



Affordable Care Act (ACA) Compliance: Preparing for 2016/2017 Success

Key takeaways from the
first ACA reporting experience



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In 2017, employers once again face the challenge of meeting their Affordable Care Act (ACA) requirements. Though President Trump has vowed to repeal and replace the Act, no definitive changes or timelines have been confirmed. During this second ACA reporting year, HR leaders now face the threat of massive potential fines: *Up to \$3 million for applicable large employers¹, and more responsibility, risk, and uncertainty than ever before.*

For some, this first compliance reporting period uncovered critical issues with internal processes, vendor partners, or both. The ACA's mandates proved to be far more complex, time-consuming, and labor-intensive than anyone had expected. Even the IRS has struggled with balancing ACA and tax responsibilities amid cuts to its budget.²

At-A-Glance Guide from
Empyrean Benefit Solutions

KEY TAKEAWAYS:

1. ACA compliance requirements are still a moving target
2. Start strong by understanding your complexity and risks
3. Lay a foundation of good data



Introduction, cont'd

Employers may start to encounter complications related to their 2015 reporting practices, such as audits and appeals. Meanwhile, ACA requirements could continue shifting as a result of the new presidential administration, which aims to repeal the ACA. Until definitive changes are made, however, employers should still prepare to fully complete all their ACA requirements by the IRS's set deadlines.

Proactive companies are bracing for upcoming challenges by reviewing their strategies now. This At-a-Glance covers three key takeaways from the first round of ACA reporting, to help improve your strategy and position your organization to achieve smooth and successful compliance in 2017 and beyond.

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Takeaway 1: ACA compliance requirements are still a moving target

Employers struggled through a hectic first round of ACA reporting, while the IRS had to recalibrate itself to handle additional ACA duties with fewer resources.² For now, ACA requirements and processes are expected to remain about the same—though this could change. Under the new Trump administration, the future of the ACA is uncertain and regulations could be altered or dissolved completely. This means the ACA's administrative requirements may effectively become a moving target. However, even if the ACA were to be entirely repealed, most employers believe another healthcare reform bill would take its place within four years.³

The ACA defines one of HR's biggest balancing acts, sometimes requiring the cooperation of in-house departments and (often) outside vendors to facilitate a solution. For now, ACA complexity and confusion is likely to linger, as the IRS grapples its increasing workload with a shrinking budget and workforce.⁴

Most employers consider reporting and disclosure issues to be their biggest ACA challenges.³

These challenges and their subsequent risks can be significantly minimized when outsourcing ACA reporting to a dedicated partner.



Takeaway 1: Still a moving target *Cont'd*

The level of data coordination demanded for accurate reporting is staggering—as many employers learned while attempting to complete 2015 tax year filings on their own. On the other hand, prepared employers who sought help from a reliable partner like Emyrean were able to fulfill their ACA responsibilities accurately and with full compliance.

In 2015, employers faced a surprisingly complicated and confusing process once the IRS released final ACA forms and instructions in mid-September. The final forms were significantly different than the drafts provided in July, and many employers and vendors had to react quickly to accommodate the late-notice revisions. Significant revisions were not announced for the 2016 reporting cycle, though employers should again prepare to meet all requirements by having a solid strategy in place, and by leaving ample time to navigate through the processes and responses required.

Adding to this year's challenges are 1J and 1K: two new codes used to designate conditional offers of spousal coverage on Form 1095-C, Part II. For employers who choose to handle 1095-C coding on their own, the addition of even a few new codes can mean major headaches. Employers must learn each new code's guidelines and understand its application as it relates to preexisting codes.



Takeaway 1: Still a moving target *Cont'd*

At Empyrean, we simplify the coding process using our proprietary coding engine, which applies logic to employee data and automatically determines the correct code combinations needed to complete Form 1095-C. New regulations or codes can be integrated into the engine, and then universally applied.

During the 2015 ACA reporting cycle, Empyrean produced data for over 1,000 employers—totaling approximately three-quarters of a million forms. As a result, these employers scrambled less to catch up with short-notice ACA changes, and could focus on driving long-term business objectives instead.

Look back on your own experience: How much time and incremental effort would customer service have saved you?

58% of employers saw an increase in ACA-related questions directed to their HR departments – most commonly regarding 1095 forms and tax filing.³ Having support from an outside partner with qualified customer service capabilities can help ease this incremental burden on HR.

For example, during the 2015 reporting cycle, Empyrean's automated FAQ was able to answer 80% of all ACA-related calls without the need for a live representative. For the remaining calls that required more personalized answers, our in-house support team provided customers with one-on-one help and guidance.



Takeaway 2: Start strong by considering your complexity and risks

Some employers did not realize the resources ACA compliance responsibilities would require, and suffered unnecessarily as a result. As we learned previously, your 2016 tax year reporting effort will depend on several important factors, including:

- Your company size.
- The number of Employee Identification Numbers (EINs) held by your company.
- The complexity of your workforce: Are employees hourly or salaried? Are workers unionized? What are the percentages of each? Are employees centralized in a single location, or are they spread out across the US or multiple countries?
- The knowledgeable and experienced internal resources available to handle the reporting workload.

By understanding the true scope of your organization's reporting challenge, you can begin mapping out a strong strategy. Potential changes to the ACA may make its tasks difficult to master alone, but options do exist for employers who are overwhelmed by the requirements. The key is finding the right option for your company's needs.

Your outside ACA partner should provide several reporting options, so you can find the best fit for your company's needs. At Empyrean, we offer clients the flexibility to choose from four reporting options:

Option 1: Full-service project management with forms fulfillment, including data translation and coding for use on ACA forms, IRS filing coordination, IRS audit assistance as needed, and individual employee 1095 form distribution.

Option 2: Full-service project management without forms fulfillment.

Option 3: Translation of data into coded "forms-ready" files for use by your chosen tax form provider.

Option 4: Delivery of data for coding and use in-house or by your chosen tax form provider.



Takeaway 2: Considering complexity & risks *Cont'd*

Do-it-yourself options can be less costly up front, but the involvement they require can quickly strain internal resources and increase the chances that expensive mistakes will be made. In our experience, employers who found themselves overwhelmed by the ACA mandates had underestimated the time and work needed to comply, which was extensively more than their organization was prepared to dedicate. If you or your team similarly struggled, it may be time to consider outside assistance to help shoulder your administrative demands.

In 2016, employers got their first look at the ACA's lengthy and complicated reporting process. Many employers expected ACA filing to be similar to filing personal household taxes. Instead, the process was laborious, extensive, and not as easy as simply hitting "submit." Employers with over 250 employees are required to file electronically—a process which includes registering for and then later receiving an IRS Transmitter Control Code, successfully testing communication procedures, and filing via the IRS's new ACA Information Return (AIR) system. The AIR system itself added time and stress to the process as it strained to perform normally as billed, struggled to keep up with demand, and had numerous bouts of downtime due to unscheduled maintenance.*

*The IRS QuickAlerts log lists unscheduled maintenance of the AIR system during the last 12 months and is accessible at:
<https://www.irs.gov/uac/quickalerts-library>



Takeaway 2: Considering complexity & risks *Cont'd*

Your approach to ACA reporting must take the full effort and time demands of the reporting process into account, so your organization can meet its time-sensitive deadlines.

Despite their complexity, ACA reporting requirements, while understandably daunting to many HR leaders, can be fairly straightforward to fulfill. A proven ACA partner should be able to take your data from start to finish, handling coordination with other vendors as needed, and alleviating anxiety instead of creating more confusion.

While some solutions show ornately detailed metrics and elaborate dashboards, these displays are most often unnecessary—your ACA solution should just work.

With a partner that has previously demonstrated ACA proficiency with companies of similar size and complexity, employers should only need to provide accurate data to ensure ACA success.



Takeaway 3: Lay a foundation of good data

At its core, ACA compliance relies on clean and accurate employee data. The quality of the data you collect is directly correlated to the success of your efforts. In 2015, all applicable large employers--those with 100 or more full-time employees--were required to collect employee data for their workforce. In 2016, this threshold dropped to 50 employees.

After the IRS revealed the full ACA requirements for 2015, employers frantically struggled to find a system that would accurately track all of the data needed to adhere to §6055 and §6056. Initially, payroll providers were seen as the logical source for data acquisition and aggregation, but this view quickly changed with the announcement that employees' health coverage data would also need to be considered alongside hours tracking. Thus, benefits administration systems became the *de facto* source for applicable data.

Empyrean's Client Successes for 2015 ACA Reporting:

- ✓ All required mailings sent out **on-time**
- ✓ All filings completed **ahead** of the June 30th deadline
- ✓ **100%** of clients' Empyrean-derived data was accepted as compliant



Takeaway 3: Considering complexity & risks *Cont'd*

For employers already using a payroll system to track hours, it is crucial to integrate the payroll system's information into their benefits administration platform. At Empyrean, our platform is configured to accept any payroll or HRIS hours data needed for ACA reporting. For clients without an hours tracking system in place, Empyrean provides SAFEHARBOR, our proprietary look-back hours tracking tool.

By combining our SAFEHARBOR tool, Manifest coding engine, and benefits administration technologies, Empyrean provides clients with complete ACA compliance and reporting solutions.

The ACA presents unique risks that most organizations are not prepared to take lightly.

To achieve success in 2017, HR leaders must review their approach to ensure their company is prepared for the changes ahead. Though ACA compliance requirements may seem overwhelming, the process becomes significantly easier and more manageable with the right strategy in place. With the support of a proven outside partner as part of that strategy, you can lower your risks, minimize administrative burdens, and eliminate compromises to bring HR's focus back to the initiatives that matter most to your growing business.



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About Empyrean

Empyrean Benefit Solutions is one of the fastest-growing providers of technology and services for managing employee health benefits programs. Empyrean provides enrollment, eligibility management, ACA reporting, and other plan administration services to employers, insurance brokers, and healthcare exchanges. Unlike other providers, Empyrean combines the industry's most client-adaptive and configurable benefits technology platform with expert, responsive service to deliver Hi-Touch benefits administration.

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