



Human Resource Solutions for Nursing Homes

The Professional Employer Organization can do it all with minimal hassle
by Layne Davlin

The business of being an employer is hitting the nursing home industry hard. This is especially true in the areas of staffing and government regulatory compliance. LTC's decreasing labor pool and its competition from other industries have made employment issues a nightmare for facilities all over the country. Restricted funding and intensified healthcare demands have exacerbated this problem. Adding to this, many workers in nursing homes are undertrained, underpaid, and improperly screened. Finding top talent is also growing increasingly difficult. Because most nursing homes are relatively small private businesses, they cannot afford to offer their employees adequate salaries or the same benefits that a larger employer can provide.

According to Susan Eaton, assistant professor of public policy at Harvard University's John F. Kennedy School of Government, "First, caregiving work in general is undervalued. We pay animal keepers more than eldercare providers. Many nursing home workers do not have health insurance themselves, and almost none have pensions." These workers, not surprisingly, often get tired of low wages and no benefits and move on to other professions, with many nursing homes experiencing staff turnover rates of 80% to 100%.

In addition to their traditional staffing challenges, most nursing home administrators have little detailed knowledge of human resources (HR) administration or of the complexities of related compliance issues. At worst, this shortfall can cause a nursing home to fail and close the doors on employees and those seniors who are in need of care. "I am frequently amazed at what the government expects our nursing homes to know concerning human resources," says Brian Conners, director of payroll services with Einstein HR in Atlanta. "Having to fill out loads of paperwork and read up on proper HR practices are the last things on the minds of our nursing home operators," he says.

According to a recent study by the National Association of Professional Employer Organizations (NAPEO), businesses in general are spending more time on regulatory paperwork than ever before. However, it is the smaller businesses that are most adversely impacted by this demand because they have the fewest resources. A large business might commit five employees to meeting this challenge—i.e., only a small portion of the company's overall workforce and available resources—but for a small business, five employees might represent one-quarter of its workforce.

Fortunately, the Professional Employer Organization (PEO) solution to HR outsourcing is available to the nursing home. For an annual fee—usually 2% to 7% of annual payroll—a PEO will take care of everything, from managing health benefits to designing employee manuals. For instance, if a company has a \$1 million payroll, a PEO can provide the services of a full HR department for roughly \$20,000 to \$70,000 a year—considerably less than a fully staffed HR department or even one qualified executive.

Under a PEO agreement, the PEO assumes responsibility for all payroll obligations, Worker's Compensation coverage, and tax filings. Additionally, direct health, welfare, and retirement benefits can be contracted for, as well as all associated administrative work. Administration can include pre-employment activities such as drug and background screening and reference checks. Often, a PEO arrangement is the only way a nursing home can offer benefits like health insurance, dental and vision care, life insurance, retirement savings plans like 401(k)s, and Section 125 cafeteria plans (flexible spending accounts for healthcare and child care). Some PEOs even provide mini-med programs, which are scaled-down health benefits programs tailored to skilled and unskilled labor.

Finding the right PEO for your company

Most PEOs target employers that have 500 employees or less. However, because PEOs offer many different types of services, choosing the right PEO is essential. Consider the following approaches to finding the best possible PEO arrangement to meet your needs:

- Conduct a basic needs analysis. Lay out exactly what type of HR and risk management concerns your company has.
- Review the services of all the PEO firms you're considering. Find out which firms can meet all of your needs and will do so in a manner that meets, if not exceeds, your expectations.
- Understand how the employee benefits are funded. Is the PEO fully insured or partially self-funded? Who is the thirdparty administrator (TPA) or carrier? Is their TPA or carrier authorized to do business in your state?
- Review the service agreement carefully. Are the respective parties' responsibilities and liabilities clearly laid out? What guarantees are provided? What provisions permit you or the PEO to cancel the terms of the contract?
- Perform extensive background research to find out if the PEOs' sales pitches are really what they deliver.
- How well does the PEO manage employer risk? Is there a risk management department with trained and certified risk management professionals?
- Check out the company's staff. Does it have the depth and expertise to deliver on its promises?
- Find out how the firms deliver their services. In person? By phone? Via the Web? A mix of all three?
- Determine what kind of consulting the PEOs provide on strategic HR issues like recruiting, HR procedures and processes.
- Ask for a few references, and then check them. If a particular PEO can't relieve your HR burden, one of the other onesalmost certainly can.
- Find out if the PEOs charge any upfront fees and how those fees are determined. What about prepayments? Do you have to put up a deposit?
- Ask for some demonstration that clients' payroll taxes and insurance premiums are being paid properly, and that any past clients' legal issues have been correctly and efficiently handled.

Once you've selected the PEO you'll be hiring, lay the foundation for a lasting relationship by meeting the people you'll be working with face to face. An open line of friendly communication ensures that you won't be "lost in the in-box."

Benefits without overhead

PEOs can help nursing homes enjoy excellent HR benefits without the considerable overhead usually involved. A PEO costs less than hiring an internal HR employee and will maintain critical employment records and payroll reports, as well as provide the forms needed to make sure a nursing home is in compliance with all required employee regulations. Being a nursing home administrator is difficult enough without all the accompanying HR hassles. A PEO is a viable option for any nursing home looking for a solution.