

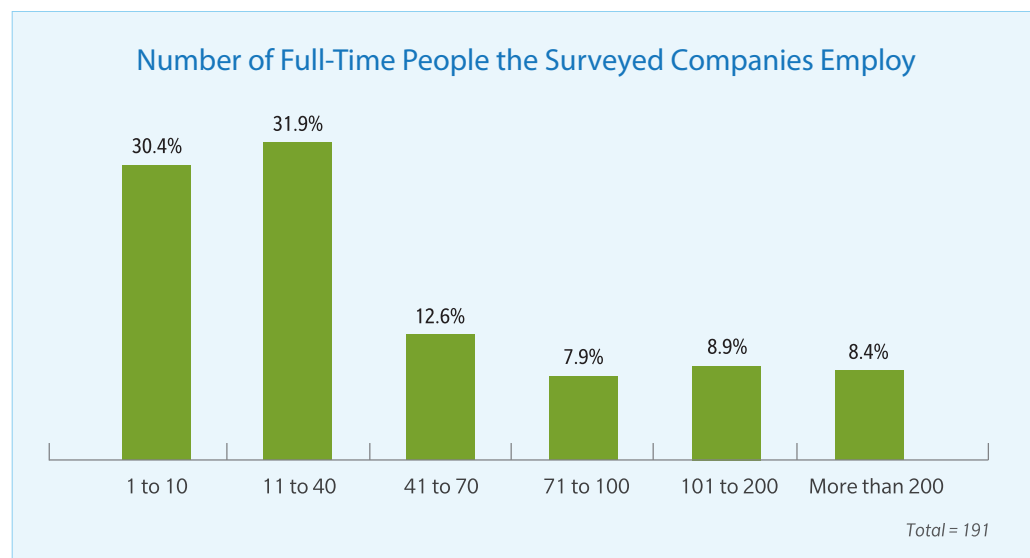
Summary Of TriNet's Q3 HR Trends Survey

OCTOBER 2009

Introduction

In September 2009, TriNet conducted an online survey of businesses primarily in the financial services, professional services, and technology industries. The purpose of the study was to assess issues associated with the current health care program environment.

Questionnaires were sent to the Owner/President/CEOs of a selected group of companies. The survey contained 19 questions. Responses were received from 216 companies located in 32 of the 50 United States. There is a good representation based on number of employees: 62.3% have between 1 and 40 employees, 20.5% have 41 to 100 employees, and 17.3% have more than 100 employees. A summary of the findings is presented below.



Based on the responses, the following summary points and conclusions appear warranted relative to small businesses and impending health care reform.

What They're Paying Right Now

Of the respondents who pay at least a portion of the health care premiums for their employees, 56.8% indicated that health care insurance consumes between 1% and 5% of total revenues, and another 19.3% said it consumes 6% to 10% of revenues. Therefore, 76.1% of the respondents believe the health care costs for their employees take as much as 10% of business revenues. This substantiates the significance of health care costs to smaller businesses.

In terms of how they supplement employee benefits packages, most respondents (64.0%) pay for only a portion of the healthcare premiums for their employees. While 26.4% pay all of the premiums, 9.8% do not pay for health care insurance.

The fact that more than 90% of the companies do pay for at least a portion of their employees' healthcare premiums indicates that this is a very important benefit that employees want and employers feel they need to offer.

What They're Seeing in Terms of Rate Increases

The largest groups of respondents (32.3%) indicated that their health care costs rose between 11% and 20% from last year, and another 30.3% thought it rose between 6% and 10%. Thus, 62.6% of the respondents said their costs rose between 6% and 20% in the last year. Given its significance in terms of total revenue, these growth rates in costs further indicate that issues related to health care reform are important.

What They Fear: Cost and Complexity

The survey also asked small businesses to share their expectations about the results of health care reform, once enacted. Respondents believe reform will result in a program that is more complex than it is now (70.8%), more costly than it is now (55.8%), and will be less comprehensive than it is now (42.9%). Relatively few believe the health care reform that will be enacted will be less complex (9.7%), less costly (14.2%), and/or more comprehensive (25.5%).

All of this suggests that respondents do not have much confidence that there will be positive outcomes from the reforms being considered at this time.

They're Not Afraid of Change

When asked if they would prefer "no change" to the current system, very few took the bait—only about 22.8%. While mindful of the potential costs and impact on themselves, business owners are not saying that we simply need to let the status quo prevail.

That said, respondents remained somewhat divided on what options healthcare reform should offer—33.5% would like preferred provider organizations (PPOs) while 21.3% want universal programs run by the government and funded by business and personal income taxes. In addition:

- While preferring change, most respondents (59.1%) think health care insurance costs will increase, and only 13.5% believe it will decline.
- Among those respondents who think the costs of health care will increase with reform, 43.5% indicated they might reduce the level of benefits coverage to offset the added costs. The next largest groups of respondents said they would reduce employee salaries and wages (21.3%) or reduce the number of staff (19.9%). This suggests that owners/managers are already considering options in the event that positive outcomes of health care reform do not occur.

They Want Choices—and Assistance

Ninety percent of respondents indicated that health care reform should offer employers choices in plans, indicating that respondents want to have some options when addressing this important and costly benefit. This result also implies that respondents are open to the government - sponsored “exchanges” currently being discussed by Congress, but want to ensure that they have a variety of insurance options open to them in addition to any new alternative authorized by Congress.

They also requested assistance in confronting the results of health care reform:

- When asked who should pay for health insurance for employees of small businesses, 56.0% think it should be split between employers and employees. The next largest group (26.9%) believes it should be split between government, employers, and employees. These findings clearly indicate that owners/managers do not believe one entity is capable of absorbing the costs of health care.
- In terms of the role of government in providing assistance to small businesses that provide health care coverage for their employees, the single largest group (44.4%) thinks they should receive tax credits for their businesses. The next largest group (29.6%) prefers subsidies for a portion of the costs. Clearly, respondents feel they will need help in providing coverage.

Let's Protect Them

TriNet, who provides services to 8,000 small businesses, understands the challenges entrepreneur's face when running a company, and we agree that health care reform cannot result in being more costly and more complex for small businesses. In fact, we form partnerships with small business owners to give them resources that relieve the financial and administrative burdens that accompany offering employee benefits.

Entrepreneurs are not blind to the defects of the current system. But it seems ironic that a group that is likely to be most affected by the shape of health care reform has one of the smallest voices in the current debate. TriNet's survey results indicate that small business owners are open to change, and open to dialogue—they simply ask that it doesn't become even harder to be a small business entrepreneur.

About TriNet

TriNet serves as a trusted HR partner to small businesses throughout the United States and Canada. TriNet's technology specializes in helping small businesses reach their corporate goals and become destinations for top talent, enabling them to compete successfully with larger, more established organizations. TriNet's comprehensive offerings include HR administration, online employee benefits administration and support, employer risk management, payroll processing, tax compliance, workers compensation, group health benefits, and strategic human capital consulting services.

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