

CHAPTER 6

PROFESSIONAL HUMAN RESOURCES OPTIONS

[Understanding Professional Medical Employer Organizations]

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“In-house service and support activities are monopolies. They have little incentive to improve productivity. In fact, they have considerable disincentive to improve their productivity. Clerical, maintenance and support work, do not make a direct and measurable contribution to the bottom line.”

“Sell the Mailroom” by Peter F. Drucker

Labor Law compliance *begins* with the hire of your very first employee, thus a well managed human resources (HR) function should be an area of strategic focus by the medical executive, regardless of practice size or the number of employees. Consideration of this vital role can help contribute to an efficient, highly effective and productive professional staff committed to the goals of the practice encompassing a positive and nurturing culture evident to your patients, while maintaining your competitive edge.

HR is the major expense driver of today’s medical practice and addresses staffing requirements, wages and other compensation, payroll and tax compliance, labor law compliance, employee benefits, training, employee turnover, safety, risk management and workers’ compensation. These responsibilities must be performed in accordance with State and Federal guidelines, *beginning with the hire of your very first employee.*

At specific employee level thresholds, employers are required to comply with a growing number of employee-related requirements including State and Federal Laws. A partial list is shown even though the total number is vast considering each and every State has its own extensive regulatory and compliance burden (Figure 6.1). These laws govern the proper method of how employees must be treated and paid, as well as ensuring that their rights in the workplace are protected. State and Federal Regulators each create vast amounts of workplace legislation every year, many of which become law. In most cases, the specific requirement (either State or Federal) that affords the employee the most workplace rights and/or protection and benefits takes precedence over the other. Non-compliance can subject the practitioner/business owner to hefty fines, penalties, business interruption, litigation, and in some cases, even practice failure.

In most cases, these HR efforts are backed by labor attorneys, service providers, brokers and other consultants. Given the typical size of a medical practice, this presents a compelling argument that practices should consider taking advantage of an innovative alternative: being able to delegate (*outsource*) part or most of the HR burden as well as the *employee/employer related liabilities*.

[Insert Figure 6.1]

Simply put, instead of the practitioner/staff performing the HR requirements, part or most of this responsibility can be *outsourced* to an off-site HR services provider that specializes in labor law compliance, employee management and cost control. The practitioner retains functional control of the employees and the service provider handles the HR issues. Added value is achieved by the practice in receiving these services *more cost effectively* since their needs are combined with those of the many other practices and businesses the provider already serves. Outsourcing is a matter of simple economics,

enabling the practitioner to gain relief from cumbersome employee administration, while enhancing productivity and benefits for the staff members.

The HR outsourcing relationship *is not* to be confused with a Physician Practice Management Company (PPMC). The HR services provider has *no financial interest or ownership* whatsoever in the practice.

DEFINITIONS

Outsource: To have an outside firm take responsibility *and* much of the liability to perform activities traditionally handled by internal staff and resources because:

1. They can do it cheaper and/or faster.
2. They can do it better because of their expertise and experience.
3. They have all of the required professional staff and/or facilities.
4. They take all or part of the risk and the liability to do it right.
5. They can expand their service offering commensurate with your growth needs
6. They save you the time of doing it yourself or having one or more of your key staff members distracted from the priorities of the practice.
7. They help safeguard against chaos should the key person handling HR suddenly leave
8. They help maintain the high standards of the practice with regard to the employees and the workplace
9. Outsourcing can benefit all parties.

Human resource management: In general, HR management consists of the activities, responsibilities and issues of any practice/business, corporation, partnership or other business entity that comes as a result of

having employees (IRS1099 independent contractors are not considered employees). Some of these requirements are mandatory such as paying minimum wage and providing workers' compensation insurance protection; other aspects and their related administrative functions can be at the discretion of the owner(s) of the practice or business such as sponsoring health benefits, retirement plans for their employees or paid vacation and sick time.

INTRODUCTION

What follows is an overview of the HR requirements of being the *employer*. This includes a condensed view of employment and labor laws, government compliance issues, employee related costs and the alarming upsurge in employee litigation. The last poses a growing level of *liability*, *vulnerability* and *distraction* to today's medical executive and practitioner/owner, second only to that of medical malpractice. As a result, many physicians without available HR expertise are finding it increasingly difficult to focus on growing their practices.

HUMAN RESOURCES COMPONENTS AND COSTS

- Human Resources Management and Administration
- Payroll Processing, Employer Tax Filings, Reporting and Administration
- Flexible Employee Benefits Program and Administration including Retirement Plans
- Risk Management and Safety including Training and Administration
- Workers' Compensation Insurance Program, Claims Management and Administration
- Labor Law Compliance and Employer Liability Issues, Employment Practices Liability Insurance (EPLI)
- Optional and Voluntary Employer/Employee Programs.

To gain a better perspective on the costs associated with the HR function, one can evaluate these activities utilizing a hard and soft dollar cost scenario.

Hard dollar costs usually involve payments for specific HR Components that can be clearly defined, compared and reconciled.

Soft dollar costs can involve a major consumption of time and resources and are characterized by often non-reconcilable or blurred costs that overlap and are prone to some interpretation. The time value alone can vary greatly depending upon whether the practitioner and/or the office manager handle these responsibilities personally (and correctly). These activities usually involve non-core activities and introduce far more serious **hard dollar cost** considerations such as fines, penalties and other damages for incidents of unintended non-compliance for labor law infractions as an example.

TYPICAL *HARD DOLLAR* COSTS

Wages for employees
Employer taxes paid
Payroll processing Service
Workers' Compensation insurance
Health, Dental and Vision benefits
401k or other Retirement Plan
Malpractice insurance
Business insurance

TYPICAL *SOFT DOLLAR* COSTS

Time and productivity loss for non-core functions
Administration of employees/paperwork
Administration of employee benefits plans
Government compliance – 60+ labor laws
Risk management/Safety compliance
Labor law liability and vulnerability
Employee turnover, lost productivity
Hiring & selection, training, termination

Fines, penalties, litigation damages

Lack of proper training, low morale

[Insert Table 6.1]

EMPLOYEE RELATED COSTS

Typically, *employee related costs* are tracked by expressing the applicable added costs as a percentage of the total gross wages of the practice. Figure 6.2 provides a breakdown of the primary activities which amount to 24%-26% above gross wages depending upon the employees' specific job function. This is a national average including workers' compensation insurance for *low risk job functions such as clerical, doctor's office staff and similar positions at the workplace*. This 24%-26% *does not* include the cost of health, dental or vision insurance for the employees since this varies as to whether the practice will sponsor these benefits, the age and health status of the employees, the type of insurance plan (PPO, POS, HMO, EPO etc.), the specific carrier(s), the total number going on the health plan and the geographic location. A 401K, 403B or other retirement plan is also *not* included in this typical cost scenario.

As noted in Table 6.1, each area of employee overhead has within it, far more detailed procedures and management requirements than the outline may suggest. The listing is arranged such, that one can see the activities that are the responsibility of the practice without utilizing the benefits of HR Outsourcing.

Federal Regulatory Cost Portion

Based upon the most recent report released by the U.S. Small Business Administration citing the impact of regulatory costs on small firms, the average annual Federal Regulatory Cost was \$7,647 per employee for businesses with less than 20 employees, \$5,411 per employee for 20-499 employees and \$5,282 per employee for 500+ employees. In the healthcare sector, these costs can be somewhat less

although costs can vary between the many sub-sectors ranging from medical offices to surgical centers, hospitals, urgent care and specialty practices. With new legislative and regulatory requirements being added each year, the cost burden is expected to rise proportionately.

[Insert Figure 6.2]

Employee Turnover Costs

A less obvious but more significant *soft dollar* cost that is not fully understood and rarely tracked is *employee turnover*. This is a *major cost factor and drain on the resources* of the practice that invests valuable time seeking, hiring and then training the new employee. Should the employee then leave for what they deem to be a better opportunity elsewhere with better benefits, the practice has to start all over and hope for the best. Other employees are disrupted to "cover" the increased workload and morale goes down. It's a continuous cycle of negativity and very costly in view of all the areas in the practice that can be affected (Table 6.2).

Following a well defined hiring and selection process can be the key to maintaining a stable workforce since high turnover can often be traced back to "poor hiring decisions". Small and midsize businesses report that close to 70% of job applicants either lies, exaggerate or omit important information during the interview process. Background checks and strong reference checking with documentation review is now being used with increasing regularity. This does not represent a major expense when used for only those candidates that warrant a firm job offer and not every applicant, and is a very small expenditure when compared to the many cost and time components that go into the eventual hire and the actual turnover cost per employee. Of course, there are many other reasons that contribute to turnover including the level of benefits that are made available to worthy candidates, working conditions,

workplace culture and the competitive climate of other employers in the local area. Turnover issues can be addressed quite effectively as part of the HR Outsourcing relationship.

[Insert Table 6.2]

QUESTION

Does it make sense for the practitioner to take on the HR responsibilities and the related liabilities of being the *employer* and hope for the best, or should the focus be on building the practice and delegate (*outsource*) some or most of these activities (headaches to most practitioners and business owners) to an HR services provider?

Following is a review of how the typical small to midsize medical practice may handle their HR responsibilities. We will also assess the benefits to these practices should they choose to utilize the added value provided by HR outsourcing and be relieved of most of the hassle and administrative burden as well as much of the liability.

Alternative 1: The practice manages or performs the HR responsibilities

The typical practice will hire a sharp office manager or administrator who has some experience with personnel issues, has lots of common sense, will consult with the practitioner, will be backed by a labor attorney on retainer, and a bookkeeper and/or CPA. The practice may also purchase Employment Practices Liability Insurance (EPLI) at added cost. EPLI helps protect the employer against claims of sexual harassment, discrimination, wrongful termination, negligent hiring, emotional distress and employee benefits mismanagement among others.

The practice then deals with possibly seven or more service providers. These include vendors, service providers, brokers and consultants for payroll, bookkeepers, employer tax administration, filings

and reporting, workers' compensation insurance, safety, health, dental, vision, COBRA, life and other benefit programs, credit unions, employee tax benefit and retirement plans, employee labor law compliance issues, and so on. Ironically, by having these HR responsibilities handled by so many outside vendors, this is in itself, already a form of “HR outsourcing” but admittedly, perhaps not the most cost efficient and effective way.

Each of these vendors has their own agenda, with no connection or vested interest in any of the others’ activities. Each vendor bills the practice in accordance with their own billing period, which generates hundreds of phone calls, invoices to reconcile, and just as many checks to write or funds to transfer throughout the year and a bundle of paperwork and data to review.

This same office manager or administrator (or as often is the case, maybe even the practitioner) may also take on the tasks of researching, developing, distributing and continuously updating an employee handbook; office hiring and selection procedures; compensation policies; job descriptions; implementing and maintaining compliance with existing and newly issued legislative updates including HIPAA privacy rules for example.

This individual will also be expected to contribute time to enhance care-giving, help ensure a smooth operation at the practice, increase and maintain employee productivity and loyalty while assisting in the physicians’ long-term plan to grow the practice.

This approach to handle HR responsibilities has for the most part, been the most widely used in the past; however, it has become overwhelming and an enormous distraction and *interferes with the focus on the priorities of the practice*, the ones that *increase the Bottom Line*.

And finally ... there is *the consumption and sacrifice of time*.

Liabilities of Being the Physician Employer

Woven into the employee related overhead costs are the *liabilities, risks and exposures* of being the employer. *While employees can be one of the practices' greatest assets, in today's litigious business climate, these same employees can be the practices' greatest potential liability.*

In recent years, the explosion of new employment legislation and a highly litigious society has created an environment in which the physician must continue to seek alternatives to best manage HR including the employee related overhead costs as well as the liabilities. In addition, the current economic downturn fosters an atmosphere of opportunity and twisted justification for many unscrupulous individuals to file law suits against their employer. There is a statistically proven correlation and proportionate increase in employee litigation during periods of higher unemployment, layoffs and business closings, as well as increases in improper unemployment filings that adversely affect your State Unemployment Insurance rate along with fraudulent or exaggerated workers' compensation claims including those made even months after separation.

Today's employer must be proactive in all areas of HR including the safeguarding of their employee's personnel files. As an example, workplace best practices dictate that there should be a least 3 separate files for each employee ... the *Personnel* file containing basic information such as the job application, performance documentation, reviews etc., a *Confidential* file containing private data such as a wage garnishment order and finally, a *Medical* file containing the employee's personal health information. In the event of a claim for a work related injury, there should then be a 4th file containing *Workers' Compensation* information. Regarding the I-9 Employment Eligibility Verification Form, this can be kept in the *Confidential* file, but it's best to keep them all together in a separate binder. If an unanticipated file audit is conducted by labor authorities, having these best practices in place will likely confine their review to 1 file as opposed to accessing documentation that is improperly mixed together and potentially

damaging to the employer. It's safe to say that a large number of employers are not aware of these important considerations and still utilize the single personnel file approach, and even worse, doing so without regard to securing them in a locked cabinet or drawer...a huge risk considering the widespread incidents of identity theft, HIPAA requirements and the employees' protected expectation of privacy. Unauthorized access to employee files is a major breach of confidentiality and trust and should be corrected immediately.

Plaintiff attorneys have successfully argued that an employee may have been denied a promotion or otherwise treated unfairly simply because the supervisor or other unauthorized individual had unintended access to confidential data and as an example, inadvertently learned that the employee owed back taxes or paid child support, which the supervisor perceived as a blemish ... creating a negative opinion and denying a worthy employee a promotion or even using this as a justification to terminate an otherwise productive employee.

EEOC (Equal Employment Opportunity Commission) Discrimination Claims Filed

As reported by the U.S. Equal Employment Opportunity Commission, Press Release dated March 5, 2008 (quote in part) <http://www.eeoc.gov.press/3-5-08.html>

“WASHINGTON – The U.S. Equal Employment Opportunity Commission (EEOC) received a total of 82,792 private sector discrimination charge filings last fiscal year, the highest volume of incoming charges since 2002 and the largest annual increase (9%) since the early 1990s, the agency reported today as part of its Fiscal Year 2007 enforcement and litigation statistics”. For FY 2008, the number of charge filings has again increased by over 15% to 95,402.

“Corporate America needs to do a better job of proactively preventing discrimination and addressing complaints promptly and effectively,” said Commission Chair Naomi C. Earp. “To ensure that equality of opportunity becomes a reality in the 21st century workplace, employers need to place a premium on fostering inclusive and discrimination-free work environments for all individuals”.

Table 6.3 illustrates the impact of the increasing number of employment laws in the form of *discrimination* claims filed for fiscal year 2008 as compared to 2007. It is noteworthy that all Basis of Charge Filings have experienced a double digit increase, with age discrimination skyrocketing by almost 29%. This dramatic increase in age claims may reflect the current economic conditions and an aging workforce, coupled with the belief by many claimants that older workers, who often have the most seniority and higher wages, are being unfairly targeted for layoffs. Table 6.3 shows a breakdown of the most common types of discrimination along with the corresponding *median* award for the period of 2002 through 2008. Not only did age claims jump the highest, but the median award (\$262,684) is the highest of the categories listed. The *median* is the middle award value among awards listed in ascending order. This value is thought to provide the most accurate gauge of the norm for a specific sampling of jury award data, unlike the mean (average) which can be distorted by a small number of very high awards.

It should be further noted that discrimination cases represent only a portion of total claims and law suits filed for a variety of other workplace issues. The compensatory award *median* for *all* plaintiff verdicts collected for 2008 ballooned to \$326,640. Of course, countless other lawsuits are settled while a vast amount of violations go unreported and are therefore not included in these tabulations.

[Insert Table 6.3]

[Insert Figure 6.3]

Workers' Compensation Claims

Injuries in the workplace are very common. When an employee is injured during the performance of their workplace duties, the claimant cannot ordinarily file a personal injury lawsuit against an employer. This is because the benefits available under the employers' workers' compensation insurance are considered the "exclusive remedy" for work related injuries. There are a number of exceptions however.

Employers can be sued if it is determined that the employer intentionally injured the employee or that the employer knowingly or unknowingly, was grossly negligent by subjecting their employees to unsafe working conditions. Suits can also be brought if the employer was required to have workers' compensation insurance in place, but failed to do so (workers' compensation insurance is usually required with the hire of your first employee). If an employee is injured at the premises of another business or injured by the actions of a person who is not a co-employee, a third party lawsuit could be filed by the injured employee against those parties.

Alternative 2: The practice outsources HR responsibilities to an experienced HR services provider

In the past, outsourcing of functions that traditionally fall within the human resources domain has already been utilized on a very large scale by more than 62% of all employers. Payroll processing is just one example (Source: 1997 SHRM-BNA Survey #62). For 2008-09, more than a decade later, with greater focus on productivity and the clearly demonstrated benefits of outsourcing, the estimate is over 90%.

Today, the physician must build a foundation to concentrate on caring for their patients, being highly productive and growing the practice. The practice must also attract and keep in place, a highly

motivated professional staff of employees that are dedicated to these same principles. This becomes an ongoing challenge in today's highly competitive and often unpredictable healthcare environment.

HR OUTSOURCING OPTIONS

HR Outsourcing services can be delivered utilizing three basic service platforms which are discussed below. Most HR service providers offer a complimentary assessment and relevant cost analysis of your current HR situation and the corresponding service platform(s) they can offer. The practice can then determine the cost and value associated with each option and decide which best suits their needs.

1. **Professional Employer Organization (PEO)** services provider. This alternative provides the most comprehensive solution, covering virtually all areas of human resources. The provider assumes the administrative employer role for your practice and employees, while you continue to be the managing employer. This option gains you access to the providers' master benefit and workers' compensation programs.
2. **Human Resources Partnering (HRP)** services provider. The administrative functions relating to employment are handled by the HRP provider. The provider assists in improving (or establishing) your current employee benefits program and administers (or establishes) your workers' compensation and other business insurance requirements.
3. **Human Resources Consulting (HRC)** services provider. Working with the practice, a customized service plan is prepared that addresses the specifically identified needs.

A more detailed discussion follows with emphasis on the PEO option since this ordinarily brings the most value in HR Outsourcing services. As important, the PEO option also incorporates other highly desirable

features which can actually reduce and transfer much of the liability of being the employer in areas that require expertise not traditionally found in the small to midsize practice or business such as Labor Law Compliance.

1. PEO (Professional Employer Organization) offers a *Comprehensive Solution*

PEOs became fully recognized as a growing force in the early 1980s and continue to represent a major segment of HR Outsourcing Industry as compared to other HR related activities such as those provided by the Staffing Industry (Figure 5). In 2010, the PEO Industry marked its 25th anniversary, citing a \$68 Billion small business human resources outsourcing solution. This option is fast becoming the most popular outsourcing alternative for virtually all small to midsize companies including medical practices. As a major benefit, certain employer and employee responsibilities and liabilities are shared between the practice and the PEO as delineated in the PEO's service agreement or contract. This shared employment relationship is called *co-employment* and serves to add stability with both parties motivated to work together harmoniously with respect to the employees (see Figure 6). In this arrangement, employees fall under the Federal Employer Identification Number (FEIN) of the PEO and the PEO's established HR infrastructure which effectively adds them to the much larger group of employees made up by the PEO's many other clients.

It should be noted that a PEO relationship will not insulate a physician from employer status or liability. While certain employer responsibilities can be shared or allocated in a PEO relationship and the PEO can provide a number of areas of professional expertise or direct responsibility reducing potential liability, the physician will continue to be responsible as a workplace employer. For that reason, care should be exercised in selecting a PEO (discussed later in the chapter) and in monitoring its performance over time.

In utilizing the comprehensive HR Services of a PEO, one could expect improved economies of scale and added value in the area of health benefits and plan options, workers' compensation rates, retirement plans, employee tax incentive programs, and many other features usually reserved for much larger organizations. Another major benefit includes automatic enrollment in the provider's Employment Practices Liability Insurance (EPLI) policy. This provides valuable insurance coverage for claims against the Practice for issues such as sexual harassment, discrimination, wrongful termination and similar types of claims. And of course, having a staff of HR professionals to call upon can be invaluable.

[Insert Figure 6.4]

[Insert Figure 6.5]

NAPEO (National Association of Professional Employer Organizations) is the national trade association of the PEO industry. NAPEO indicates that their member PEOs represent approximately 90% of industry revenues, which by mid 2009, totaled approximately \$68 Billion annually. The PEO industry defines revenues as the total of its clients' payrolls and the fees PEOs charge them for taking on their human-resource activities. Today, it is estimated that PEO's service 2.5 to 3.0 million workers among over 300,000 businesses throughout all 50 states. (www.NAPEO.org)

Organic growth has been consistent and dramatic with trends averaging 20% to 22% annually and higher in the top major market States including California, Florida, Texas, New York, Michigan, Ohio, Indiana, Illinois, Utah, Georgia and No. Carolina (NAPEO). More recently, the industry has experienced mergers, acquisitions and take-overs. These activities have created several very large PEOs, some being publicly traded. However, bigger isn't necessarily better when you consider that the primary beneficiary of the PEO services program is the small to midsize practice or business. Often, large and publicly traded

PEOs cannot provide the multiple service platforms, tailored solutions, specialized services, flexibility, personalized attention or quick response these practices and businesses need and expect.

2. HRP (Human Resources Partnering) offers a *selected services solution*

Human Resource Partnering providers can usually offer a comprehensive PEO solution but their platform extends additional flexibility by allowing certain HR areas to be retained by the practice or business. For example, the practice might wish to keep their own retirement plan in place along with maintaining their relationship with their current healthcare plans and/or workers' compensation insurance providers including their brokers. Keeping the health and workers' compensation programs at the practice, does not mean that the HRP can't help administer these programs on behalf of the practice as part of their responsibilities. It should be noted however, that by keeping benefits and workers' compensation in house, the practice may not receive the cost effectiveness of being included in a much larger group of employees and perhaps a more favorable risk profile when blended in with the PEO's national or regional health and workers' compensation programs and carrier options.

3. HRC (Human Resources Consulting) offers the *al a carte approach*

HRC services can be viewed as a scaled down service offering available from an HRP or other HR industry independent consultant. The practitioner can ordinarily select the needed services such as training, from a menu depending upon their level of need, sometimes available as a package with some price benefits. This leaves all or most of the HR responsibilities with the practice.

ADVANTAGES OF OUTSOURCING TO A PEO

How can the PEO's integrated services benefit all parties in the relationship?

For the Medical Executive or Medical Practice Owner

PEO outsourcing allows for more focus on patient needs, reducing costs and growing the practice.

- ◆ *It controls and reduces hard and soft dollar costs.* Outsourcing consolidates the activities and costs of a multitude of service providers and vendors into a single and highly specialized PEO. Only 1 payment per pay period need be issued to the PEO for these HR Services.
- ◆ *It reduces the liabilities of being the employer.* In most states, liability falls on the Employer (employers' insurance carrier) who has the injured employee on the payroll and who is providing the workers' compensation insurance coverage. In both cases, this is usually the PEO, although the workplace employer may have some liability if "gross negligence" contributed to or caused the workplace injury. In addition, since there is a shared employment relationship referred to as co-employment, further clarification of liability can be determined upon review of the written agreement between the PEO and client as well as applicable State law.

Another area in which some liability is transferred to the PEO has to do with *OSHA compliance*. For example, in California, one of the toughest states for workplace safety compliance, the Division of Occupational Safety and Health issued their policy as applied to *dual-employer* (co-employment, temporary help, employee leasing, PEO's etc.) situations which said in part: "The company supplying the employee is referred to as the *primary* employer" (PEO) "and the company supervising the employee at the workplace is referred to as the *secondary employer*" (the practice or business). Of course, the workplace employer is generally responsible for maintaining a safe workplace.

A third area of transferred liability relates to *payroll administration and management*. The PEO takes responsibility for proper compliance with all federal and state agency requirements for payroll taxes, filings, reporting and records management of the employees. This is because it is the PEO's Federal Employer Identification Number (FEIN) that is used in the filings. State requirements however, do require that the workplace employers maintain copies of their time keeping records for a specified minimum period of time.

- ◆ *It provides more cost-effective and better employee benefits options.* This allows the practice to attract and retain the best employee candidates, maintains higher morale and helps keep the practice competitive.
- ◆ *It helps reduce employee turnover* and the huge costs, loss of productivity and the disruption to the practice.
- ◆ *It reduces the time spent on employee and government compliance issues for both the practice and its key staff members.* This enables them to focus on adding new patients, increasing satisfaction and handling their own specific priorities.
- ◆ *It promotes Synergy of HR components.* By integrating all services into one streamlined program, each component has a vested interest and inter-depends on the shared goals of quality service, value, cost control and loss prevention of all parties including the specific needs of the practice and the employees.
- ◆ *It provides peace of mind.* Outsourcing insures that stringent requirements and government regulations are handled by experienced professionals with expertise and a vested interest in ongoing compliance.

For the Employee

Outsourcing increases morale, productivity and job fulfillment

- *It protects their rights.* Helps foster an environment where the employee's as well as the practitioners' rights in the workplace are respected.
- *It offers better benefits.* Provides employees with greater access to more affordable (big company) health and other benefits options, more selectivity and a means to participate in self funded/non-matching or employer matched retirement plans and tax savings opportunities. Family fun benefits including theme park and movie discount programs as well as credit unions add more value to the benefits program offered by full service PEOs.
- *It addresses and resolves problems.* Puts in place a means to help identify and resolve employee issues and concerns that may otherwise escalate.
- *It results in increased job stability.* Provides for a potentially more stable employment relationship, career growth and self-betterment opportunities by taking advantage of specialized employee programs offered by the PEO such as training and the availability of an Employee Assistance Plan (EAP) providing a 24/7 confidential employee help line for personal issues and crisis intervention.

For the Government

Outsourcing offers more assurance of compliance and enhanced communication.

- *It consolidates requirements.* Tax filings and collection of employer payroll taxes from many practices through a single PEO entity reduces administration costs.
- *It brings health care to more workers.* Outsourcing provides more options to the practice to extend medical benefits to more workers.

Â *It improves compliance.* Outsourcing provides a more receptive and noninvasive option for practices to comply with the increasing volumes of employment related laws, regulations and legislative requirements in the workplace.

Â *It reduces unemployment.* Outsourcing promotes higher productivity at the practice, which in turn leads to growth and more employment opportunities for those in the labor force.

For the Buyer, Seller or Appraiser of a Medical Practice

Aside from the application of generalized valuation formulas and specialty benchmarks, there are other considerations that can affect the transaction that are part of good practice management. These may include staff morale, productivity, low turnover, proper adherence to labor laws and employment requirements and the absence of any pending employment related law suits or regulatory action due to non-compliance. These HR considerations can tip the advantage in the buyer/seller relationship from a legitimate and competent appraiser's point of view and enhance the validity of the appraisal.

HOW DOES THE PEO RELATIONSHIP COMMENCE AND WHAT HAPPENS NEXT?

1. The medical practitioner becomes aware of the PEO alternative by:
 - Seeking a solution to better leverage the employee's contribution and increase the effectiveness of the practitioner and employees.
 - Word of mouth from trusted advisors, accountants, attorneys, financial planners, business consultants, or another colleague who is a PEO client
 - Enduring the pain and distraction of a major employee/employer related problem
 - Membership in a particular medical or fraternal organization
 - A special education course in which he or she is participating

- Recommendation of a governmental agency such as the Employment

Development Department (EDD) or Small Business Administration (SBA)

- Endorsement by an industry association such as NAPEO, the local

Chamber of Commerce, networking organizations or similar business support groups

2. *PEO selected and initial meeting.* The practice seeks out a PEO utilizing the selection procedure suggested in the latter part of this chapter (“How Should You Select a PEO for Your Practice?”). During the initial and subsequent meetings, it is important to achieve open communication. The PEO consultant needs to become familiar with the practice and will pose certain questions, while providing an overview of the basic services available, and how these services may add value. The practitioner should be *forthright* with any particular concerns regarding employees in the workplace, whether these are for the future or actual events that are happening now. This dialogue helps form a *needs profile* for the practice.

Examples may include the increasing costs of employee health insurance and other benefits, no employee retirement plan, sexual harassment issues, a complex termination, unresolved employee issues, suspected fraudulent workers' compensation claims for difficult-to-prove cases such as "stress", hostility in the workplace, gaps or the total absence of government compliance and so on. It is also possible, that there are no specific concerns per se, but simply and interest in reviewing the available HR Outsourcing options.

3. *Data provided to PEO.* In order to gain the most value for the practice and assure accuracy, the PEO will need copies of information relating to: payroll, employee health benefits, workers' compensation and what the practice may have in place in the area of retirement plan, employee handbook, OSHA Program, and other HR related procedures. Any confidentiality concerns can be addressed with a simple written

assurance from the PEO that all data will be held in strictest confidence and used solely for the purpose of preparing an accurate proposal.

4. *Needs analysis and Proposal Development.* When the practice and the PEO are satisfied that the needs profiles have been completed, and the resultant analysis is used to develop a proposal with solutions tailored to the practice.

5. *Proposal presented.* The proposal is presented to the practice and should not only address the needs of the practice itself, but also the benefits available to the workplace employees. Take note that even though some practices choose not to sponsor health benefits for their employees, there are other employee benefits made available by most PEOs that may be included as part of their service offering (access to employee sponsored benefits such as long term care and cancer insurance, retirement plan availability, tax savings programs, credit union, discount club memberships and movie tickets, family entertainment and more).

6. *Proceed or modify.* Any remaining issues are clarified, and the practitioner decides to proceed or perhaps modify the scope of services available. Hopefully after this process, it is clear that the PEO benefits outweigh other considerations, and the practice should proceed and begin enjoying these benefits. A timetable is reviewed and agreed on. The PEO can then be up and running in as short a period as 1 week for urgent situations but it is best to allow about 3 to 4 weeks from the time that the decision is made for a smooth transition.

7. *Conclude service agreement.* A standard service agreement (with amendment for any optional services such as a specialized training curriculum) summarizing the terms of the arrangement is reviewed and signed by the practitioner and PEO. The PEO becomes the employer of record for the employees and the practitioner remains the workplace employer, retaining functional control of the employees. What results is referred to as a *co-employment* or *dual-employment* relationship, extending the benefits of the arrangement to all parties (Figure 6).

8. *Employee orientation.* The employees are given an orientation by the PEO on the services and benefits available to them as a result of the program. In addition, the employees have the opportunity to ask questions and have the PEO address any concerns, and then the employee paperwork is completed.

9. *Program Benefits Begin.* The HR Services presented in the proposal are initiated in accordance with the agreed timetable. This includes the payroll services and HR administration. Prior to each payday the practice reports hours worked to the PEO. Since the PEO already has all employee and wage data in their automated system, an invoice is generated quickly. The invoice includes wages, employer taxes, workers' compensation insurance, health benefits costs if applicable, HR services and the pre-agreed service fees for the pay period.

The invoice is paid by the practice via wire transfers, automated clearing house [ACH] or other pre-agreed method and the PEO has the payroll checks printed and delivered to the workplace and/or performs direct deposits if this feature is included in the services arrangement. Take note that the payroll checks are issued *from the PEO's own accounts and FEIN*. This is an important distinction as viewed by government authorities and the IRS and provides an added measure of liability protection for the practice.

Sounds simple and it can be. A well-established and highly reputable PEO will take a much deeper and *vested interest* in the specific needs and requirements of the practice from the beginning. Once in place, the PEO will assume most of the responsibility of the HR elements and this becomes a cooperative effort with the practice.

CHALLENGES OF THE MEDICAL EXECUTIVE

In 2007-08, NAEPO performed extensive surveys on hundreds of businesses served by Professional Employer Organizations. A total of 429 businesses responded with some interesting findings. In the area of business challenges, note the 2 issues heading the list which include *finding good employees* and *Healthcare costs* (Figure 6.6). These 2 challenges can have a close relationship. Often, it is the benefits package offered by the practice that becomes the deciding factor on whether a talented candidate will join your practice or accept an offer from a competing practice or larger employer with a more robust benefits package.

[Insert Figure 6.6]

Working with a PEO enables the smaller employer to access Fortune 500 benefits more cost effectively and thereby compete on a more level playing field. And, as noted in the survey, next to pay, health benefits was shown to be the most important in the firm's ability to recruit and retain its employees (Figure 6.7).

[Insert Figure 6.7]

More than 94% of survey respondents also indicated that outsourcing their human resources to a PEO saves them time in dealing with the challenge of *complying with employment regulations* (Figure 6.8).

[Insert Figure 6.8]

ADDED VALUE DERIVED FROM THE PEO RELATIONSHIP

What the practice will receive is the full complement of services and solutions discussed above, but with a great deal of *added value*, depending on the PEO you choose and, of course, their ability to deliver the added value that would be meaningful to your medical practice.

Real Life Examples of *Added Value* at the Healthcare Workplace:

Although the basic HR elements are the same, each client has a particular workplace environment and culture, along with specific needs, requirements and priorities. Perhaps it is a brand-new practice or business with no HR policies whatsoever in place. It may need access to salary and benefits surveys so it can attract the best employee candidates and remain competitive with other practices in the area.

Some practices may be having problems with a high rate of employee turnover - a very costly situation to deal with and one that requires a concerted and directed effort to overcome. In these situations, the program of services offered by an experienced PEO can include procedures to help correct the problem and/or put in place the required support.

The following are actual case studies from CPEhr, a California company that has been providing a variety of HR solutions for several decades. These cases demonstrate how the experience and professional expertise of a full service HR Services Provider can make a meaningful difference in the workplace and bring relief to the practitioner or business owner.

CPEhr Case Models (used with permission from www.CPEhr.com)

Case Study #1 – Medical Practice

An experienced office manager handled the day-to-day employee relations activities as part of her responsibilities. A senior executive of the practice supported these efforts. All employees seemed to work together harmoniously until one day, an argument ensued between two front office personnel. The altercation ended with one employee threatening to physically harm the other. The event was witnessed and the employee was let go. A short time later, the terminated employee sued the practice for race discrimination.

At the time of the incident, the senior executive was sure he was doing the right thing. Nevertheless, he ended up embroiled in an 8-month lawsuit with the EEOC that cost him hundreds of hours of time and distracted him considerably from running the practice. While he ultimately won the case, he realized it was time to work with human resource professionals. He needed a firm who would help him structure an HR system to prevent this from recurring, and to take over the administration of a lawsuit if one ever occurred again. “As our firm continues to grow and we open new offices, managing the staff in multiple worksites is only going to become more complicated,” he says. He discussed his concerns with a CPEhr Consultant and became a client shortly thereafter.

The most critical assistance occurred when the practice decided to outsource their billing function and to layoff the entire department. CPEhr assigned several HR staff to assist in the layoffs, with proper termination procedures, protocol and severance packages that were in the best interest of both the practice and the employees. The Sr. Executive sums up the incident succinctly: “We could never have done this on our own.”

Case Study #2 – Medical Practice

A Cardiovascular Medical Group had grown in size and prestige and the executive director recognized the critical role human resources played in his practice. “We did not have a dedicated HR staff,” he explained, “but I understand that human resources can’t be put on the back burner. HR is still a critical part of our practice.” With the lack of sufficient internal HR resources they struggled to standardize employee practices and stay abreast of changing employment regulations.

The director invited CPEhr to present their HR Outsourcing solution and quickly engaged their services. The HR specialist immediately began to review their policies and employee documentation. Many gaps in employment protocol were identified; and an array of new employment forms was created and new guidelines were put into practice. “I have run the office for more than a decade,” says the Director, “But knowing CPEhr is here to guide me through all employee matters offers tremendous peace of mind. Now, instead of being distracted by minor personnel issues, I can focus on the practice. By outsourcing to CPEhr, we don’t need to spend the money on another hire and can use those funds to invest back into patient care and clinical research.”

These two examples illustrate how *powerful and meaningful* the element of ***added value*** can be when the client forms a trusting relationship with a well-established and highly specialized PEO.

Without the experience and close working relationship CPEhr had formed with their clients, these practices would have spent much time, effort and mental anguish trying to resolve these issues alone and/or with the assistance of costly legal counsel who would in some cases, have to reconstruct a complete history with a time consuming and lengthy investigation. But as important, when a PEO incorporates a friendly staff of field representatives, they gain a critical familiarity with the work force and

workplace culture from the employee's perspective and collectively, hold a *vested interest* in the resolution of any employee related issues, exposures and liabilities.

WHAT ARE THE DISADVANTAGES OR CONCERNS OF HR OUTSOURCING?

In reviewing the many advantages presented above, one would think there are no disadvantages or reasons why the practitioner would not move forward. After all, the proposal presented by the PEO conveyed the specific advantages and the corresponding added value that can be gained from the PEO relationship. If there is any hesitation, it is usually because of one or more of the following general reasons, often referred to as the 4 C's: cost, control, culture and commitment. Let's explore each.

Considerations for the Practitioner

Cost

Perception. With a full HR professional staff at my disposal, transfer of liability, labor law and government compliance assistance, Fortune 500 benefits and employee administration support, aren't the services very expensive for a small practice?

Reality: The PEO is cost-effective and brings added value. As part of the proposal development process, experienced PEO's perform a careful analysis taking into consideration the various costs (in both hard and soft dollars) of the practice. This analysis also includes important feedback on other areas of added value that the PEO program can bring.

Control

Perception. If the practice becomes a co-employer with the PEO, and the PEO becomes the employer of record, wouldn't the practice have less control of all employee- and compliance-related matters?

Reality: The PEO brings greater control to the practice and employee issues. Creating an alliance with a PEO that can provide your practice with the HR expertise you do not presently have actually increases your effectiveness in handling the important priorities of your practice. The PEO enhances the level of confidence and assuredness at the practice by dealing with the daily employee-related administration, giving the practitioner greater control in this important area.

Culture

Perception. If the PEO becomes the co-employer and employer of record, the employees may feel that they no longer work for the same organization, that the relationship will not benefit them and this may affect their morale.

Reality: The PEO Relationship benefits the employees. Long-standing PEOs are very sensitive to this perception and for this reason make it a point to meet and come to know all employees at the practice both as a group and individually during the employee orientation procedure and thereafter. The PEO staff also becomes familiar with the workplace culture, another important consideration.

The workplace employees are soon reassured, once they understand that they will continue to perform the same daily workplace duties, with the same individuals, with virtually no change and that the relationship further protects their own rights. The employees also recognize the benefits to the practice, which can serve to form a more stable workplace for them and enhance their own well being, and view the relationship positively.

In addition, when the employees can gain access to a wider variety of benefits, an employee assistance hot line, a retirement plan, a tax savings plan, credit union, discount movies, self betterment opportunities and more...they can only view this as beneficial to them. And they have the practitioner to thank for bringing these added benefits to them as part of the PEO relationship.

Commitment

Perception. With so many administrative and liability responsibilities delegated to the PEO, doesn't the service agreement with the PEO require a long-term commitment in which I must be bound by strict terms and conditions?

Reality: An experienced and reputable PEO will include a termination clause with no penalty as part of the service agreement. Many PEO's require a 1-year service commitment. However, PEOs that have gained credibility over the years, with a loyal following of clients, will include a termination clause or similar arrangement to allow for an easy transition out of the agreement with a minimal notification period.

How Will My Current Office Costs Compare with Those of a PEO?

As in most service businesses, there are a variety of approaches used by PEOs to establish their costs for servicing their clients' needs and to calculate their fees. For simplicity, PEOs generally express their fees as an overall percentage of the average gross wages of a stable work force, stating what is included in this comprehensive fee. Fees can also be based on a per employee, per pay period or other method.

Many cost factors enter into each practice. Remember, there are both *hard and soft* dollar costs. The *hard dollar costs* are straightforward and easily determinable. These may include wages, employer taxes, health programs, workers' compensation insurance coverage and so on.

In reviewing the comprehensive listing of HR services areas broken down by function, one can readily see that a large portion of the costs are *soft*. This means that they are time-consuming in nature and involve interpretative analysis; thus, they pose some difficulty in arriving at an actual dollar cost. The more HR activities performed by the practitioner or key staff members, the more costly they become to the practice in terms of soft dollar costs.

All things being equal, and based on national averages that incorporate both hard and soft dollar costs, PEOs are highly beneficial. PEOs can reduce the overall employee-related overhead costs of the practice when you consider both *hard and soft dollars and of course, turnover costs if this is an issue*.

But What about the Savings in Your Time Spent on These Nonproductive Issues and Your Concerns about Liability?

Even when there is a small investment involved, virtually all practices stand to benefit in the areas noted previously. This is particularly true when the practitioner and/or key staff members are burdened with these time-consuming responsibilities and problems themselves and are held accountable to perform them in compliance with the applicable regulations. With the transfer and sharing of liabilities, the PEO brings real value and a cost effective and meaningful alternative for the practice and the employees.

How to select a PEO for Your Practice

Once you have reviewed the benefits available to your practice and employees, and confident this alternative will be meaningful, you're ready to select a PEO.

1. *Association Membership.* The national trade association of the PEO industry is NAPEO (National Association of Professional Employer Organizations) in Alexandria, Virginia. Member PEOs share a commitment to ongoing education, professional development as service providers and their own as well as the association's code of ethics (www.napeo.org). Membership is voluntary and does not necessarily reflect the capabilities and credibility of any member or non-member.
2. *Consultation Fees.* PEO's ordinarily do not charge any fees for consultative services including the development and presentation of a proposal. This is a major benefit for the prospective client whether or not you decide to engage their services. Be sure to confirm any fees or other costs relative to the consultation process through and including the proposal stage.
3. *PEO's Experience.* Check the time the PEO has been in business. Pioneers in this industry have served their clients for over 25 years and will have earned a high level of credibility and a strong reputation which can be verified by references, the local Better Business Bureau office and Chamber of Commerce.
4. *Service Model.* PEO's can differ as to their delivery of services. Nationwide PEO's often have service offices in the major metropolitan areas or regions. Other PEO's may only operate in their respective State but still offer their services in many or all other States. Local PEO presence isn't necessarily required for ongoing services although there are times when a representative of the PEO may need to visit to assist with a labor law issue for example. If personalized service including regular visits, on-site training or other needs is an important consideration, be sure to select a PEO that meets your requirements and have a complete understanding of the applicable fee structure.

5. *Scope of Services Offered.* Although PEO's may present themselves as "full service", be sure you fully communicate and understand what is and is not included in the basic service model. A visit to their local office can be very helpful by meeting the services staff and the PEO can usually arrange for any related services that may not be included such as:
 - a. Recruiting of employee candidates
 - b. Candidate screening and resume management
 - c. Background checks for employee candidates
 - d. On-site training for managers and supervisors ... performance reviews, discipline, documentation and other workplace topics
 - e. Sexual harassment training, blood borne pathogen training, safety training
 - f. Personal on-site visits by HR professionals as needed
6. *Insurance Verification.* Request information on the PEO's workers' compensation and health carriers, the corresponding policy numbers and their effective dates. You can then perform your own verification that they are licensed in the State and that the policies are in force.
7. *Payroll Taxes and Independent Audit.* A call to the State employer tax authority can provide confirmation of current payroll tax status. Additionally, the PEO should provide a statement as to an independent audit having been performed in accordance with Generally Accepted Accounting Principles (GAAP).
8. *Documentation of Service Issues.* Seek a PEO that carefully maintains written and accurate details of the service relationship. Some PEOs simply maintain a verbal dialogue or rough notes, but in today's highly litigious society, *this is not good enough*. This aspect is of such significance that it is often the difference between your having to endure a long court battle as opposed to the accuser

withdrawing a claim once they realize there exist an accumulation of written documentation that may disprove their initial assertions.

9. *Termination Clause.* Make sure that the service agreement or contract contains a clearly worded termination clause. Most PEO's provide for a 30 to 60 day termination clause that must be in writing, and that either party can execute without penalty. There are of course certain criteria that can trigger an immediate termination such as non-payment of invoices or a breach by either party.
10. *Verify State Licensing requirements.* Some States require a PEO to be licensed or registered. Be sure that the PEO you are considering meets this requirement.

HEALTH 2.0 EXAMPLES

AcuteCare

Acute Care, Inc is a physician practice management company based in Des Moines, Iowa. The company was formed in 1989 by Dr. Mark Menadue who saw an opportunity to provide critical emergency department outsourcing, staffing solutions and value added services to small and rural hospitals. Throughout its' twenty-year tenure, the firm has adapted to the needs of clients by growing geographically, adding service lines (locum-tenens, permanent placement, hybrid ED-hospitalists) and related value added services [www.AcuteCare.com].

EmCare

EmCare.com provides outsourced physician employment services to hospital emergency departments, inpatient physician services, inpatient radiology management and anesthesiology services. Founded in 1972, EmCare has partnered with hospitals in 40 states with providers who treat eight million

patients a year. EmCare is a part of Emergency Medical Services Corporation, the leading provider of emergency medical services in the United States.

ASSESSMENT

Human resource management in its purest form is a universal workplace function and virtually all industries including Healthcare are bound by the same core of Federal and State employer regulatory requirements. It makes economic sense to outsource non-core functions. Physician Executives in their clinical environment do present some additional and unique workplace characteristics. These include:

1. The need for more educated and skilled office staff that is fully cognizant of privacy issues and patient protections (such as HIPAA).
2. The need for a well managed and consistent candidate interviewing, selection, hiring and termination process that not only follows Department of Labor and State requirements, but incorporates the appropriate assessment tools. Aside from basic skills, employers must take into consideration other important criteria such as honesty and accountability relative to employee access to medications, access to private and highly sensitive patient data, as well as the ability to effectively manage a complex healthcare billing, collection and administration process.
3. An ability to interface and deal effectively with a wide range of patient personality profiles.
4. Awareness that health plan participants in medical offices have a more keen understanding of their health benefits program and show a marked increase in usage (often leading to higher health benefits costs for the practice).
5. A clear understanding that physician executives can have added vulnerability and exposure beyond the typical business owner with regard to mal-practice issues and the perception that physicians are among the most wealthy...and thus more prone to workplace litigation/frivolous law suits.

6. Recognizing that physician executives have limited education, training and meaningful knowledge in the area of employment law and/or workplace regulations. New laws are added each year and the practitioners typically rely on a capable office manager who also takes charge of many other responsibilities.

CONCLUSION

Human resource outsourcing provides an option to gain an advantage, greatly expand related knowledge and effectiveness as an employer, while providing more peace of mind and helping to reduce liabilities.

Both physicians' groups and hospitals are recognizing that outsourcing departmental services can be a win-win situation for both sides. When the legal and business issues are approached in advance, with full knowledge and a complete understanding of the topics that need to be resolved, it truly can result in the creation of a positive and symbiotic relationship.

COLLABORATE NOW: Continue discussing this chapter online with the author(s), editor(s) and other readers at: www.BusinessofMedicalPractice.com

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Interviews

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Gordon Brown: PEO Industry pioneer, co-founder and multi-term President of the NSLA; predecessor organization to NAPEO (National Association of Professional Employer Organizations). Mr. Brown was co-founder and President of Your Staff, Inc., and under his leadership, was the first PEO to reach over \$100 million in annual revenues and subsequently, became the first PEO to be acquired by a Fortune 100 Company, Kelly Services, Inc. Mr. Brown also holds the designation of CPES (Certified Professional Employer Specialist).

Paul S. Hyman, CPES (Certified Professional Employer Specialist), PEO Industry Senior Executive in all HR disciplines as well as Sales Management and Business Development. Mr. Hyman is also a former Board Member of CAPEO (California Association of Professional Employer Organizations).

W. Mark Crain Ph.D, Professor of Economics, Lafayette College, Easton, PA. The author of Report for the Office of Advocacy, US Small Business Administration; “The Impact of Regulatory Costs on Small Firms”

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THE END

TABLE 6.1 HUMAN RESOURCES COMPONENTS

Human Resources Management

Employee Handbook
 Government Regulations and Compliance
 Department of Labor and other Agencies
 involved in Employment Issues
 and Workplace Safety (60+ Laws)
 Personnel Policies and Protocol
 Hiring, Qualification, Selection Consultation
 Required forms (I9, W-4 etc.)
 Proper Documentation and Record keeping
 Candidate Social Security Verification
 Proper Disciplinary and Termination Procedures
 Employee Administration Consultation
 Wage/hour Law Consultation
 Complaint Procedures and Employee Counseling
 Wrongful Termination Consultation

Sexual Harassment Consultation

Personnel Records Administration/Audits
 Promotion, Transfer, Separation and Severance
 Vacation and Sick Leave Policies/Accruals
 Unemployment Claims Administration
 Labor Law Consultation

Risk Management Program

Workers' Compensation Insurance
 Claims Filing, Processing and management
 Senate Bill SB198 Compliance
 Illness and Injury Prevention Program (IIPP)
 Safety Inspections and Training
 Return to Work Program
 Communication With Injured Employees
 Loss Control Program with Video Library
 Fraud Prevention Program
 Assistance on Audits and Defenses
 CAL/OSHA Records Administration
 ADA (Americans With Disabilities Act Compliance)
 EPLI Coverage (Employment Practices Liability Insurance)

Payroll Administration

Employer Tax Filings and Reporting

Payroll Processing and Delivery
 Direct Deposit
 Employer Tax Compliance
 Tax Reporting, Agency Filings, quarterlies etc.
 Payroll Deductions and Garnishments
 W-2, W-4 Preparation
 Reconciliation of Payroll Accounts
 Management Payroll Reports
 Assistance and Management of Audits

Flexible Employee Benefits Program

Rate Negotiations With Health Care Providers
 Health Plan Options for Employees and Dependents
 HMO, POS and PPO Plans and Voluntary Programs
 Dental Care and Vision Plan
 Cancer Plan
 Group Term Life Insurance and Disability
 Administration of Benefit Programs
 Section 125 Cafeteria Tax Benefits Program
 Health Savings Accounts
 Dependent Care Tax Savings Plan (child/elderly)
 COBRA Administration
 Employee Transportation & Parking Tax Savings Plan
 Employee Assistance Plan – 24hr Confidential - Toll Free
 Credit Union
 Group Membership Discount Programs
 Family Entertainment and Movie Discount Programs
 Tuition Assistance Program
 Car Rental and Health Club Discounts
 401(k), Profit Sharing Retirement Savings Plan Options

Employee and Manager HR Training

Sexual Harassment
 FMLA
 Progressive Steps of Discipline
 Performance Appraisal Principles & Systems
 Principles of Time Management
 Preventing and Defusing Violence
 Workplace Safety
 Interviewing Skills
 Winning Techniques for Motivating Employees
 Effective Communication Skills
 Diversity in the Workplace
 Customer Service Training
 Managing Difficult Employees
 Effective Business Writing

Other Services

Recruiting and Hiring Consultation
 Tailored Management and Supervisory
 Training Programs
 Candidate Assessment and Qualification Criteria
 Background and Reference Checks
 Drug Testing Program
 Employee Turnover Reduction Program
 Job Descriptions, Salary Surveys
 Onsite Human Resource Manager

(reproduced with permission: CPEhr (www.CPEhr.com))

TABLE 6.2 Turnover – Business Areas Affected

[Source: Employment Development Department of California]

Outline Guide for Analyzing Cost of Turnover

1. Loss in Production Volume
a. Loss in production volume from lost staff-hours
b. Estimated loss in overall production volume
2. Increased Operating Expenses
a. Increase in unemployment compensation premium
b. Increase in accident insurance rate (new employees are more likely to have workplace injuries in new position)
c. Additional operating cost in overhead due to low production
3. Production Expenses
a. Cost of training
b. Extra labor cost
c. Cost of vacancy and low production period
d. Loss of material – (spoilage by new employees)
4. Administrative Cost (Service)
a. Personnel office expense
b. Medical examination expense
c. Advertising expense
d. Pre-job training
e. Cost of induction and payroll administration
f. Accounting cost
5. Other miscellaneous costs such as:
a. Separation (severance) costs for departing employee
b. Travel/moving expenses for new employee
c. Potential legal expenses in event of employee litigation
d. Lower morale, reduced synergy of workforce
e. Ongoing administration costs such as COBRA or workplace injury follow up

Table 6.3: EEOC Discrimination Claims Filed in FY 2008

Source: The U.S. Equal Employment Opportunity Commission Report for year ended September 30, 2009 and last modified March 11, 2010 (<http://www.eeoc.gov/stats/charges.html>)

Basis of Charge Filing	FY 2008	FY 2007	Percentage Increase. Claims filed are Highest in EEOC's 44 year history
RACE	33,937	30,510	Increase of 11.2%
SEX/GENDER	28,372	24,826	Increase of 14.3%
NATIONAL ORIGIN	10,601	9,396	Increase of 12.8%
RELIGION	3,273	2,880	Increase of 13.6%
RETALIATION, All Statutes	32,690	26,663	Increase of 22.6%
AGE	24,582	19,103	Increase of 28.7%
DISABILITY	19,453	17,734	Increase of 10.0%
EQUAL PAY ACT	954	818	Increase of 16.6%
TOTAL CHARGES	95,402	82,792	Overall increase of 15%