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The Spiraling Cost of Health Care

By Jim Stavis

Nearly every business today has been affected by the growing cost of health care for its employees. For metals and heavy manufacturing sectors with aging workforces and labor intensive processes, the burden has become particularly heavy. William Ford, the CEO of Ford recently said that Ford spends more on health care than it does on steel. Health care costs can easily top \$9,000 to \$10,000 per employee a year. Rising health care costs threaten America's ability to stay competitive on a global basis. That's because in countries like Japan, Germany, the United Kingdom and Canada—all of which have government-run universal health coverage—the health care burden is spread more evenly across the population. Companies based in those countries don't have massive legacy costs from promises to pay for retiree health care costs. As the economy becomes more global (which it is), U.S. companies will find that they are increasingly at a disadvantage due to our health care system.

For most companies the increasing cost of health care has been rising about 10 percent per year. This exceeds the cost of living, wages, energy costs and material costs which receive a much greater amount

(Continued Inside)

Health Care Costs

(Continued from Front)

of publicity. Adding to the health care mess is the growing ranks of the uninsured which puts a great strain on a defective system. Employers and workers have to cough up a combined \$922 more in insurance premiums per family to pay for the health care costs of the uninsured (a figure that will jump to \$1,500 by 2010). This information is care of a study by Families USA, a health-care advocacy group in Washington D.C.

All of this spending has served to increase the life expectancy rate for American males from 46.3 in 1900 to 74.8 years today and women from 48.3 years to 80.1 years today (National Center for Health Statistics). Despite the gains in life expectancy, Americans as a whole do not live a healthier lifestyle. Obesity and overweight conditions contribute as much as \$93 billion to the cost of health care in the United States according to a study by RTI International. It all adds up to a system that is broken and costing employers billions of dollars.

The question is what can be done. The biggest trend that has occurred with many companies is treating health care as a shared responsibility rather than as a benefit. Employers have implemented wellness programs as a way to promote health within their organizations.

Companies have developed programs where the employees share in the cost of insurance. Employees get a high deductible insurance plan along with a health savings account (HSA) or a health reimbursement account (HRA). HSAs are owned by the employee, while an HRA is an account that the employer controls. The idea is that the employees will become better health care consumers if they are paying for a portion of it out of their own pockets.

The biggest change with companies is their desire to implement health improvement plans within their organizations. According to a Watson Wyatt report, this year 40% of companies offer health plans that include lifestyle behavior change programs (up from 20% who had them last year). Similarly 32% offer obesity reduction programs compared with just 14% in 2004. Whether such plans will pay dividends remains to be seen. In the meantime companies will continue to shift costs to their workers and tinker with their plans to try and stem some of the damage from the rising costs. Also the landscape is likely to shift from a sense of entitlement on the part of the workers to one where employers make a fixed contribution to cover care. The unfortunate reality is that workers do not understand that their pay raises are being made in the form of health raises to their insurance carriers.



From Wolfgang Puck to Spider-Man 3

In the past month Paragon Steel has been awarded fabrication on a Wolfgang Puck restaurant in Beverly Hills, auto show displays for Infiniti and Lexus, and steel rigging for the next Spider-Man movie which will begin production in the coming months.

We are not simply tooting our horn, but want to stress how unique our projects can be at Paragon Steel. We are always looking for more ...



A Real Thanksgiving Story

On November 2nd after waiting for a full year, I finally got the call for my donated organs. On the following day I had a 12 hour heart and kidney transplantation (2/3 of my trifecta) from a young donor from the Los Angeles area. Out of the shadows of darkness and tragedy of one's death comes into the light a renewal for someone else, in this case, myself. It is truly hard to put into words how I feel about my own personal transformation. On one level it is truly a miracle, the kind we feel about a newborn baby where every facet of your life changes immediately. People often have offered to me their prayers and spiritual blessings in anticipation of what I was to encounter. I never really understood how blessed and how fortunate I was to be in this place at this moment in time. I know now.

On another level, it is the doctors, the

hospitals and the miracle of modern medicine that deserves much of the credit for it is within their wisdom, judgment and expertise that makes any of this possible. Ultimately though, the true heroes in this miracle story are the donors themselves. Without them we could not have a transplant program of any kind. Yet the unfortunate piece of the puzzle is that unless we notify our families of our desire and willingness to donate, the fulfillment of donation will not happen. There are over 95,000 people in the United States waiting for a variety of organs to be donated. For some the wait takes years. I was the lucky one. Please make your wishes known regarding organ donation to those that you love. It may be the best and kindest decision you may make in your life.

E-mail Jim at jstavis@paragonsteel.com.

“ QUOTES OF THE MONTH ”

*“Failing to prepare is preparing to fail.”
“Always try to be better today than you were yesterday.”*

—JOHN WOODEN