

CLIENT ADVISORY

Help your government service contractor and Davis-Bacon clients bid more competitively

THE BACKGROUND

The Service Contract Act (SCA) of 1965 is a federal law that requires government contractors to provide employees with locally prevailing wages and fringe benefits. The Act applies to contracts in excess of \$2,500 for the construction, alteration, and/or repair (including painting and decorating) of a public building or public work.

THE ISSUE

Although the SCA mandates the amount of health and welfare that companies must pay their employees, multiple forms of payment are allowed. One intention behind providing Health and Welfare allocations in government contracts is to provide bona fide pre-tax benefits to government contract employees free of cost to the contractor and the employee. As a result, paying the required \$3.50 per hour in cash is the most expensive means of complying with the Health and Welfare requirements because a company must also pay all applicable payroll taxes and payroll related expenses (FICA, FUTA, SUI, Workers' Compensation, etc.). A company actually increases their cost of compliance by paying the Health and Welfare expense to the employee through the employee's paycheck. Moreover, as contracts become increasingly price-sensitive, a company that pays cash in lieu of benefits risks reducing profitability and increasing costs, which can result in a less competitive bid.

Government contracting guidelines clearly favor providing bona fide Health and Welfare fringe benefits instead of paying cash. Health and Welfare allocations in government contracts are earmarked for actual benefits and are designated to provide bona fide benefits at no expense to a company or its employees. When Health and Welfare dollars are paid to bona fide benefit plans, companies provide valuable benefits entirely at the government's expense. Since such payments are made on a pre-tax basis and are not part of a company's payroll, employers legally avoid wasting thousands of dollars in unnecessary payroll related taxes and expenses.

THE OPPORTUNITY

Brokers can assist SCA contractors by using an alternative to payroll-based Health and Welfare benefits. AmWINS Group Benefits administers a proprietary solution developed by C1 Benefits that has been shown to reduce an employer's labor costs and increase profitability by a minimum of \$1,000 per year, per employee.

The C1Benefits solution provides benefits to the entire family with guaranteed issue regardless of pre-existing conditions by using the entire Health and Welfare rate. Rather than using the entire Health and Welfare rate on excessive, unused insurance features, the plan is built on medical evidence to keep premiums down and provide meaningful benefits and cash.

This program provides unique advantages to the government contractor:

- Increases profitability and competitiveness by approximately \$1,000 per employee, per year.
- Provides guaranteed issue health plans supported by medical evidence for the entire family – no medical questions or underwriting necessary.
- Delivers cash in a Healthcare Reimbursement Account (HRA) so workers build savings for medical expenses.
- Ensures complete compliance of all administration of the Health and Welfare responsibility.
- Operates at no cost to the contractor.
- Pays regardless of other insurance (except Workers' Compensation and Medicaid).

To learn more about taking this opportunity to help your clients, contact your local AmWINS broker.



AmWINS Group, Inc. is a leading wholesale distributor of specialty insurance products and services. AmWINS has expertise across a diversified mix of property, casualty and group benefits products. AmWINS also offers value-added services to support some of these products, including product development, underwriting, premium and claims administration and actuarial services. With over 1,800 employees located in 16 countries, AmWINS handles over \$5 billion in premium annually through our four divisions: Brokerage, Underwriting, Group Benefits and International.