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Feature Stories - July 2011

**Employee Benefits**  
 Companies Get Creative

by Doresa Banning

The benefits afforded to employees today are far different from those offered earlier this decade when the economy was strong. Similarly, those that will be offered five years from now will vary from those being provided today.



"From an employer's perspective, fewer employers are excited about offering benefits and taking a wait-and-see attitude," said Bill Rosado, president of MANAGEDPay, a Las Vegas-based professional employer organization (PEO) that provides payroll, human resources, risk management and insurance services.

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**Economy Hampers Benefits**

Nevada employers offer benefits to attract and retain workers and/or because they're compelled morally to provide for them, Rosado speculated.

Take Cox Communications Inc., for example, which has more than 1,300 employees in the Las Vegas area and 22,000 plus nationwide. Its benefits package includes medical, prescription drug, dental,

vision, life, short- and long-term disability and long-term care insurance plans along with flexible spending accounts, a 100 percent employer-funded pension, a 401(k) plan and Workers Compensation coverage. Other perks include flexible work options where possible, discounts on Cox products and services and discounts at various local vendors.

"Our benefits really reflect the company's dedication toward focusing on our employees," said Vicki Wenger, vice-president of human resources for Cox Communications, Las Vegas. "We firmly believe that it's really important to their success as well as to the company's success."

During the worst of the economy, the corporation increased the portion employees pay for their health insurance coverage to maintain paying 85 percent of the premiums. This year, however, it enhanced some benefits, increasing vision insurance coverage and extending health insurance coverage for dependents to age 26.

Benefit reductions in various forms and eliminations were common in the Silver State after the economic downturn.

"A lot of benefits unfortunately have been taken away like tuition reimbursement, maybe not as generous vacation policies or still having time off but not necessarily paid—anything that companies really have to budget for," said Mary Beth Hartleb, director of the Society for Human Resource Management (SHRM) Nevada State Council, a resource for Nevada employers.

"I think it's well known there have been a lot of pay freezes, furloughs and things of that

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sort.”

The majority of changes took place with traditional benefits, like health insurance coverage. “We saw attrition in the marketplace as well as employers not being able to hold on to their benefits plans,” said Valerie Clark, president of Clark & Associates of Nevada Inc., a Reno-based employee benefits insurance agency. “Things got pretty challenging over the past couple of years.”

This is due partly to skyrocketing health insurance costs, by as much as 30 percent recently, said Hartleb, who is also the chief executive officer of PRISM Human Resource & Insurance Services, in Henderson, an insurance brokerage and HR management consulting firm.

“What we’re seeing different in health insurance carriers is they’re raising the rates without real justification,” Rosado said. “If the premium is so high that the employees can’t afford a share of it, all you get on the plan are people who have a history of illness. A company has to decide if it makes them more competitive to offer benefits versus having the employees responsible for their own.”

Consequently, several Nevada businesses have made significant changes to reduce cost. They’ve eliminated health insurance coverage altogether, and reduced health insurance coverage in certain areas. This was sometimes something as small as changing to a \$7 prescription co-pay from a \$5 one. Companies have stopped paying for dependent coverage, changed their health insurance plan to one with a higher deductible and/or co-payments to lower premiums—consumer-driven plans and asked employees to contribute a larger portion of the employee premium. Most insurance companies will require the employer to cover at least 50 percent of the employee premium.

Mini-med plans have become more popular. A mini-med plan is a limited benefit indemnity health insurance plan with low rates where companies pick up 90 percent of the premiums, Rosado said. This is because companies can pay employees the lower minimum wage of \$7.25 an hour (vs. \$8.25) if they have in place a health insurance plan, toward which employees pay less than 10 percent of their gross income.

Another creative solution companies are offering employees is the choice of a few health insurance plans. One health insurance plan, also called a defined-benefit plan, does not suit every employee anymore, said Jim Annis, president and CEO of The Applied Companies, Reno-based firms that provide staffing, business and recruiting solutions to businesses. His company that provides benefits through its PEO services, Applied Business Solutions, offers its clients four different plans, allowing each employee to choose one that best fits their situation. A single person might opt for a high-deductible plan with a lower premium whereas a married person with dependents might choose a plan with a higher premium but low deductible.

Giving employees a dollar amount to spend on medical benefits rather than choosing specific benefits for them is another unique solution being employed. “These are significant changes due to employers getting so strapped,” Annis said.

Several Nevada staffing companies have tightened up their benefits packages for temporary employees, even eliminating some perks, to remain competitive for their clients, said Jennifer DeHaven, president of the Nevada Staffing Association, a 20-member trade association for the state’s staffing industry. DeHaven is also president and co-owner of Millennium Staffing Services, a Las Vegas temporary employment agency.

“Escalating health insurance costs, particularly in the last year, are really decreasing our profit margins, and yet at the same time, we’re trying to give back to our temporaries without increasing rates for our clients,” she added.

A shift seems to be taking place now, with some employers reinstating or enhancing benefits. “Now that we’re into 2011 I’m seeing things a little bit brighter than one to two years ago,” Clark said. “There’s a little bit more of an upswing.”

## A Trend to Non-Traditional Benefits

A rise in voluntary benefits has taken place. Many employers kept their benefits in place but made them voluntary, meaning they’d sponsor them with payroll deductions but employees would have to pay all costs, Clark said. Voluntary insurance encompasses coverage for accident, critical care, long-term care, key person, pet, travel and gap insurance.



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"Those are all relatively inexpensive insurances that offer a huge amount of protection for people," Clark added. "Employees would have a difficult time accessing those types of policies outside of an employer-sponsored arena. The best rates are through group purchasing."

When it comes to nontraditional benefits, many companies are focused on helping employees achieve a balance between the work and non-work aspects of their lives. One way they do that is by allowing them flexibility in their schedules and locations via job sharing, telecommuting and flexible hours. Flexibility is becoming more essential, for example, for the generations needing to care for their aging parents.

Many Las Vegas area Cox Communications employees enjoy alternate work schedules, compressed work weeks or other flexible work options. Some work from home. Others start their shifts without having to stop by the office first.

"I think we've done a lot in that area because that's where our culture is going," Wenger said. "It's not like 20 years ago when everybody worked nine to five, and that's all there was to it."

Hartleb is working with more and more clients, especially international ones, who have workers but no office space. "Based on what I see in my business, companies are jumping on that trend," she said. "It's something we'll probably see more of as a benefit, particularly for those with family responsibilities."

The Society for Human Resource Management has put heavy emphasis on work-life balance this year, Hartleb said, with committees looking at workforce readiness and getting employees prepared to work differently. Cloud technology likely will play a huge role in the future. With it, people can access and use computers and other technology from a distance, without being tied to a desk and computer in one location.

"It's going to lend a lot more to meeting the needs that employees have today for balancing their lives," Hartleb said. "It's the workplace of the future, which I think will be here very soon."

Wellness and wellness education programs also are popular. The Applied Companies, for instance, has a pedometer program in which employees get paid for taking a certain number of steps per month. Employees may take time out during their workday to exercise. The business prohibits vending machines in the workplace and purchases organic fruits and vegetables biweekly for employees.

Education is key, Annis said. His employees, for instance, know the benefits of purchasing generic versus brand-name drugs, and going to urgent care facilities rather than emergency rooms. Monthly staff meetings include short presentations on some aspect of optimum health.

"Everyone seems to be slowly grasping the need for an overall wellness program and the impact it can have on insurance," Annis said. "That education is ongoing. It has to be constant, consistent and diligent as we're changing habits that are 30 years old."

Opportunities for employee training and development, and reward/recognition programs are other non-traditional benefits that are growing. These are ways for companies to retain the great employees they have.

## Benefit Alternatives

Along with getting creative with health plan designs and premiums, it may be worthwhile to investigate whether obtaining benefits through a PEO would be beneficial. With PEOs, economy of scale comes into play, as all of its clients' employees are technically the PEO's employees. This allows them to obtain benefits for large groups. While this alternative can often save clients some money on health insurance over what the fees are, it's not always the case. A PEO should look into all the potential options for a firm and determine a company's best course of action.

Membership in the Employee Services Management (ESM) Association, a nonprofit organization, is another way to provide an array of additional benefits to employees. Benefits cover these program areas: convenience services, employee stores, community services, recreation programs, special events, voluntary benefits, dependent care, recognition programs, travel services and wellness.

ESM offers two types of membership: organizational and associate. Organizational members tend to be human resource and employee service professionals of large companies like hotel-casinos. Associate members tend to be vendors and suppliers, both small such as mom-and-pop

type businesses, and large, like Sea World and See's Candy.

"As part of this association, companies have the ability to offer their employees extra benefits that they themselves are not offering," said Jamie Marmorale, president of ESM, Southern NV Chapter. "We're here to help people get discounted services. Maybe they need a dental cleaning and can't afford it. At the same time, we're helping stimulate the economy by having these small business associate members grow their businesses and get access to people they otherwise might not have, for the cost."

## Looking to the Future

Over the next five or so years, expect the cost of medical insurance benefits to keep rising, experts say. Further muddling a clear employee benefits picture are the unknowns surrounding the Patient Protection and Affordable Care Act (PPACA), or passed health care reform legislation, parts of which will continue to be rolled out during the same time period.

"I see it getting worse before it gets better," Rosado said. "I see people going to nontraditional plans like those with high deductibles and mini-med plans until two things happen: one, prices become more affordable and two, there are clear options as to what an employer and employee can do. For example, is it more profitable for me not to offer health insurance and pay the \$900 a year penalty? Is the exchange a better place for the employee, or does it make sense to offer health insurance? Can I find affordable rates?"

Companies have moved from being paternalistic to allowing employees more independence. More and more employees likely will take on more independence, perhaps obtaining health insurance on their own rather than through their employer, Hartleb predicted.

"I think that what we really need to do as businesses is rethink our roles in the lives of our employees," she added.

She also raised the specter that health insurance coverage may cease to be an incentive to potential employees if PPACA goes through as intended. Today, it remains a retention tool but perhaps won't be down the line.

"What's going to happen to the workplace in terms of how we recruit and attract talent at that point? If we don't have benefits as a bargaining chip, what else are we going to do?" she posited. "I don't know that anyone is really thinking about it. We're just trying to get through the day."

Businesses must embrace flexibility, especially if they're not already doing so, to weather what's coming, Annis said. One surefire change is the gap that will result when Baby Boomers leave the workforce, as the country has 22 million more Baby Boomers than Generation Xers.

"If you're running a company and not embracing non-traditional types of benefit plans or flexibility in work scheduling or flexibility in your health insurance plans, you're not going to be able to attract or retain the kind of talent you need in 15 years," Annis said. "When boomers retire, the competition for middle and upper management in American industry and business is going to be fierce."

Despite questions about the future, as the economy strengthens, the quantity and quality of benefits employers offer their workers likely will pick back up, perhaps in different forms.

"We've lived in a doom and gloom mode for the past couple of years," Clark said. "I personally believe that we are posed for a bright, happy and positive future in our state. There are many dedicated business owners who are searching for answers and success, and I think we're going to get there."

**Doresa Banning**

*Doresa Banning is a freelance writer based in Northern Nevada.*

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