What If?

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If you are reading this column, no doubt you are familiar with the PEO industry and its value proposition. In paraphrased form: "We do what we do, so you can do what you do." If it were just that easy! As you are aware, the basics of our offering is payroll and related accounting—including the withholding, depositing, and reporting of taxes, the provision of regionally mandated insurances such as workers' compensation and disability, and, last but not least, health insurance. Of course, there is the HR services offering, but keep in mind that although most PEOs proclaim an expertise in this area, there are some who proudly offer "PEO lite" without the added bloat: "Why pay for what you don't use?"

As chair, I am immediately made aware of issues and developments that can have an impact on our industry. Recently, it was brought to my attention that the mayor of the District of Columbia, along with members of the D.C. Council, have introduced a bill that would essentially prohibit PEOs from sponsoring large group health plans in the District. If adopted, clients of PEOs would most likely need to obtain their own coverage directly through the market or from the Affordable Care Act (ACA) exchange—DC Health Link.

PEOs are no stranger to being collateral damage in the game of politics and because our model touches so many stakeholders, it's no wonder that these roadblocks continue to pop up. You are probably aware that since the inception of the ACA, the exchange model has been implemented across the nation and very few have actually succeeded in providing affordable health insurance coverage. In fact, many have closed their doors and left their participants with higher premiums or, worse, loss of coverage.

In the case of the Washington exchange, the DC Health Link, its director been charged to ensure participation and solvency, hence the introduction of the Health Insurance Marketplace Improvement Act of 2018. NAPEO has retained a lobbyist to assist the industry in its fight to keep this bill from becoming law.

My opinion is, along with the many PEO pundits I have queried who agree, that at some point in the future we are headed toward a government-sponsored and mandated single-payer system similar to Medicare. When speaking to PEO owners, I find that the thought of such a thing outrages them, not because they are concerned about the level of healthcare as much as they are concerned that it will put the PEO business *out of business!* Upon hearing this reaction, I ask, "What about the PEO value proposition? Aren't we more than a delivery vessel for health insurance benefits?" Of course we are, but why do we act like without the health insurance offering we are doomed?

In the '70s, the employee leasing industry was known for being a top-heavy pension planning tool for business owners. In 1982, Congress put an end to the tax loophole with the enactment of the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 and the implementation of 414(n), which essentially put an end to pension discrimination. Many predicted that without the "loophole," our industry would vanish but, as you know, we're still here. Furthermore, 414(n) set the framework from which our industry's multi-employer 401(k) programs are based and where our customers find value.

What if we could no longer sponsor our large group benefit offering? What if associations offered retirement plans that financially mirrored ours? It's a pretty sure bet that with the promotion of association health plans (AHPs) and multiple-employer plans (MEPs), the ground will be moving under our feet. The PEO industry will always be faced with a changing landscape and, therefore, we need to imagine a world where offerings such as health insurance are not the cornerstone of our PEOs. It's time to reimagine the PEO value proposition, as some have already done with technology, HR concierge services, or purchasing co-ops. I encourage you to look to the leadership within your own PEO and have the discussion of "What if?" ●

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