HR Technology Outsourcing Practice
ACA Compliance - Support through Technology
JoAnne Pettijohn
May 15, 2015

ACA – Broad Human Resources Impact
WHO IN YOUR ORGANIZATION IS RESPONSIBLE?

**Human Resources**
- Communication
- Verification of inquiries from Exchanges
- Management of reporting deadlines/period management
- Interpreting law – Federal and State Exchange changes
- Auditing

**Payroll and Time**
- Calculating/issuing W-2s
- Affordability calculation
- Prepare and distribute tax forms
- Control Group coordination

**Benefits**
- Compliance communication vs. vine / trend

**IT/Systems**
- Integration
- Security
- Data exchange (17 states + D.C., & 8 Federal partnerships. 26 states no Federal partnerships/unknown)
- System updates/change management
- System auditing/security

**Finance**
- Cost of complying/data model
- Reconciliation
- Money movement/remit payments
- Certifying Annual Health Care Coverage Report

**Tax**
- Ongoing compliance
- New plans / wellness / rewards
- Calculating look back period (keep data in sync)

**Legal**
- Affordability calculation

**TBD...**
- Notice of coverage options
- Notification of compliance
- Estimation of employer tax credits
- Receipt of notices from exchanges
- Management of reporting deadlines
- Administration challenges
- Staff to meet demands

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**Employer and Insurer Reporting**

<table>
<thead>
<tr>
<th></th>
<th>1094B</th>
<th>1095B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RSI</strong></td>
<td>Allows IRS to assess the individual mandate</td>
<td>Allows IRS to assess the employer mandate</td>
</tr>
<tr>
<td><strong>RSO</strong></td>
<td>Insurers and self-funded employers</td>
<td>Employers subject to employer mandate</td>
</tr>
<tr>
<td><strong>Who</strong></td>
<td><strong>What</strong></td>
<td><strong>When</strong></td>
</tr>
<tr>
<td><strong>Who</strong></td>
<td>Name, address, and EIN of employer</td>
<td>Name, address, and EIN of employer</td>
</tr>
<tr>
<td><strong>What</strong></td>
<td>Number of FTEs for each month of the year</td>
<td>Number of FTEs for each month of the year</td>
</tr>
<tr>
<td><strong>When</strong></td>
<td>Beginning 2015—calendar year not plan year</td>
<td>Beginning 2015—calendar year not plan year</td>
</tr>
<tr>
<td><strong>RSI</strong></td>
<td>To responsible individual: Jan. 31, 2016</td>
<td>To responsible individual: Jan. 31, 2016</td>
</tr>
<tr>
<td><strong>RSO</strong></td>
<td>To IRS: Feb. 28 (or March 31 if electronic)</td>
<td>To IRS: Feb. 28 (or March 31 if electronic)</td>
</tr>
</tbody>
</table>

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5/11/2015
Those Forms:

<table>
<thead>
<tr>
<th>Codes: Part II Line 36 – Safe Harbor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1A. “Qualifying Offer” – Offered minimum value for no more than 9.5% of mainland poverty level to the FTE, at least minimum essential coverage (MEC) to spouse and children</td>
</tr>
<tr>
<td>1B. Offered MV coverage to employee only</td>
</tr>
<tr>
<td>1C. Offered MV coverage to employee, at least MEC to kids</td>
</tr>
<tr>
<td>1D. Offered MV coverage to employee, at least MEC to spouse</td>
</tr>
<tr>
<td>1E. Offered MV coverage to employee, at least MEC to spouse and kids</td>
</tr>
<tr>
<td>1F. Offered only MEC (not MV) to employee only, employee and spouse, employee and kids, or employee, spouse and kids</td>
</tr>
<tr>
<td>1G. the employee was not an FTE for any month during the year</td>
</tr>
<tr>
<td>1H. No offer of coverage, or coverage offer didn’t amount to at least MEC (e.g., typical dental or vision plan, health FSA, fixed indemnity coverage)</td>
</tr>
</tbody>
</table>

Absence Management

Pay or Play
Data You May Not Be Capturing

- Employee Offer of Coverage Code for each month in plan year (Part II, Row 14, 1095-C)
- Employee share of the lowest monthly premium (minimum value where applicable) (Part II, Row 13, 1095-C)
- Employee Applicable 4980H Safe Harbor Code by Month (Part II, Row 16, 1095-C)
- Social Security Numbers for dependents enrolled on your medical benefits plan (Part I, 1094-C)
- Name of person to contact and contact number at Applicable Large Employer Member (Part I, Rows 15-16, 1094-C)
- Total count of 1095-C documents submitted with 1094-C transmittal (Part I, Row 18, 1094-C)
- Full-time employee count by month (Part III, Rows 23-35, Column B, 1094-C)
- Total employee count by month (Part III, Rows 23-35, Column C, 1094-C)
- Aggregated group information when applicable (Part IV, 1094-C)
- Place to document employee Notice of Subsidy form, with aggregated data for reconciliation or defense (when required)
- COBRA Participant Information
- Leave Administration Information
Who will typically handle the process:

<table>
<thead>
<tr>
<th>Basics</th>
<th>Analytics and Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Eligibility &amp; Tracking</td>
<td>• Data Aggregation</td>
</tr>
<tr>
<td>• Plan affordability &amp; Minimum design requirements &amp; benefit costs</td>
<td>• Strategic options; Impacts and opportunities; Plan Affordability</td>
</tr>
<tr>
<td>[Employer/Consultant]</td>
<td>[Employer/ACA Tool] / Service Vendor</td>
</tr>
<tr>
<td>Reporting &amp; Communications</td>
<td>Workforce Management</td>
</tr>
<tr>
<td>• 1094-C &amp; 1095-C &amp; Notice of Exchanges &amp; Federal reporting and submissions</td>
<td>• Ensure compliance policy of corporation and/or individual employee level/ Monitor against ACA required eligibility (130 hours a month) [Employer/ACA Tool]</td>
</tr>
<tr>
<td>[Employer/ACA Tool]</td>
<td>Compliance</td>
</tr>
<tr>
<td>Auditing</td>
<td>• Regulatory Management; Notice of Coverage; Federal/ State Compliance</td>
</tr>
<tr>
<td>• Audit History [Payroll/HR/Report Writing/ACA Tool]</td>
<td>[Employer/ACA Tool]</td>
</tr>
<tr>
<td>• Penalty assessment/reconciliation</td>
<td>• Marketplace response [Employer/ACA Tool / Service Vendor]</td>
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</table>

How can my current HRIS Vendor help me with ACA compliance related to:

- Aggregating data from my disparate HRIS systems (HR, Payroll, Benefit Administration and Leave Administration)?
- Ensuring I am capturing required data?
- Determination of eligibility? Monitor affordability?
- Eligibility Alerts? Initial Notice of Coverage?
- Populating the required IRS forms? Distributing IRS Forms?
- Exchange/Subsidy Notification log and/or responses?
- Storing aggregated data for 7 years? Audit reconciliation?

4 Levels of Vendor Support

<table>
<thead>
<tr>
<th>ACA Support</th>
<th>Data Aggregation, Form Population, History</th>
</tr>
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<tbody>
<tr>
<td>Eligibility, Affordability, Dashboards, Strategic Tools</td>
<td>ACA Consulting Services, Strategic Analysis, Administration Services</td>
</tr>
</tbody>
</table>

Some HR Technology vendors provide multiple levels of support, some may provide all levels.
HR Technology Players  Who can help

(Just a few)

HR/Payroll
- Ultimate
- Workday
- Paychex
- Oracle

Benefits Administration
- Lawson
- Workday
- Paychex
- Oracle

ACA Technology
- UNIFY HR
- Equifax
- First Advantage

ACA Technology/Service
- Deloitte
- Ernst & Young

Time & Attendance
- Kronos
- Worktrain
- Paychex

Peek behind the curtain

- Vendors to Create and Distribute IRS forms: typically $0.25-$0.50 PEPM.
- ACA Compliance Vendors typically priced between $0.35-$1.35 PEPM.
- Service Vendors: $2.00-$8.00 PEPM.
- Implementation costs can run from $750 to $15,000. Greater complexity can add additional costs.
- Implementation timelines run from 10-16 weeks depending upon vendor, how 'clean' the data is and services provided.
- Lockton Technology Outsourcing Practice has researched HRIS vendors capabilities. We have negotiated pricing with select ACA vendors and can provide estimates to Lockton Account Teams and Clients. Please let us know how we can be of assistance.

Timeline

1/1/15 Engage Vendor
6/1/15 Implementation
9/1/15 Paper Election
12/1/15 2/28/16 3/31/16 Electronic Submission

Retrospective Data Capture
1 month for vendor selection
3 months for implementation

**estimates as of May 2015**
Links to complete forms released February 9, 2015

1095-C

1094-C

1095-B

1094-B

Reporting will be based on the 2015 calendar year, regardless of health plan’s ERISA plan year. (reports for 2015 due in 2016)