

WESTCHESTER LAWYER



THE WESTCHESTER COUNTY BAR ASSOCIATION'S MONTHLY MAGAZINE

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Please join us at the Westchester County Bar Association's

Twilight 9-Hole Golf Outing

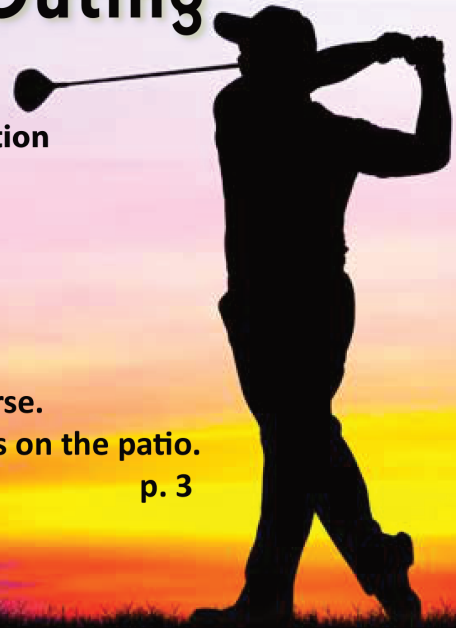
Tuesday, June 8, 2021

4:00 PM Shotgun Start | 6:00 PM Outdoor Reception

**Brae Burn Country Club
Purchase, NY**

**Beverages and snacks included on the course.
Afterwards gather for a reception outdoors on the patio.**

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“PEO”: What is it? How can it help my firm? What do I need to know?

By Ilana Arbeit

Vice President Benefits Practice
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The passage of the Affordable Care Act (ACA or “Obamacare”) brought about many changes. In New York State, one of the most significant and impactful changes to the scope of benefits in employer groups was the change in group size guidelines. For the purposes of NYS benefits, companies are divided into two categories: Small Groups and Large Groups.

In a Small Group, the offerings are canned and the rates are known as Community Rates. This essentially means that you and the company next door to you will get the same rates for the same plans regardless of age or health history. In a Large Group, there is more flexibility as benefits can be customized and rates will be based (at least in part) on the makeup of the group and claims and health history.

Prior to the ACA, Small Group was defined as a company with between 2 and 50 full time employees. Post ACA, the definition has been expanded to include groups with up to 100 full time equivalent employees.¹

This change impacted a significant number of employer groups. These “51-100 lifers” were now in a position of navigating a health insurance market that was unyielding to some of their needs (needs which had previously been met as a Large Group).

Do you really want to pay a higher administrative fee because you’ve rewarded an employee? Another item to note is—what else is not included in the administrative fee?

Enter the PEO—Professional Employer Organization. A PEO is a business entity that provides human resources outsourcing services to client companies using a co-employment relationship. By combining thousands of employees from groups around the country, the PEO is able to negotiate health plan rates that are typically below what a group would find in the Community Rated market.

In exchange for administrative fees, a PEO will take the “non-revenue driving” tasks off of your plate. They will handle Compliance (ACA, ERI-SA, workplace safety, best practices and more), and they will provide an HR team to help guide your existing HR team with all aspects of onboarding, hiring, terminations, recruiting, interviewing and more.

In the US, there are over 900 PEOs representing 175,000 small and mid-sized business. How does an interested law firm go about evaluating which is right for your firm, culture and employees?

■ Accreditation, Financial Assurance and Certification

There are several associations and accreditations available to PEOs. The main ones we typically look for are NAPEO (National Association of Professional Employer Organizations), CPEO (Certified PEO) and ESAC (Employer Services Assurance Corporation). Each of these provides certain assurances and guarantees to anyone who decides to join a member PEO. In the case of a CPEO accreditation from the IRS, you would be protected from tax liability if your PEO does not fulfill their obligation to you. If a company decides to join a PEO that does not have these accreditations, it is imperative that the company is working with a known entity with a sound reputation and reviewable financials.

■ What are their fees and how are they charged?

All PEOs charge administrative fees. Some charge a flat fee per employee per month while others charge a percentage of payroll. This becomes

extremely relevant to our law firm customers and anyone else who provides a year end bonus to employees. Do you really want to pay a higher administrative fee, because you've rewarded an employee? Another item to note is what is not included in the administrative fee? Do you require specific time and attendance tools? 401k administration? Additional checks? Make sure to ask these questions up front so that there are no surprises.

■ Will the PEO allow you to use a PEO broker?

Most PEOs will allow you to use a PEO broker and many prefer it. The broker is a true advocate for you and your employees when any insurance benefit or claim issues arise. (With insurance companies pushing back on benefits, it makes good sense to have someone with a vested interest in helping you rather than waiting for the "next available customer service associate"). Additionally, a knowledgeable broker will be able to get you reduced fees and enhanced service.

■ What is the average health plan renewal increase?

One of your motivations to join a PEO may be the health plan and attractive rates. It is imperative to choose a PEO with a stable block of business so that you can properly budget and plan year over year.

■ What services do you need?

PEOs run the gamut of high-touch, service-oriented offerings to lean, bare bones models which are structured for cost savings. If you know what services you need, this will help eliminate the options that offer more or less than you need to run your company efficiently.

■ What does their technology look like?

This is the system you will be using to run payroll, onboard new employees, track vacation time and basically be the infrastructure of your company. Make sure that the technology suits you, that they have the reports you will need and that it will be user friendly for your employees.

■ What is the plan renewal date?

Every PEO has a different health plan renewal date. This is the date that the plan premiums will change and in some instances deductibles and out of pocket expenses will reset. Make sure that you know when the renewal will occur—are you locking in a full year of rates on your health insurance or is it really only 6 months? Will your deductibles reset at that time?

Over the years, when vetting PEOs for clients, we narrowed down the pool of over 900 PEOs to around 16. Within those, we identify a few per client, which appear to be a fit and have them compete for the business.

The process of quoting a PEO can be tedious at times. A lot of data is required, as the PEO will be replacing a lot of critical functions in your firm. To simplify the process, it helps to use a single Request for Proposal document and census form that our PEO partners have agreed to accept from our clients. We help move clients through the underwriting process and translate any information requests from the PEO.

In the final analysis, PEOs require a lot of information up front in order to release proposals, but they may save money and improve your firm's overall HR and compliance procedures.

Endnote

- 1 On the Federal level, the definition reverted to 50; however, NYS and 3 other states maintained the 100+ definition.



Ilana Arbeit is the Benefits Practice Vice President and a Partner at Charles Newman Co., where she develops comprehensive employee benefit plans for both small and large group clients.

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Pace University's Elisabeth Haub School of Law Now Offers a Part-Time Flex Program



Pace University's Elisabeth Haub School of Law offers a part-time flex programs. The new scheduling option allows part-time law students to take all of their required classes on Tuesday and Thursday evenings, as well as on Saturday mornings.

"By now offering required courses on evenings and weekends, we are expanding access to legal education and providing rigorous academics and training to those who are working professionals or have other daytime responsibilities," said Dean Horace Anderson. To learn more about the part-time program click [here](#).