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Management & Performance

The Growing Popularity of Data Protection Laws in the US

BY **BRYAN DZIAK** and **BART KIMMEL**

It's been over one year since General Data Protection Regulation (GDPR) was implemented in Europe, and as security breaches continue across the world, the desire for laws and regulations that protect personally identifiable information grows in the U.S. Twenty-five states either have their own data security laws in place or have laws in progress in their state's legislature. One of the key state data security laws to watch will be California's Consumer Privacy Act, which goes into effect Jan. 1, 2020. With all these changes and challenges facing the country, U.S. citizens are starting to ask, "Does our country need something as strict as GDPR?" and "How would data privacy laws affect my business?"

The U.S. federal government faces a growing appetite for data protection laws as a result of continued high-profile information security breaches and data leak scandals such as Facebook's Cambridge Analytica incident. A 2018 survey from SAS found that 67% of individuals think the federal government should play a role in setting basic data protection standards to ensure personal information is secure.



Uniform federal guidance may help companies prioritize and shore up companies' information security protocol. As it stands, there are disparate laws across the country. Companies (outside of the health care and financial sectors) are not following a set standard of personal information protection. This might leave many companies under-protected should an information security breach occur. What's more, because of the array of data protection laws at the state level, companies that are victims of an information security incident may also find themselves having to siphon through their various data law requirements in the wake of an incident.

What Data Privacy Conversations Mean for Businesses

Data protection laws and standards will affect companies of all sizes. One of the ways companies can be prepared for eventual data privacy law changes, in whatever form they come, is to look to the GDPR regulations as a guide. Many companies, both domestically and abroad, found that GDPR compliance took significant work.

One of the ways your company can test how much effort might be involved in data protection before any U.S. law would go into effect is to [measure your data privacy readiness and awareness](#). The following questions might provide some insight into the types of requirements that are gaining popularity as a result of the GDPR.

- Do you have an opt-in and opt-out policy on your website or marketing materials?
- Have you sold or purchased a list of personal contact information?

- Have you recently conducted a general scan for current information security control weaknesses?
- Have you completed a penetration test and/or a network scan in the last 12 months?
- Do you have a transparent cookie policy linked to your privacy policy on your website?
- Have you thought about where most of your consumers live?
- Have you started reviewing how you are interacting with customers?
- Have you checked with your web-based communication platforms, such as marketing, ecommerce and loyalty services, to find out what their security and data protection policies are?

While this might seem like a large undertaking, it can also create consumer trust and add value to your company's brand. A heightened commitment to data protection and information security could generate goodwill for your consumers. Starting this process one step at a time will help your business be ready if (or when) new privacy laws roll out across the U.S. 🚩



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Treating Your Health Plan like a Family Budget

BY CHRIS DAVIS

When you are developing a household budget, a primary segment of that budget is earmarked for utilities. This typically includes electricity/gas, water/sewage, cable, internet, phones and the like.

Some of these bills are fixed rate under an annual contract, while others are variable based upon some mix of household consumption and the cost rate on a per-unit basis, such as a price per kilowatt hour for electricity.

Regardless of whether a bill is fixed rate or variable rate, you still receive an itemized bill every month that specifies the per-unit cost, charges, utilization and every other metric that dictates the amount owed. This allows a family to monitor some basic elements that drive up the overall cost to the household. For a family of four, the total cost of these utilities usually exceeds \$1,000 per month.

If a family member is taking 16-minute showers instead of six-minute showers, does that increase the water bill? If it's 26 degrees outside and the thermostat is set to 80 instead of 72 because your family is in shorts and t-shirts instead of warmer clothes, does that drive up the heating bill unnecessarily?



Utilization does play a significant role in costs, but another contributing factor is fixed-rate contracts. The cable, phone and other contracted-rate bills oftentimes include features that are mandatory to pay for whether you use them or not. For example, the sports channel you don't watch represents 13% of the cable bill. Also, in many markets, there is typically only one or two viable cable providers, which reduces the chance that the price will be lowered due to competition. Another factor is that these providers are opaque in their pricing, and hidden charges can accumulate over time.

So if the goal is to lower the overall family utilities expenditure without reducing service quality, how do we go about achieving that task? First, the family has to develop strategies to limit overutilization. This may mean shorter showers, more assertive thermostat controls or turning off lights when not in use.

Second, the family has to look at mediums that allow them to pay for what they want but not pay for what they don't want at a transparent price. Finally, the family must shop only with vendors that allow both the first and second steps and then conduct price comparisons of those vendors. This process provides a better opportunity to measure cost, quality, service and the behaviors that affect

all expenses. By applying these tactics, that family could save as much as 25% off their monthly utilities.

While this largely explains your family's utility bills, it also explains your company's health care situation. Your organization is most likely paying over \$12,000 per year in health care "utilities" for every employee on your health plan. However, a key difference is you likely don't get detailed itemized bills, nor do you have the option to see how different providers vary in both price and quality for the services rendered to provide care to employees.

Understanding the health care supply chain in a comparable manner to how household utilities work is a strong first step in [containing health care costs](#). 📌



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Tariffs: How Exactly Do They Work?

BY NATE SMITH

Tariffs are a source of revenue, and they operate as a tax on goods. The administration of tariffs, however, is much more involved than a tax, and its complexities underscore how tariffs are not a simple solution to trade or budget deficits.

Basic Principles

Importers remit [an import tax](#) resulting from a tariff to the U.S. Customs and Border Protection Office (Customs). Tariffs are not imposed on exporters.

Despite the imposition of tax on the importer, the party ultimately bearing the cost might not be the importer. The exporter could lower the selling price for its exports to offset the importer's added tax costs so that the ultimate consumer price remains unaffected. This is seldom the case.

Without a price concession from the exporter, the importer must either absorb the tariff cost or pass it on to the consumer. The importer most often will choose the latter, increasing the price of a good or raw material, or may select alternative materials or goods that may be more expensive, inferior in quality or both.

In either case, the real economic cost of an import tax falls to the consumer. One study concluded that tariffs cost each American an average of \$213 over the first nine months of 2018. Extrapolated over the full year, this totals approximately \$86 billion of increased costs for American consumers.

Tariff Administration

There are four ways of applying a tariff to an item. Only one of these four ways is value-based; other methods reference an item's quantity or weight. Furthermore, there are approximately 13,500 possible rates that can apply, depending on the nature of the item and the country that it is coming from.

Commodity groups add another complicating factor. For industrial tariffs alone, there are approximately 5,000 different commodity groups with 11,000 subgroups and nearly 20,000 smaller sub-subgroups.

It is the responsibility of the importer to ensure that the imported item is properly classified, which includes documentation to show that the proper classification processes were followed. Penalties for improper classification can be imposed on the importer.

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4 Ways HR Can Support Employee Mental Health

BY GREG CALLAHAN

An employee's mental health includes how they think, feel and act, as well as their emotional and social wellbeing. While mental health includes mental illness, the two aren't interchangeable. An employee can go through a period of poor mental health but not necessarily have a clear, diagnosable mental illness. Additionally, an employee's mental health can change over time, depending on factors such as their workload, stress and work-life balance.

While 1 in 5 U.S. adults experiences mental illness annually, a recent study by Deloitte revealed that less than half receive treatment. A study from the Mental Health in the Workplace Summit found that mental illness is the leading cause of disability for U.S. adults aged 15 to 44, and that more workdays are lost to mental health-related absenteeism than any other injury or illness.

Given its prevalence, you can expect that employees at your organization are experiencing mental health challenges or mental illness. That's why it's so important for your organization to create a culture that supports mental health. Here are four simple ways your company can support employees' mental health.

1. Promote Mental Health Awareness in the Office

The first step is promoting awareness and destigmatizing mental health and illness. Provide resources to help employees learn more about mental health and illnesses and, more importantly, provide information as to how employees who are struggling can get help.

You can also support mental health in the workplace by:

- Encouraging social support among employees, such as an organized support group that meets regularly
- Setting up an anonymous portal through which employees can let HR or managers know that they're struggling with high stress and need help
- Providing training on problem solving, [effective communication](#) and conflict resolution
- Promoting your employee assistance program (EAP), if you offer one

2. Offer Flexible Scheduling

Work-life balance, or a lack thereof, can affect mental health. To help employees better balance their work and personal lives, employers are embracing workplace flexibility. While this looks different at every company, workplace flexibility can include flextime, telecommuting and unlimited paid time off (PTO) policies. Flexible schedules provide employees with job satisfaction, better health, increased work-life balance and less stress.



3. Address Workplace Stress

Nearly 80% of Americans consider their jobs stressful. Chronic workplace stress can contribute to increased employee fatigue, irritability and health problems. Additionally, workplace stress costs U.S. employers approximately \$300 billion in lost productivity annually.

Common job stressors include a heavy workload, intense pressure to perform at high levels, job insecurity, long work hours, excessive travel, office politics and conflicts with coworkers. While it may not be possible to eliminate job stress altogether, you can help employees learn how to manage it effectively.

Consider these strategies to help reduce employee stress, which can in turn improve health, morale and productivity:

- Make sure workloads are appropriate.
- Have managers meet regularly with employees to facilitate communication.
- Address negative and illegal actions in the workplace immediately.
- Do not tolerate bullying, discrimination or any similar behaviors.
- Recognize and celebrate employee success. This improves morale and decreases stress levels.

4. Evaluate Your Benefits Offerings

Review the benefits you offer to ensure they support mental wellbeing. Evaluate your current health plan designs; do they cover mental health services?

In similar fashion, look to see what [voluntary benefits](#) you can offer to support mental [wellbeing](#). Consider offering simple perks like financial planning assistance (as financial stress often contributes to poor mental health), employee discount programs (where employees can receive gym memberships, stress-reducing massages or acupuncture at a lower cost) and EAPs. 🚩



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Insurance Strategies

Is Your Broker Part of Your Risk Management Team?

BY GREG CRYAN

Businesses face any number of risks and liabilities unique to their industry, location and size. Understanding the possible impact of those risks takes significant specialized knowledge and experience. That's exactly why you should choose an insurance broker who will truly be a part of your organization's risk management team, alongside your legal counsel, accountant and financial planner.

Considering your broker as part of your team best enables them to learn your business inside and out. Coupled with their existing expertise in your industry and risk management, they will be able to identify the best policies, coverages and [risk management strategies](#) for your specific operations and needs.

For example, take a logistics company that has seen a steady increase in sales. Along with that growth came a need for more equipment, transportation vehicles and

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Tax & Accounting *(Continued from page 5)*

Importers are also responsible for requesting tariff exemptions on the items they import. To be granted an exemption the importer must demonstrate that there is either insufficient quality or quantity of the item available via a U.S. source, or that there is a national security need for the imported item.

Workarounds

Some companies have pursued creative workarounds to tariffs. One tariff levies a 25% import tax on U.S. importers of light trucks. The normal U.S. import tax is 2.5% on most vehicles. Some companies would build vans (classified as light trucks) overseas, disassemble them, ship the pieces to the U.S. and then reassemble them in the U.S. Others would build light trucks with rear-facing seats so that the trucks could be classified as a passenger vehicle instead of a truck.

These workarounds are not always successful or practical. Ultimately, many of the companies that had tried to get around the import tax on their trucks discontinued their efforts.

If they're so complicated, why use tariffs?

Added together, the additional costs to consumers and the administrative complexity make import taxes burdensome. But they remain a negotiating tool for international trade agreements because of their potential to [offset the additional costs of import taxes](#) by greater U.S. productivity. For that reason it is unlikely tariffs will be going away any time soon. 🚩



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Your Team.

Insurance Strategies (Continued from page 7)

employees. A broker who was engrained in this business would have witnessed its success firsthand and understood that with their growth came many specific new risks.

These new risks would require not only an increase in the limits but also several new types of [insurance policies to ensure comprehensive protection](#), such as coverages specific to certain types of equipment and a crime insurance policy that would prevent losses caused by potential fraud. This institutional knowledge can come only from someone who has a thorough understanding of the business as a part of its risk management team.

There are many technical aspects to writing policies that prevent serious liability and exposures. An insurance broker who knows exactly what a company needs can give their clients confidence that the right coverages are in place well before a claim needs to be filed. Again, this happens when a company thinks of its insurance broker as an integral part of its risk management team.

What should you look for in a broker?

Many believe that the best insurance brokerages have the largest footprint of locations and offices; that's not necessarily the case. The best insurance brokers possess specialized expertise and a willingness to learn, as well as the ability to bring a personal touch to their client's risk management needs.

Look for someone who goes beyond a transaction to develop a genuine advisory relationship. A quality broker will meet with clients on an ongoing basis, perhaps even participate in board meetings. This enables them to fully serve as an advisor and partner, anticipating and communicating risks from changes in business operations, enabling the client to make highly informed business decisions.

Another consideration in selecting a broker must be the level of their professional development. Seek professionals with the following designations, which rank as the leading credentials in the industry: Chartered Property Casualty Underwriter (CPCU), Certified Insurance Counselor (CIC) and/or Advisor in Insurance (AIA).

You also want a broker with [significant experience and expertise in your specific industry](#) as they will be well informed of emerging risks in your industry and the best strategies to manage them.

A broker who is an integral part of your risk management team will not only help your business mitigate risks; they will also help your organization flourish. 🚀



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