



INSURED
BENEFIT PLANS INC.

Your Fringe Benefit Experts



SOLUTIONS FOR GOVERNMENT CONTRACTORS

A Guide to Increased Profitability, Competitiveness,
& Compliance

www.contractorbenefitplans.com

About Us

With over 25 years of combined experience, Insured Benefit Plans, Inc. advises and assists government contractors who have hourly paid employees that are subject to wage determination mandates. We provide expert guidance for contractors that work within both the **Service Contract Act** and the **Davis-Bacon Act** by helping them implement “bona fide” health and welfare plans that incorporate a comprehensive fringe-benefit management solution.

Insured Benefit Plans provides complete fringe benefit design, implementation, enrollment and compliance support. We have strategic partnerships with government contracting industry leaders in insurance, retirement, fringe dollar management, accounting and administration. We chose to work with these particular partners because of the strong industry experience and specialty they provide for each unique situation our clients may need.

We partner only with the best of breed carriers and administrative partners in the government contracting arena so as to provide the service and personal attention our clients expect and deserve.

Insured Benefit Plans is not restricted to marketing a single product or only offering one service, but rather **we allow the client’s situation to dictate what methods and options are best for their particular needs. Our resources and solutions emanate from our client’s individual needs, not those of our carriers or partners.**

We can:

- Provide advice on how competition is managing fringe dollars.
- Review current plans and create innovative, cost effective strategies that benefit your company and your employees.
- Monitor changes and stay abreast of trends, market shifts and government mandates.
- Properly advise which providers match best with each individual client’s needs.

Corporate Contact Information

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Challenges Facing Government Contractors

Generally, all government contractors have the same two goals – **compliance** with the requirement of the various rules and regulations that apply to their government contract and **competitiveness** within their industry. There are however, unique challenges that government contractors face in determining how to expend the “health & welfare” portions of the wage determination. Government contractors are required by government regulations to either provide fringe benefits in an amount specified in the contract, or pay the designated fringe amounts in cash to the contract employees.

The Problem with Paying Fringes in Cash

Contractors paying the fringe rate in cash through wages are truly at a competitive disadvantage on their labor costs because they incur additional expenses in the form of payroll burden including FICA, FUTA, SUTA, as well as higher Workers Compensation premiums. These expenses cannot be credited toward the fringe contribution and must be paid in addition to, therefore **raising your effective cost by as much as \$0.60 a man hour or more.**

The Problem with Utilizing a Traditional Benefit Plan

Government contractors who attempt to utilize a traditional benefit plan for their employees working on wage determination contracts quickly realize that benefits for wage determination employees require completely different tracking and administration than those employees on non-government contracts. Consequently, trying to implement the same benefit plan on these two different populations becomes problematic from both an administrative and compliance perspective. Hour banking can also be a burdensome process.

The Solution

The best way to become more competitive quickly within the government contracting industry is to contribute the designated fringe rate to a bona fide benefit plan, rather than pay the fringe in cash to the employee. Now, with the Affordable Care Act, requiring employers to provide minimal essential coverage to their employees, designing employee benefit plans using the designated fringe rate has never been more important.

Insured Benefit Plans provides fully-insured, ACA approved programs that alleviates this challenge and requires its carriers, or at least their independent administrators, to perform all fiduciary and claims payer functions.

Government contractors cannot alter, eliminate, or save any part of their hourly health and welfare wage determination contributions. It must be spent in full. This inability to reduce – or cut – premium expense diminishes the relative cost vs. benefit, and elevates the already important issue of service, to both the contractor, and especially their employees.

Government Contractors and The Affordable Care Act

Choosing whether to “pay” or ‘play”

With Health Care Reform now a reality, many employers have been analyzing whether it’s more advantageous to pay the costs of providing medical insurance for their workers or to pay the penalties that will begin to be assessed in 2014 if they do not offer medical insurance.

For government contractors, choosing the penalty option makes no sense from a bottom line perspective.

- Government contractors who choose to pay out the fringe portion of the prevailing wage to their workers in cash, rather than providing medical insurance, are already missing out on significant savings on payroll burden.
- When the fringe is used to offer bona fide benefits for workers on Davis-Bacon or SCA contracts, those dollars are not subject to costs such as FICA, FUTA and SUTA and, in most states, Workers Compensation. Over the life of a contract, this can add up to hundreds of thousands of dollars saved.

Penalties vs. Premiums for Government Contractors

When you add those unrealized savings to the imminent penalties for not providing medical insurance for your prevailing wage workers, you can almost hear the profits draining away. Starting in 2014 contractors with 50 or more FTEs (based on the number of workers who put in 30 hours per week on average) will be fined \$2,000 per employee if they do not comply with this provision of the PPACA. Some analysts expect this amount to be adjusted upward to help alleviate the costs the federal government will incur to implement the PPACA.

Even contractors with fewer than 50 employees should seriously consider offering medical insurance for their prevailing wage workers. For smaller employers, when you add savings on payroll burden to savings that can be realized from tax credits for those offering medical insurance, once again there isn’t much of an argument to be made for NOT using the fringe to provide major medical coverage.

Insured Benefit Plans Products and Benefit Solutions

- Variable Hourly Major Medical Government Contractor Plan (Fully ACA compliant)
- Fixed hourly Indemnity Medical Plans for Part-Time Employees
- 24/7 365 Telemedicine Service. Connect with a physician over the phone from anywhere
- Worksite Wellness Services
- Ancillary Benefits such as Critical Illness, Long Term Disability, Universal Life, HRAs and more...

A fringe benefit design by Insured Benefit Plans can help you:

- Save on payroll assessment taxes
- Submit more competitive bids
- Maximize contributions to owner & key employees retirement accounts
- Stay in compliance with DOL, IRS and State regulations
- Respond quickly and accurately in the event of an audit
- Eliminate the administrative burden of multiple vendors, when appropriate



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Contact

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