may be in financial distress, a new income-driven repayment plan — Saving on a Valuable Education (SAVE) — will allow borrowers to cap their monthly student loan payments at 5% of their discretionary income. It replaces the Revised Pay as You Earn (REPAYE) plan, which capped monthly payments at 10% of discretionary income.⁸

1) *The Wall Street Journal*, May 31, 2023 (numbers do not add up to 100% due to rounding)

2, 5) *The Wall Street Journal*, May 29, 2023

3) The College Board, 2022

4) Harvard University, 2023; Stanford University, 2023

6) *The New York Times*, June 30, 2023

7) Fiscal Responsibility Act of 2023; U.S. Department of Education, 2023

8) U.S. Department of Education, 2023

How to Kill Your Zombie Subscriptions

In a 2022 survey, consumers were first asked to quickly estimate how much they spend on subscription services each month, then a while later, they were directed to break down and itemize their monthly payments. On average, the consumers' actual spending was \$219 per month, about 2.5 times as much as the \$86 they originally guessed.¹

Zombie subscriptions are auto-renewing services that people sign up for then forget about or rarely use. Some common examples include mobile phone and internet plans, television, music, and game streaming services, news subscriptions, meal delivery, language courses, and health/fitness memberships (digital and in person).

New types of services are rolling out every day, which is just one reason why subscription costs can creep up on you. But with inflation cutting into your purchasing power, getting rid of a few unnecessary recurring charges could help balance your household budget.

Conduct an audit. Some subscriptions are billed annually, so you may need to scrutinize a full year's worth of credit card statements. Plus, if you purchased a subscription through an app store on your smartphone, the name of the service won't be specified. So when you notice a recurring charge that you can't identify, try looking for a list of subscriptions in your device's settings.

Share of consumers who forgot about subscriptions but still paid for them, by age group



Source: C+R Research, 2022

Use an app. One in 10 consumers said they rely on banking and personal finance apps to track their spending on subscription services. There are several popular services that can be used to scan account statements for recurring costs and remind you to cancel unwanted subscriptions before they renew automatically — if you are comfortable sharing your financial information.

Some companies make it difficult to cancel unwanted subscriptions by requiring a call, hiding the phone number, and/or forcing customers to wait to speak to a representative. If you find this practice frustrating, help may be on the way. The Federal Trade Commission has proposed a new rule that requires companies to make it just as easy to cancel a subscription as it is to sign up.

1) C+R Research, 2022

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