



Media Release

Source: Creative Business Resources

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## **Businesses with PEOs' 'Cafeteria Plans' Give Employees Incentive to Seek Healthcare When Needed**

**Phoenix, Arizona** - January 1, 2007 — Small businesses can give their employees an incentive to seek medical care and purchase prescription drugs and over-the-counter (OTC) remedies, even with the trend toward higher deductibles, according to experts at the National Association of Professional Employer Organizations (NAPEO). Those businesses that work with professional employer organizations (PEOs) can use “125 cafeteria plans,” which provide a tax advantage for employees who meet their health-care costs with pre-tax dollars.

While cafeteria plans will not stem the cost of health care and insurance, they will help employees offset these costs by lowering their taxable income each year and enabling them to be reimbursed with pre-tax dollars for eligible out-of-pocket medical expenses. That could make it easier for employees to seek the care they need, rather than defer it as 40 percent say they are doing now.<sup>(1)</sup>

Under the IRS Code Section 125 that defines cafeteria plans, employees can elect to regularly deduct nontaxable health benefit costs they've agreed to cover, thus reducing their taxable income. Most PEOs have established a cafeteria plan for the workers at their small-business worksites. It is only through a PEO that most workers at small businesses have access to quality benefit plans such as 125 cafeteria plans. Without the PEO, most small businesses lack the expertise to establish and administer such a program.

“This is a tremendous service to small-business owners and a major benefit to workers,” said Camille French-McCaleb, Director of Operations/HR at Creative Business Resources in Phoenix AZ. “Our cafeteria plan gives small businesses and their employees a big-business benefit and may encourage employees to seek the care they need, when they need it.”

Creative Business Resources has established a “flexible spending account” (FSA). An FSA allows employees to set aside money from their pay before taxes are withheld, thereby reducing federal income and social security taxes. The health care account reimburses the employee for health care expenses not covered or only partly covered by medical and dental plans. The employee submits a reimbursement form and receipt for an eligible expense after paying for it.

Administration of a cafeteria plan could boggle the mind of the small-business owner. The PEO can provide the expertise and systems to make this plan a reality for the nearly 23 million small businesses in America today – good news for their workers beset with rising medical costs. Milan P. Yager, executive vice president of the National Association of Professional Employer Organizations (NAPEO), noted, “Most Americans like working on Main Street but desire the benefits offered on Wall Street. The PEO helps fulfill this need.”

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**About CBR:** Creative Business Resources (CBR) provides HR Outsourcing Services through the PEO concept in several states, but predominantly in the Southwest. CBR is a member of NAPEO, and a local Arizona advocate for small and medium sized businesses. To find out more about CBR, go to the website at [www.cbri.com](http://www.cbri.com) or call at 602-200-8500.

Footnotes: Principal Financial Group's Well-Being Index<sup>SM</sup>. [www.principal.com](http://www.principal.com)