Workforce Solutions

5 Greatest ACA Challenges for Complex Employers and How to Help Solve Them

EBOOK

Your company has a goal, an expectation: to properly manage your regulatory requirements under the employer mandate of the ACA and provide health insurance coverage for your employees. Other companies are impacted by this responsibility, but your situation is different. The nature of your business makes maintaining your ACA process more difficult. Perhaps your company has variable hour staff, an employee population spread out among multiple commonly owned companies, multi-state employees, retirees, or Board of Director considerations. These and several other factors can make achieving ACA goals more challenging, yet the mandate remains.

You are not alone.

Companies across myriad industries around the country struggle to maintain their ACA process for several reasons that go above and beyond normal expectations. We call them complex employers. If you are one of them, the fines associated with failure to maintain your part of the Employer Shared Responsibility Provisions (ESRP) don't have to be a cost of doing business. You can work with ACA regulations, and this ebook will help show you how.

Complex Employers, Common Problems

Your company may face ACA complexity for several reasons. Some of these possibilities are outlined in this ebook along with tips and tools you can use to help you manage your ACA challenges.

SCENARIO 01 → Being part of a controlled group

THE CHALLENGE

Employers who average at least 50 full-time or full-time equivalent employees over the prior calendar year, are considered an Applicable Large Employer (ALE) for the current year, and are subject to the Employer Shared Responsibility Provisions of the ACA.

A complicating factor for meeting your ACA requirements is being a part of a controlled group, defined as a combination of two or more employers with common control. Each member of the controlled group must manage benefits eligibility, offers of coverage, and reporting requirements while aggregating hours worked across the various companies within the controlled group. In addition, each ALE member must offer at least 95 percent of their full-time employees benefits or face a penalty, even if an individual FEIN by itself does not meet the definition of an ALE.

If your organization includes multiple ALE members and you only look at your aggregated statistics, you may miss individual ALE members where failure to offer coverage to 95 percent of eligible employees has been overlooked. This could expose your company to unexpected penalty risks and fines. Even if your company recognizes the importance of monitoring your ACA requirements consistently, it can still be a struggle to maintain the frequency necessary to minimize risk.

Because of these complexities, some companies opt to make reviewing their ACA requirements a year-end retrospective objective. However, penalties administered by the IRS are assessed monthly, and the failure to isolate and fix non-compliance issues in real time can result in uncreased penalty risk for your company.

HELPING YOU SOLVE THE CHALLENGE

Working with a comprehensive ACA solution allows you to monitor the 95 percent mandate at a more granular ALE member level each month.

Transparency into your real-time ACA compliance status is essential. In fact, the first step in managing this challenge is changing the strategy inside your company regarding your ACA compliance monitoring and moving from an annual audit to monthly monitoring.

Look for a solution in which your ACA metrics are displayed in real-time across a universal dashboard. This makes it easier to separate both employee demographics and compliance by ALE member requirements while quickly being alerted to employees and entities that are or may become a penalty exposure risk.

In addition, you need a solution that alerts you to status changes, as well as when employees are trending eligible to be offered benefits to help make meeting ACA requirements even easier.

SCENARIO 02 →

Keeping up with ongoing merger and acquisition activity

THE CHALLENGE

Charting your company's compliance course for the year is one thing, but when new companies are acquired or merged, it's easy to forget that the ACA concerns of these new companies are acquired as well.

In many cases, ACA requirements are an afterthought when a new company is acquired — sometimes so much so that the HR/benefits department is not even made aware of the acquisition until the process is finished. Other times, the acquired company may have been too small to merit having an ACA process.

Regardless of the situation, failure to recognize the challenges of new employee populations can expose even the most diligent and proactive companies to newfound ACA issues. After all, while you have little to no control over the purchased company's past ACA activity, coming up with a reporting and eligibility management strategy based on the purchase structure (stock vs. asset acquisition) will be up to your company to deploy.

HELPING YOU SOLVE THE CHALLENGE

Solving such an ACA challenge requires a proactive approach including a clear vision into the acquired company's employee population, eligibility structure and management including measurement periods, benefit offerings, existing HR and benefit technology platforms, as well as a detailed transition plan. A comprehensive ACA management system allows you to manage the data arriving from multiple source systems and locations allowing for insights into your data as it relates to eligibility management, measurement and easier identification of potential problems. It should also be able to help you recreate historical information or provide you with a strategy when historical information isn't accessible on acquisition populations.

The data collected should include data captured from previous HR/payroll, ACA and/or benefit administration solution providers. The data will allow for more seamless management around eligibility, measurement, affordability and meeting ACA reporting requirements. And if you don't have access or a means to recreate this information, or if you're missing key elements, options such as monthly employee measurement may help you better accommodate and manage the integration of the newly acquired company and its employees.

What to look for when bringing on a new company

1. Details of buy/sell agreement as they pertain to ACA information filings, benefits and eligibility
2. Identification of whether it's a stock or asset purchase
3. ACA information reporting obligations agreed to as part of the acquisition
4. Access to historical data (benefits, HR, payroll, COBRA, ACA, leave of absence, etc.)
5. Prior measurement, administrative and stability period data
6. IRS filing information (i.e. receipt ID for filed transmissions, IRS submission XML file, etc.)
7. The acquired company's prior status as an Applicable Large Employer
8. Collective bargaining or multi-employer union representative contact information and contracts

SCENARIO 03

Meeting ACA Affordability Requirements

THE CHALLENGE

The ACA requires ALEs to offer affordable coverage to their full-time employees or pay a penalty.

The cost of employer coverage must not exceed 8.39% of an employee's household income (this percentage is indexed for inflation each plan year). However, since employers do not often know their employees' household incomes, the IRS created three affordability safe harbors that can be used in lieu of household income to determine affordability.

Employers may be assessed a penalty for each employee who is not offered affordable coverage who receives a premium subsidy on the public exchange. It can be challenging to select the best affordability safe harbor for your various employee populations when employee staffing strategies and status changes are continually occurring.

For example, employers who use the W-2 safe harbor are estimating affordability on prior year W-2 information, but if hours are significantly cut for an employee, the current year's income might actually end up being much lower than anticipated.

HELPING YOU SOLVE THE CHALLENGE

To help ensure you meet ACA affordability requirements, you'll want to review and confirm the accurate use of the available safe harbors.

It's important to consider the affordability of premiums for your lowest paid employees, not just your average employee. Determine if your plans meet the Federal Poverty Line (FPL) safe harbor. If they don't, consider whether the Rate of Pay or W-2 safe harbor is a better fit.

Work with your ACA technology solution to model affordability determinations and to apply safe harbors by reasonable employee categories as allowed by the regulations.

As employees experience status changes, it may impact whether your plan continues to be deemed affordable. Therefore, it's also important to review affordability of coverage on an ongoing basis as IRS fines are assessed monthly.

Dedicating resources to ACA and health reform changes

THE CHALLENGE

Every company is loaded with experts in its respective industry. Few, however, are also fortunate enough to have a dedicated ACA team to help manage reporting and meeting ACA requirements. Yet ACA regulations must be followed and requirements met, even as they change. Your company must solve this knowledge gap in a manner that keeps your business compliant and reduces or eliminates your adverse risk associated with potential penalties and fines that stretch into the range of millions of dollars for one reporting year.

HELPING YOU SOLVE THE CHALLENGE

Working with a solution provider that is a subject matter expert in ACA not only delivers this expertise but also provides the resources needed for more effective ACA management.

An ACA resource that can help you address complex risk cases at a more granular level, reviewing cases by ALE member, individual, union, or any other grouping can be critical.

Look for a solution that provides you with an account manager, as well as support and training teams dedicated to helping support your company from implementation to completion of your annual reporting requirements. You should also seek a solution offered by a member of the IRS AIR Program and a company that can help you handle your Letter 226-J and other ACA penalty notices. Finally, you should expect this provider to offer a technical support department that is ready to provide service whenever the need arises.

Ask for a dedicated account manager and training team to support your company's set-up and offer customized suggestions for best managing your company's ACA management process.

SCENARIO 05 →

Complying with different state individual mandate reporting requirements

THE CHALLENGE

When the individual penalty for not carrying insurance was made unenforceable in 2019, some states including California, New Jersey, Rhode Island, Virginia and Washington D.C. followed Massachusetts in enacting individual healthcare mandate state laws. Employers are now required to follow reporting guidelines in the states where their employees reside, or in the case of DC, reside or work, or face penalties. This has become more complex as employees embrace remote positions.

Maintaining an accurate understanding and comprehensive control over the myriad state-based individual healthcare mandate requirements can be difficult, even for the most vigilant of human resource teams. The complexity stems from the fact that each states' requirements are different – from how they define a resident, file formatting and submission requirements, to the annual deadlines for furnishment and filing information returns to the states.

HELPING YOU SOLVE THE CHALLENGE

Recognizing that your company's obligations extend beyond federal requirements is a logical first step. From there it's time to dig deeper; if your company has made the decision to hire an outside vendor to help you manage your ACA requirements, look for a vendor that offers tools and data management for current and future state reporting.

Confirm that your vendor will only submit the appropriate individuals within their reporting. This is important because all states have data privacy laws that restrict the sharing of personal information regarding their residents, though the specifics of those laws can vary by jurisdiction. Because of this, it's important that the files you send to the applicable state only include individuals based on that particular state's requirements to avoid being exposed to consumer privacy law violations.

HELPING YOU SOLVE YOUR ACA CHALLENGES

No matter which of the challenges described in this ebook your company faces, there is a solution to help you meet your ACA management requirements. Do your homework and never let potential fines related to your additional challenges be a cost of doing business. The solution is out there, and we can help you find it.

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