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### **Smaller Manufacturers Stay the Course With Health Plans**

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The Patient Protection and Affordable Care Act exempts companies with fewer than 50 workers from having to provide medical benefits, but small manufacturers are thinking twice before pointing employees to the now-open state or federal exchanges.

Moreover, many of the smallest manufacturers that have never been able to afford health care are, for the first time, finding coverage for employees through PPACA's Small Business Health Options Program, or SHOP, even though that program has yet to be made widely available. Many of these small manufacturers are qualifying for SHOP's tax credits to help get them started.

About half of all businesses with three to nine workers blame cost as the primary reason for not offering health benefits, according to statistics from the Kaiser Family Foundation, a health policy research organization.

To offer coverage or not has long been a complicated issue for these small and micro-manufacturers as they balance the competing interests of money, morality and good business practices.

Drew Greenblatt, president of Marlin Steel Wire Products, based in Baltimore, Md., finds himself torn between the desire to retain health care for his 28 employees and concern that competitors will dump their workers on the open market and pocket tens of thousands of dollars in savings.

"If it's evident that a lot of people are going to pursue this strategy," he told the Wall Street Journal, "I'm going to be taking a beating."

Yet, despite a 36 percent increase in premiums, Greenblatt plans to renew medical benefits though 2014 for his employees, stressing that he wants them to have access to good doctors and good medical care.

As the economy improves, more small manufacturers may find they have no choice but to offer coverage, if only out of their own economic self-interest.

Robert Kleinhenz, chief economist for the Los Angeles County Economic Development Corp., predicts that by the end of 2014, the unemployment rate will drop to 6 percent nationally, from the current 7 percent. Moreover, the Congressional Budget Office projects that by 2017 the unemployment rate will drop to 5½ percent, a number traditionally associated with full employment.

Plus, if the growth rate in the U.S. economy rises from the sluggish 2 percent seen over the past four or so years to 3 percent annually, as Kleinhenz and other economists predict, that single percentage point would account for an average of 250,000 new jobs monthly, compared to an average of 190,000 a month for 2013.

While that's good news by anyone's reckoning, employees – especially skilled workers – are likely to get a lot more vocal about medical benefits, putting additional pressure on small employers already struggling with the healthcare question.

"I've had employees leave me for competitors who offered just a little bit more money but better benefits," says Ron Nelsen, president of Pioneer Overhead Door, a Las Vegas, Nev., garage door installer with five employees.

"Frankly," says Nelsen, "just on a moral footing I don't understand how some employers can decide not to offer health care. But putting that aside ... I have some technical issues in my business, so I train my employees up. Because of that training, I don't really make much money from them until the second and third years. At the very least, providing

health insurance promotes stability and retention.

Through SHOP, Mr. Nelsen has found what he views as affordable health and even dental insurance for his employees, along with a \$5,000 tax credit over the next two years. "Going with SHOP was a no-brainer for me," he says.

At Jemmco LLC, a Mequon, Wisc., company that supplies equipment to plastics processors, co-owners Trudi Opad and her husband are excited. For the first time ever, they'll be able to offer their two employees benefits because of SHOP. But that's not the biggest thrill for the Opads. "We want to grow our business," says Ms. Opad, "and the ability to provide health care makes us a lot more competitive when hiring."

Once employees are hired, a solid health benefit can help retain them. Reducing turnover and the need to find, hire and train new employees simply makes good business sense, particularly for companies with just a few workers.

"I don't know very many small companies that have the kind of retention we have," boasts Laura Prendergast, marketing director at Pygmy Boats, based in Port Townsend, Wash. "We have one employee who's been here for 13 years and another who just left after 17 years. And she left to start her own business."

The eight-employee company was founded in 1986 by John Lockwood, a successful software engineer who quit corporate life to pursue his passion for designing kayak kits, the culmination of a lifelong love of kayaking and the wilderness.

"We all get health care," says Ms. Prendergast, who has been at Pygmy for 2½ years. "John even crafted a policy that covers our co-pay, which the insurance broker thought was nuts.

"But John made it clear that he doesn't want people who are sick not to go to the doctor, just because they're afraid of the bill. I think a lot of the loyalty here comes from working for an employer and a company where you feel taken care of, and valued. Not just as an employee, but as a person. It's really important."

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