

THE EMPLOYER CHALLENGE

THE AMERICAN GROUP

Volume 2, Issue 1

A Bimonthly Newsletter

February, 2000

Health Care ----

Rising at Double-Digit Rates Again!

By *The American Group*

Crain's Cleveland Business: "Insurers say double-digit hikes are likely. The projections for health insurance costs are beginning to sound like a broken record and the needle is stuck on higher premiums." Crain's Cleveland Business Archives, 9/25/00, by Raquel San Diego.

Crain's Business: "Managed care rate hikes won't stop any time soon. The era of managed care rate hikes is far from over with employers likely to face continued price increases throughout the next year, analysts say." By Judy Greenwald, Crain's News Services Managed Care Rate, 11/20/00.

It hasn't stopped. It is just started. Health care costs for the small-to-medium-sized employer are rising twice as fast as for the larger employer with no stopping in sight. The work force is tight and the age of the average worker is increasing. This leads to increased utilization and higher costs. The other major component is drug costs that increased at over 20% for the year 2000 with no reduction and only higher costs slanted for the year 2001. Unfortunately, no one has come up with a good solution for the problem, other than passing on increases to both the employer and the employee. Small-to-medium-sized businesses usually have a 90-day waiting period prior to new employees being eligible.

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"Tight Job Market Reducing Wait for Benefits: The call comes in—a job offer with good pay and responsibilities that seems exciting and challenging. The only drawback? A 90-day waiting period for health insurance benefits." By Tammy Bataglia 12/4/00, Crain's Cleveland Business Archives 90-Day Waiting.

This is now being challenged by new employees demanding prompt, immediate coverage or no more than a 30-day waiting period. This only further increases the cost to smaller employers as the exposure to claims from the employees, or more likely, their dependents also increase. How do we as a Professional Employer Organization meet this challenge? By carefully selecting our client mix and aggregating our co-employees together. This has allowed the smaller employer to not only eliminate the administrative nightmares that come with employee benefits, but also to receive the benefits of a much larger company. We are pleased to write that our normal rate adjustments have been from flat or only half of the normal rate increase passed on to small-to-medium-sized businesses over the past six years. As an example, we are pleased to list our current monthly-preferred for medical coverage through Medical Mutual of Ohio rates:

| Monthly Medical Premium | |
|-------------------------|----------|
| Employee | \$104.00 |
| Employee & Spouse | \$214.67 |
| Employee & Children | \$185.50 |
| Employee & Family | \$295.40 |

Maybe it is time for our organization to look at your organization. We also take your company out of the administrative hassles of COBRA, HIPPA, and provide both premium only 125 administration and full flex, regardless of your company's size. You will no longer deal with any of the paperwork, plus reap the rewards that larger companies have always experienced. Call 330-668-1845.

Rates are based on client qualification. ■

EMPLOYEE RETENTION



Human Resources

The American Group

INVOLVEMENT IS THE KEY

Often, employers needlessly drive up their payroll costs by giving employees substantial pay raises in an attempt to retain them in their employ. When an employer does this, it's like closing the barn door after the animals have escaped. Why is that? A satisfied employee does not look for work unless given a reason to look. Numerous studies show that money usually becomes an issue once an already dissatisfied employee begins to consider alternative employment opportunities. In essence, once the employee shifts their professional energies into finding another employer, the pay raise you offered in attempt to retain them is too late, and the raise you give is only a temporary solution to the underlying problem. Finally at this point, an employer can't win as an employee always view the grass as being greener on the other side with a different employer.

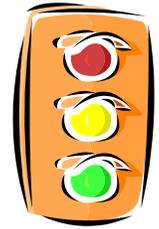
What is the solution?

Employers need to understand the correlation between employment retention and personal employee satisfaction on the job. An employee, who is given the opportunity to see and recognize how their involvement impacts the final product or service, will have greater employment longevity than those employees who aren't given that same opportunity. **Employee involvement is critical to retention!**

What can the employer do?

Successful managers take and make every opportunity to communicate as well as demonstrate to each employee how they play a vital role in achieving the company's objectives. This approach to employee retention requires constant feedback, praise and diversified recognition that allows for every employee to feel noticed, important, and involved. Small and mid-sized companies have an advantage; interaction is easier. Management will be more successful in the employee interaction process when less than 100 employees are involved, opposed to the manager or supervisor of a 300-person facility. Despite company size, working on retaining employees through this or other consistent methods will greatly affect the retention of skilled, trained, key employees. You'll be amazed at how quickly employee loyalty is built by taking the time to **INVOLVE YOUR EMPLOYEES.** ■

The Safety Zone



Director of Risk & Safety

WORKERS' COMPENSATION IN OHIO: LIKE NO OTHER STATE

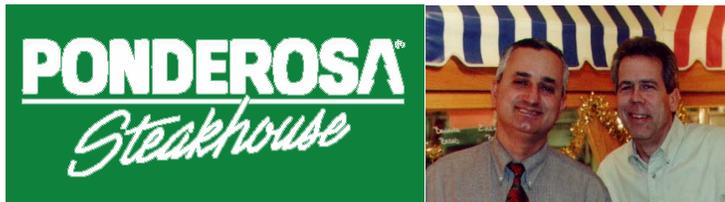
Ohio is one of four states in the U.S. that is monopolistic. Its Workers' Compensation (WC) is managed and underwritten by a state-owned Workers' Compensation Insurance Company. In other states, WC is purchased on the open market through numerous insurance companies. Is this bad for Ohio's business? Some years it may be, and some not. Recently, since WC has a tendency to be a political animal, it has been most favorable. However, with the stock market crumbling and with signs of increased unemployment, there is always a very big question mark on how our WC costs will bear on business.

Small and medium-sized companies in Ohio have the most difficult time since their options are very limited. Further, most owners do not pay very close attention to WC: the costs, rules, and/or policies until that unfortunate day a serious claim occurs and six months later is reflected in new WC costs. Most small-to-medium-sized companies do not understand all the different options that our state's WC Insurance offers. However, unless you are a sizable company of 500 plus employees, you have few options. You may have your company currently in a pool. This is an invitation to join a business or trade association that has been granted favorable rates based on the pooled experience. The pool's rate is determined by aggregating like-type companies together. However, as many small-to-medium-sized businesses have found with most pools, once you have the first claim, you're out. The pool disallows your company to continue participation. Unfortunately, once you are out, your rates usually soar upward and continue to rise because managing WC in small-to-medium-sized companies is difficult. Most small-to-medium-sized employers do not spend, or want to spend, the money or staff time focusing on all the inherent complexities that need to be accomplished to reduce and stabilize their WC costs.

If your company bids for contracts, your WC rate may be the difference between winning or losing the contract. With proper risk and safety management, we provide our clients competitive Workers' Compensation rates. Our WC team strives to bring your costs below the competition. This is an on going process--one that can never stop. To an employer, WC can be classified as a hidden tax. It is very much needed for the injured worker, but it is abused by the systems. Workers' Compensation of Ohio is constantly improving their ability to help the employers reduce risk and fraud. We provide the time, the skill, and the talent to maintain competitiveness and/or increase profitability. ■

The Spot Light

A Review of a Growing American Group Client



Fred Boukzam of Steak-N-Buffer (above left) & Ward Lawson (right) of TDR Steak Houses are excited about how partnering with The American Group will enhance their five combined owner-operated Ponderosa franchise business units.

Providing AI Services to the Service Industry

TDR Steak Houses and Steak-N-Buffer are two very fast growing Ponderosa restaurant family franchise operations in northeastern Ohio. The owners of these franchise operations, Ward Lawson and Fred Boukzam, are members of a consortium of owners who have teamed together to rapidly develop this area's marketplace. Fred and Ward come from totally different backgrounds but the blend of their talents, along with the support The American Group provides, will help to create a unique foundation which will allow these franchisees to successfully compete and beat their corporate-owned restaurant competitors.

Ward is a 21-year veteran of the Ponderosa Corporation, where he most recently served as a Sr. Vice President of Operations. He bought his first unit in August of 2000. Fred, intrigued with Ponderosa's excellent food and branding concepts, built his first franchise unit in 1991. Between the two, they are now owner-operators of five units and expect to double the amount of units their consortium manages (including other owners) over the next couple of years.

Ponderosa's food and branding concepts are aggressive and dynamic with a focus on constant quality improvement. This business constantly challenges owners to be ahead of the curve; they must provide the tastiest food and friendly, family-oriented dining experience at competitive prices in the local marketplace. According to Fred and Ward, "This requires developing teams of employees who can provide a guest controlled experience that can meet a large variety of family needs and occasions. The building and retention of such team-oriented personnel is crucial to success."

The American Group Benefit

Fred and Ward confirm that the most challenging and time consuming part of their business is attracting and retaining the qualified people with whom they will build their teams. "It is hard to hold onto good people in a tight labor market when the competition down the street can lure employees away with just medical and dental benefits." According to Ward, "Partnering allows us to combine Ponderosa's unique food and branding with The American Group's very thorough Human

Resource/Benefits Package to create a growth platform second to none. Now we offer better, cost effective, and total payroll/benefits management to our employees than our large corporate-owned chain restaurant competition counterparts."

"Moreover, while The American Group manages our employees' needs, our restaurant managers are freed up to concentrate on the day-to-day profitable operations of developing the teams that will further propel our success. The platform we have created leverages our operations so that ownership's time can concentrate more on the future in terms of acquisition and growth, and less on the legal and employee retention problems of the present and past." ■

FINANCIAL CORNER



We're very pleased, through our relationship with First Merit, to bring financial services to your company and employees. Our objective is to help employees better meet their financial needs through easy banking. Now our clients have group banking at their facility regardless of size. Group banking helps attract and retain quality employees. Your employees benefit by receiving:

- free checking
- free ATM cards
- waived fees for MasterCard (if they qualify)
- discounts on first and second mortgages
- ease of payment for their mortgage and/or car loans through direct payroll deduction
- up to ½% off on the interest rate
- direct deposit

No longer do your employees have to rush on their lunch hour to deposit their checks or request their check prior to vacation. They know their money is waiting there for them on the designated day. Benefits to your company include preferred banking status and an immediate introduction to commercial loan officers of First Merit which provides easier access to your capital needs. First Merit, the banking connection for you and your employees; brought to you by The American Group.



A Message from...

Lou R. Bologna CLU, RHU

President

The American Group

The Challenges for Us in 2001

2001 has already kicked off as a very exciting year. Needless to say, the election was the most exciting I can remember. The headlines are also trumpeting potential economic turmoil. Is the economy heading for a dive? Or, is it just a correction? For most small-to-medium businesses, a slight downturn could be an advantage; an opportunity to have a larger pool of talented employees from which to draw. Businesses always face challenges of keeping and finding new clients or customers. Today, however, one of the larger challenges is for small and medium-sized businesses to compete and attract talented team members who will stay with them and grow their business: talented, trainable, and loyal team players. With the tight employment market, we have all been facing that challenge. Yet, at the same time, small-to-medium-sized businesses were the largest contributors to creating jobs throughout the 90's. More so than the Fortune 500 sector. However, small-to-medium-sized businesses are always challenged to secure capital and people. Most small-to-medium-sized businesses don't have the advantages of stock

options and venture capital. Most have a very good idea that has been bootstrapped through family money and possibly helped with local bank capital.

Our mission and business is to help small-to-medium-sized businesses. We help them to compete in an uneven playing field by reducing costs and providing a complete benefit and human resource department. We are an invisible backbone helping small and medium-sized businesses compete. Our objective is to help you win by assisting you in attracting and retaining the most talented team members. It doesn't matter whether you have five employees or a hundred plus employees, our service helps you attract and retain the quality team that you need. Further, we help your company become more efficient by streamlining employee administrative duties such as payroll, personnel manuals, hiring and discharging practices, reducing costs, and improving your employee benefits package, addressing safety in the workplace, and reducing Workers' Compensation Costs.

So how do small and medium-sized companies compete for the best possible talent in the area? Many utilize our services every day. We're personally involved with our clients. We want all of our clients to be winners. We help our clients grow their business by focusing on team building, product development, and marketing. Yes, it takes capital and talented people to compete in today's market. We can assist in both of these areas. ■

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