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As an established leader in the PEO community, The American Group was invited to participate in Expert Insight, a nationwide educational series for managers of growing companies. "Health Care Crisis for Employers" is the second of three insertions appearing in Inc. Magazine throughout the year.

For more information on this topic, contact The American Group.

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## Health Care Crisis for Employers

As an employer, managing benefit costs has become close to impossible. It is projected that for the year 2002 Health Care inflation once again will be at double-digit levels causing insurance premiums to increase by 20% to 50% for the small-to-medium-sized employer.

The Bureau of Labor Statistics indicates that "In March 2001, private industry employer compensation costs averaged \$20.81/hour worked. Wages and salaries averaged \$15.18/hour (72.9%), while benefits averaged \$5.63 (27.1%)."

This means that a 25% increase in medical costs will move benefit costs up to 32% of total compensation or a 17% increase.

Health insurance is the most important benefit to your employee and the largest benefit cost to your company. Without a good health insurance plan, you will be unable to retain or attract quality employees.

Average annual cost of health insurance for 2001 and projected for 2002 are from \$4,707 to \$5,648 per employee.

Most employers do not want to pass the increases on to their employees. Over the last few years they did not need to. However, today with the slowing economy, you must make tough decisions on how to implement the needed changes.

How does your company communicate and manage the options and changes necessary? You need all the options that Fortune 500 companies utilize:

- **Offer a choice of Multiple Plans to your employees.** This allows the employee to make the buying decision as to how much and what they want to pay.

- **Establish a Defined Medical Benefit Plan.** This allows your company to establish a budget as to what it is willing to pay. It is clearly communicated to your employees for them to make their buying choices.

- **Full Cafeteria Spending Account.** This is a tax incentive that benefits employees and the company. It allows employees to pay for benefits not covered

### The American Group

TAG is a Professional Employer Organization that offers Employee Benefits, Payroll, HR, Workers' Comp and Compliance services to companies and their franchises. This enables companies to reduce costs and have administrative ease of employee management. Through their services companies are able to reduce benefit costs for Health Care and other employee benefits. TAG allows your company a new level of freedom while growing your business by retaining a winning team.

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by insurance with pre-tax dollars; i.e. medical, dental, vision, day care, and other eligible expenses.

- **Eliminate the drug card.** This convenience is increasing your costs faster than any other component. Drug costs are increasing in excess of 20% and represent 25% of your plan's premium costs. Have the drugs be part of your major medical plan.

- **Join a trade group or local Chamber of Commerce.** This may enable your company to be part of a larger group.

- **Investigate outsourcing your benefits through a PEO.** This allows your company to become part of a much larger company. This will help stabilize your costs. It also enables you to receive the advantages of a large corporation: professional employee benefit and HR management at reasonable costs.