

Local PEO enjoying fast growth

WorkSmart Systems attracts small firms fleeing high premiums

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Matt Thomas' young PEO has grown its client list from 12 to 80 since 1999.

negotiated increases of about 12 percent for the 100 firms and 900 employees it serves.

"One of the first things small businesses want from a PEO is help in controlling benefit costs," said Matt Thomas, president of the 4-year-old local firm.

Nationally, professional employer organizations, or PEOs, are considered a fast-growing service industry.

From 1988 to 1998, the number of employees covered by PEOs grew fivefold, from 500,000 to 2.5 million, according to the National Association of Professional Organizations, a not-for-profit trade group.

WorkSmart's growth has been more recent but no less impressive. In 1999, WorkSmart had 12 clients. That number leapt to 28 in 2000 and to 80 in 2001.

"That was a huge year for us," Thomas said.

WorkSmart was ready for growth, he said. Thomas had built the company's infrastructure, he said, so adding clients wasn't a challenge. Thomas also thinks WorkSmart's sales efforts, word-of-mouth referrals and some restlessness caused by spiraling health care costs all contributed to growth.

For a group of small businesses in central Indiana, WorkSmart Systems Inc. has been a big help.

In addition to providing payroll and human resources services expected of professional employer organizations, WorkSmart has been able to find benefits for its clients that have cushioned the blow of climbing health care costs.

While many smaller companies have faced health insurance increases of 35 percent to 50 percent in recent years, WorkSmart has

Generally, a PEO enters into an agreement with a small employer to become a co-employer and deliver payroll, human resources, benefits and other services small businesspeople might not have the time or expertise to handle on their own.

"Most entrepreneurs really don't know much about being employers," said Milan A. Yager, executive vice president of NAPEO, the national trade group. By offering a "one-stop shop" for those services, Yager said, PEOs save small businesses time and money.

In WorkSmart's case, many of its clients are IT firms with fewer than 50 employees; some have as few as three.

So what has been WorkSmart's secret in finding more affordable health insurance?

Some of it can be tied directly back to the clients WorkSmart targets--small, white-collar firms that generally try to offer good benefits to employees.

"Our clients are very generous to their employees," Thomas said, "so we get a very high participation rate."

For an insurance company, he explained, a good participation rate takes some of the guesswork out of underwriting the group risk because there is not a big group of employees who may opt in later.

WorkSmart pays attention to those factors as it evaluates new business opportunities, choosing to grow carefully rather than pursue business just to add volume, he said.

While acknowledging that "statistically, we know people are going to get sick," Thomas said he tries to keep an employee pool that is less expensive to insure. "As president, I have a responsibility to my first client not to take on a lot of business that will cause rates to increase," he said.

WorkSmart also can take advantage of its large number of workers to negotiate better rates. With 900 employees, Thomas said, "we're a major account to an insurance company. But we're a major account with a good loss profile."

If WorkSmart can continue to deliver health care rates that are lower than other PEOs, it could become a successful niche for the firm. Other than vacation time, the most common benefit any small business will offer employees is health insurance, according to Edward Bowman, state director of the Indiana chapter of the National Federation of Independent Business.

"The only companies not giving [health insurance] are, literally, those that can't afford it," Bowman said.

Finding lower insurance rates would definitely help WorkSmart distinguish itself, he said.

Yager, however, said health care insurance is not an area a PEO can count on finding heavy discounts for long.

"Health care is a national crisis, period," he said. "There are no short cuts; there are no economics. It's a mess. The cost of health care is not something we can control. A PEO purchases from an insurance company. As an employer, you can't do a lot about the health of some of your

workers."

Yager said health care increases of 20 percent to 25 percent are occurring nationally, year in and year out.

"Any PEO that's keeping it under that is doing a good job," he noted.

The founder of an Indianapolis technology company said WorkSmart has provided lower rates while increasing service.

"The thing I've been happiest about is what Matt and his team have been able to do to help with the level of service," said Steve Rusche, vice president of eTapestry, an Indianapolis application service provider with about 30 employees.

Rusche and his three co-founders started eTapestry in 1999 and decided to use a PEO from the start. "We wanted a PEO for the benefits and payroll," Rusche said. "We realized we needed to focus our energy on growing the business."

But the PEO they originally retained was having service trouble and its health insurance rates were going through the roof, he said. So eTapestry went on a two-month search for a new PEO, interviewing five companies and narrowing it to WorkSmart and one other competitor.

WorkSmart was able to offer slightly better rates on benefits, so eTapestry hired it in January.

"To a company like ours that's only 3 years old, you watch every expense," Rusche said.

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