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Employees without the headaches

The right PEO can give you fast, fast staffing relief

Chances are, you still remember the administrative burden and paperwork shock that resulted when you hired your first employee.

First, there was the nightmare of payroll management, withholding taxes, and additional accounting and reporting responsibilities. Less obvious, but even more onerous, were concerns about risk management in areas such as compliance with human resource laws and workers' compensation. Even in the smallest practices, these employee-related responsibilities can be a distraction from the core business of patient care.

For many employers, co-employment (sometimes erroneously referred to as employee leasing) has proven to be a workable solution to this perennial problem. Whether you have a large staff or are just thinking about hiring your first employee, you should know how co-employment might help you to remain focused on running your practice.

How does co-employment work?

First, it's important to understand that a co-employer is not a temporary staffing agency or a simple payroll service.

A temporary staffing service hires its own employees and assigns them to supplement a client's workforce to compensate for employee absences or shortages, or seasonal workloads. Traditionally, temporary workers are a small portion of a client's workforce, and they remain employees of the staffing service.

Co-employers, known more correctly as professional employer organizations (PEOs), serve as co-employers with their clients. The PEO assumes such administrative responsibilities as payroll management, health-care benefits and retirement plans, disability insurance, workers' compensation coverage and claim resolution, assistance with termination, and supervisory training.

You, as co-employer, retain full hiring/firing authority, day-to-day management of your employees, and the normal operation of your practice. You schedule employees' time, assign work duties, and maintain the same personal relationship that you would under the conventional arrangement.

In other words, for a fee, the PEO assumes responsibility and liability for the business aspects of employment, such as risk management, personnel management, human resource compliance, and payroll and employee tax compliance (workers' compensation). You, as the client-employer, retain responsibility and authority for on-site management of your employees' work responsibilities.

How can co-employment help?

"You may not have the time and the necessary interviewing skills to recruit employees for your office staff," said Bob Kustka, president of CHR Partners, Norwell, MA. "Even hiring a receptionist can be a time-consuming job, and hiring the wrong person can be a costly mistake. The right PEO will have the necessary recruiting and assessment experience to take that responsibility off your hands." Of course, if you prefer, you may continue to do your own interviewing and hiring of new personnel.

"We prefer to do our own interviewing and hiring," said Deepak A. Kapoor, MD, chief executive officer, Integrated

Bob Kustka

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Medical Professionals, Hicksville, NY. “Though we are very pleased with our PEO, Prestige Employee Administrators, we feel that the clinical insights needed when assessing potential employees for a medical practice make it preferable to do our interviewing and hiring in-house.”

Once you enter into a co-employment agreement with a PEO for one or more employees, that firm will take over the full responsibility of payroll administration, including preparation and timely delivery of payroll checks. Most PEOs allow employees to choose between direct deposit and delivery of a paper check on payday. The PEO will do all the computations and make the payments of state and federal payroll taxes, even provide a full slate of health-care and other employee benefits.

Terminating an employee is one of the most dreaded tasks for many practitioners. When the employee is part of a co-employment arrangement, some PEOs will handle that difficult responsibility or will work with you to make certain that all applicable laws are carefully observed.

According to Jasen A. Burcham, national sales director of Shelby Township, MI-based PML Worldwide, one of the country’s oldest PEOs, their sheer size gives them the advantage of buying power not available to smaller employers.

“This is especially true in areas such as workers’ compensation and health insurance,” said Burcham. “We employ professionals in these specialties, and they are able to administer benefits more skillfully and negotiate better deals than small employers would be able to do on their own.”

What’s in it for your employees?

Although benefits to employees will vary somewhat among PEOs, most will provide a benefit package superior to what can be offered by the typical medical practice.

The PEO takes responsibility for timely and accurate payroll delivery and the provision of such employee benefits as health insurance, retirement programs, even stand-alone dental and vision plans. In short, your workers gain benefits similar to those they would have as employees of a large corporation while enjoying the advantages of working for a local medical practice.

Dr. Kapoor agreed, saying, “Providing our employees with the highest possible level of benefits is a top priority in our practice. Our co-employment arrangement has allowed us to provide our employees with a package of benefits that we never could have afforded on our own.”

Debbie Vandenberg, practice manager for Edward Domina, DDS, Orland Park IL, said, “The most important single reason that we decided to go the route of co-employment was employee benefits. The company we use, PML, provides our employees with a great benefit package. In addition, they provide a human resources manual that is a great help in working with our employees.”

The downside of co-employment

“It’s important to understand that there is a cost to co-employment,” said Kustka. “The PEO serves as your human resources department, fulfilling all of the responsibilities that you would have to shoulder and pay for if you were doing the work yourself. Thus, the cost for this service will be reflected in the markup charged by the PEO.”

Most PEOs set their fees as a percentage of the payroll they administer. “This markup may seem high,” said Kustka, “but it’s a legitimate charge when you take into consideration the amount of work and expense taken over by the PEO.”

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“Charges among PEOs will vary sharply,” added Burcham. “That’s why it’s important to shop carefully. One of the biggest factors [is] the risk involved. Obviously, some occupations—roofing or construction for example—present greater risks than office clerical employees. The greater the risk factor for such things as workers’ compensation, the higher the markup for co-employment. Also, the employer’s history of workers’ compensation cases will affect the markup.”

Burcham describes his firm as conservative. “We’re not interested in the riskier occupations,” he said. “That way we are able to keep our fees on the low side. I would describe medical office employees as one of the ‘sweet spots’ in co-employment because of the low risk they represent. Thus, the relatively low cost.”

If a practice were to use both its own as well as co-employed personnel at the same time, it is likely that two different sets of employee benefits will be involved. “This could lead to distracting discussions among the employees about who is getting the better deal,” said Burcham.

“There are definite differences among PEOs,” said Vandenberg. “We worked briefly with two other companies before we finally settled on the one we use now. The first two required us to do too much paperwork and were more expensive than our present company is. That’s why I suggest that anyone considering co-employment should shop carefully.”

Because no one knows the work culture and environment of your practice as well as you do, “working with a PEO means that you have a sort of middleman between you and your employees,” said Dr. Kapoor. “The PEO and the client must be wedded together to avoid misunderstandings or possible morale problems. That’s why you must maintain excellent communication with the co-employer. We’ve had no such problems because we take great pains to make sure everyone is on the same page when it comes to our employees.”

Co-employment obviously won’t be right for every employer. The degree of satisfaction evident with those clients interviewed for this article, however, suggests that it is an alternative worth investigating by any medical practice, large or small.