

# *An HR perspective*

## Affordable Care Act (“ACA”) reporting survey results

*April 2015*

**EQUIFAX**

Survey  
conducted  
by PwC &  
Equifax  
Workforce  
Solutions



**pwc**

## Affordable Care Act (“ACA”) reporting survey results

### Background

New complex reporting requirements for the ACA started for employers on January 1, 2015. The first reporting is due to the IRS and employees beginning in January 2016, and the required IRS forms must contain data for employees and their dependents for every month in 2015. The effort required to implement the reporting can be significant, and if employers do not implement a solution soon for meeting these requirements, they may have significant risk for reporting penalties and underlying ACA excise taxes. This reporting, on IRS Forms 1094 and 1095, is needed to demonstrate compliance with the ACA's employer mandate and individual health coverage requirements.

PwC and Equifax Workforce Solutions conducted a survey in the first quarter of 2015 to better understand how employers are planning to comply with the new ACA reporting requirements.

This survey report contains information provided by 480 employers in 36 different industries across the U.S.

### Summary

The results of this survey show that the new ACA reporting requirements are presenting challenges to employers, and that many have not decided how they will comply; although most are considering or implementing an outsourced solution.

### ACA reporting

Most companies will need to act quickly over the next several months to implement a solution for meeting the required ACA reporting. Only 10% of survey participants reported having already implemented an in-house or outsourced solution. 16% of survey participants reported that they have not yet even considered a solution, or do not know what solutions they should consider. Even though the IRS Forms 1094 and 1095 are due in early 2016,

completing them requires capturing month-by-month data for 2015.

### Data accuracy, aggregation and security

65% of survey participants indicated that data quality was a concern. For many employers, multiple systems house the necessary data (these include payroll, HRIS, benefits administration, and leave of absence systems), and some of the data may be held by third parties. Aggregating all of this data on a month-by-month basis for purposes of reporting to the IRS and employees can be challenging, especially because of the degree of scrutiny the IRS Forms 1094 and 1095 are likely to receive. Employers will need to make a business decision as to how to collect the necessary data in year 1 and then create an on-going process for future years.



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It is surprising that only 31% of survey participants reported that data security was a concern since much of the data necessary to complete the IRS forms is sensitive and includes such elements as social security numbers and dates of birth.

#### *Responding to exchange notices*

43% of survey participants indicated that they are concerned about responding to exchange notices. Employers can expect to receive notices from exchanges when their employees apply for subsidized insurance, possibly triggering employer penalties. Upon notice, an employer may be able to validate or challenge an employee's eligibility for a subsidy (for example, because a full-time employee is eligible for affordable employer-sponsored coverage) and thus mitigate the risk of penalties. Particularly for multi-state employers with many worksites, responding to the exchange notices on a timely basis could be very challenging since state exchanges may vary in their notices and

response procedures. Timely response to notices is critical, but could be a challenge for decentralized employers. There is also no way to predict the volume of these notices and a high level of notice activity in addition to other inquiries from the IRS and exchanges could create challenges for employers. As expected, 61% of survey participants with more than 20,000 employees are concerned about responding to exchange notices.

#### **Detailed findings**

##### *Department responsible*

As a preliminary matter, employers must correctly identify their employees for ACA reporting, and may want to review their independent contractor population. 62% of survey participants reported that the human resource department is responsible for determining whether an individual is properly treated as an independent contractor; however, 14% of survey participants are relying on the legal departments for this determination

and 12% of participating employers did not know who would be responsible for this determination. 82% of survey participants indicated that the human resources/benefits department is leading the ACA reporting compliance effort; however, 5% indicated that the department leading the effort is still undecided.



### ACA reporting readiness

Only a small fraction of survey participants have already implemented a solution for ACA reporting while the remainder are still considering their options or have not even begun considerations.

- 26% of small employers (<1,000 employees) are still undecided regarding whether they will implement a solution in-house or an outsourced solution to facilitate reporting
- 37% of large employers (5,000+ employees) reported

that they are in discussions with outsourced vendors currently while 12% have not yet considered any solutions or do not know

- 27% of mid-sized employers (1,000 – 5,000 employees) reported that they are planning to implement an in-house solution and the same percentage reported that they are considering an outsourced solution while 15% have not yet considered any solutions or do not know

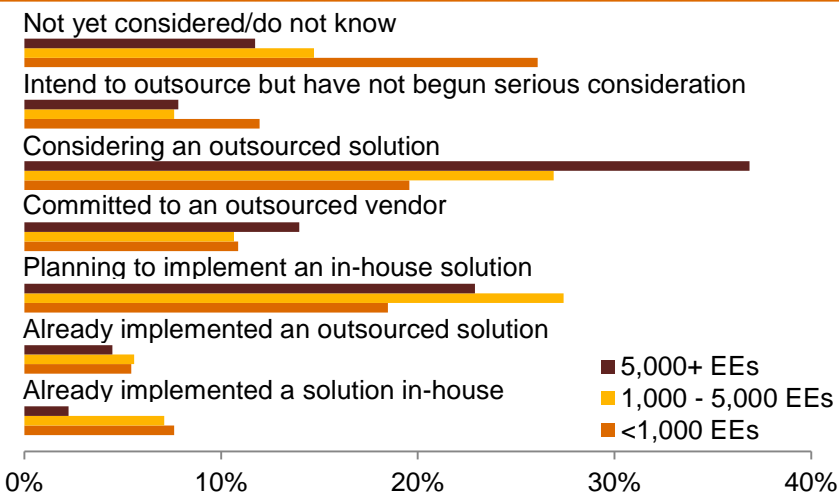
### Type of vendor

The participating employers that intend to or have already outsourced their ACA information reporting requirements vary with respect to the type of vendor they intend to use. 48% of smaller employers plan to use their payroll vendor, whereas for large employers, 35% plan to use a

dedicated ACA compliance vendor. 18% of mid-sized employers are still in the process of determining their outsourcer. Of the survey participants who have more than 30% variable hour/part-time employees, 44% intend to use a dedicated ACA compliance vendor for their ACA information reporting requirements.

Outsourced vendor	<1,000 EEs	1,000 – 5,000 EEs	5,000+ EEs
Benefits administrator	10%	19%	29%
Tax/accounting provider	5%	2%	0%
Tax information reporting firm	5%	0%	7%
Payroll vendor	48%	25%	10%
HRS provider	10%	10%	5%
Dedicated ACA compliance vendor	13%	24%	35%
Other	1%	2%	0%
Do not know/undecided	8%	18%	14%

### ACA reporting readiness





### Delivery of forms

Many employers are also undecided about how they are going to deliver the necessary forms to employees and the IRS (46%). 30% of participating employers plan to use a vendor and 24% plan to perform this in-house.

Of employers with more than 30% variable hour/part-time employees, 53% are undecided as to how they plan to deliver the forms to employee and the IRS. For companies with a large variable hour/part-time workforce, there could be a challenges associated with reaching out to employees to have them elect electronic forms initially and on an on-going basis because such workers generally have a high level of workforce turnover.

### Hour tracking

The vast majority of employers have already begun tracking employee hours of service for purposes of determining full-time employee status in 2015 (79%). The manufacturing (67%) and

health industries (72%) employers are less prepared in terms of tracking hours than the retail & consumer industry (92%). With a larger variable hour/part-time workforce, the retail & consumer industry generally has had to track employee hours to determine medical plan eligibility for a longer period of time than other industries.

### Employer concerns

Employers have numerous concerns about the employer mandate and ACA reporting. The most pressing concern for small employers is the understanding of different reporting options whereas most mid-sized and large employers are concerned about data quality.

Because the retail & consumer industry tends to have a larger variable hour/part-time workforce, and many of those employees may be eligible for subsidies on the public healthcare exchanges, it was not surprising to find that 52% of retail & consumer

survey participants are concerned about responding to exchange notices.

For all survey participants, other concerns include: administrative burdens (time & workload), data (complexity and access to the data), establishing company-wide policies and procedures, tracking/identifying employees (full time and variable hour/part-time), and distribution and production of reporting.

**46% of employers are still undecided about how they are going to deliver the forms to the IRS and employees**

Concerns	<1,000 EEs	1,000 – 5,000 EEs	5,000+ EEs
Data quality	55%	63%	72%
Responding to exchange notices	40%	35%	54%
Understanding different reporting options	70%	58%	51%
Determining different reporting entities within the controlled group	24%	26%	25%
Expense of reporting	43%	42%	46%
Data security	25%	31%	35%
Other	6%	6%	6%



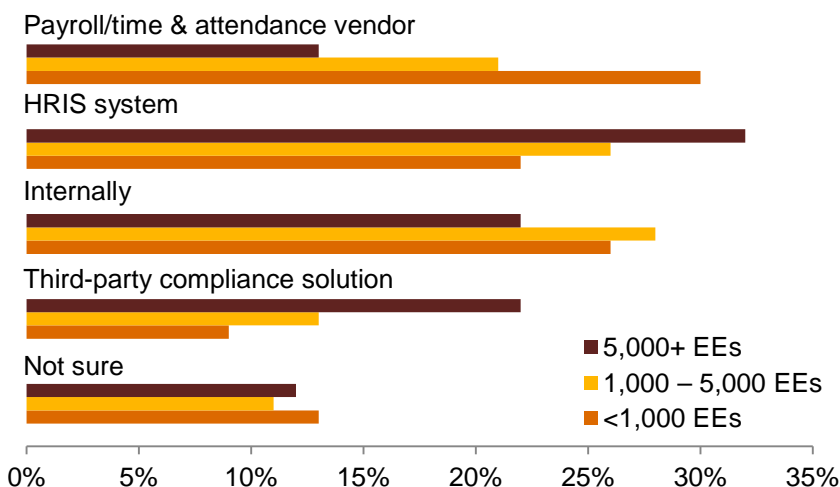
### *Method of determining eligibility and affordability*

Employers vary in how they intend to determine eligibility and affordability on a regular basis and during open enrollment. Small employers are more likely to use their payroll/time & attendance vendor (30%) going forward whereas large employers are more likely to use their HRIS system (32%). 12% of all employers are not sure what solution they will use to measure eligibility and affordability.

### *Summary*

In summary, employers will face many challenges related to ACA reporting and need to make important business decisions soon such as whether or not they will implement a solution in-house or whether they will outsource their reporting requirements.

### **Method of determining eligibility and affordability**



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*Survey participant mix*

US employees	
Less than 100	4%
100 – 499	8%
500 – 999	8%
1,000 – 2,499	21%
2,500 – 4,999	21%
5,000 – 9,999	13%
10,000 – 19,999	9%
20,000+	16%

Industry			
Agribusiness	1%	Health industries*	11%
Education & nonprofit	13%	Manufacturing*	15%
Energy, utilities & mining	2%	Retail & consumer*	19%
Engineering & construction	2%	Services*	12%
Financial services*	10%	Technology*	8%
Government/public services	4%	Transportation & logistics	3%

*\*Includes multiple smaller industries*

**Let's talk**

*For more information, please contact:*

**Michael Thompson**  
(646) 471-0720  
michael.thompson@us.pwc.com

**Amy Bergner**  
(202) 312-7598  
amy.b.bergner@us.pwc.com

**Aron Minken**  
(646) 471-3364  
aron.minken@us.pwc.com

**Steve Chapman**  
(646) 471-5809  
steve.chapman@us.pwc.com

**Rich Inserro**  
(646) 471-2693  
richard.j.inserro@us.pwc.com