

Good afternoon committee members. My name is John Thomas and I am the Vice President of Partner Development for Nextaff. Nextaff is a Workforce Strategies Provider offering human resource and benefits management services to small and medium-sized businesses that are not large enough to have their own internal human resource managers.

We help companies - no matter where they are in their business evolution - raise productivity through improved human capital strategy, quality, efficiency and cost control across their workforce. That includes the Risk Management and Workers Compensation for our clients. Our service allows businesses to concentrate on their core business activities.

I am here to speak in favor of H.B. No. 2637; and to provide some insight to the PEO industry and the value we bring to organizations. A PEO provides integrated services to effectively manage critical human resource responsibilities and employer risks for clients. A PEO delivers these services by establishing and maintaining a shared employment relationship with the employees at the client company's worksite. The client or "worksite" employer still controls the worksite; however, the client assigns certain employer rights, responsibilities, and risk through an executed service agreement.

Businesses across the state have discovered the incredible value of PEOs because they provide:

1. Relief from the burden of employment administration.
2. A wide range of personnel management solutions through a team of professionals.
3. Improved employment practices, compliance and risk management to reduce liabilities.
4. Access to a comprehensive employee benefits package, allowing clients to be competitive in the labor market.
5. Assistance to improve productivity and profitability.

Let me speak specifically to the Risk Management and Workers Compensation piece that is in HB 2637. While Nextaff is in compliance with the current bill as well as the proposed changes, I do believe that a few of our competitors may still be working to comply with the law. Therefore having an extension to comply is fair.

As far as workers' compensation is concerned we work diligently together with our insurance provider and internal underwriting process to ensure that we (Nextaff) is not assuming exposure that is detrimental to our business or to our client base.

House Commerce & Economic
Development Committee
Date: 02/16/12
Attachment #: 3-1

Our process includes but is not limited to:

1. Gathering current work comp loss runs and all current codes assigned to that company.
2. On-site inspection of the worksite to assure OSHA compliance and all safety concerns are documented and addressed.
3. The right to reclassify and the client's required cooperation in reclassifying covered employees when necessary;

Once we have determined the client meets our acceptable risk profile, we then refer that company's information to our insurance provider for approval and coverage costs.

At no time is a company provided an opportunity to "wash their mode" to reduce their rates. Quite frankly we don't want that risk or exposure to ourselves or to our other clients.

Each client is tracked individually and monthly reports are provided for client experience.

The way companies reduce their worker compensation cost is done over time and through our Risk Management program which provides training, safety manuals, annual audits and periodic on-site visits.

In conclusion, the increased use of PEO services stems from business owners that are frustrated with the increasing number of human resource tasks that are cutting into their time, profits and cash flow. Most of the business owners we meet with are upset to find out that many of their profit killers are employment or employee related. Business owners and management are concerned with spending too much time on government and payroll regulations, not being able to recruit quality employees, and simply not having the expertise and techniques to maximize productivity from their existing employees.

Thank you for your time.

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