

ACA COMPLIANCE TY2020: Critical Considerations & Vendor Scorecard

This tax year, choosing the right approach and ACA partner is more important than ever. Here are some critical considerations to take into account and a Vendor Scorecard to help you decide.

The IRS has raised its expectations of accurate and timely ACA Compliance. Applicable Large Employers [ALEs] are now required to provide and report adequate health coverage for at least 95% of all their ACA eligible employees, well up from the 70% threshold required just three years ago. There are now unlikely to be any more deadline extensions, and some hefty IRS penalties have already been issued for non-compliance in previous tax years.

So as an employer, choosing the right ACA Compliance partner is critical. Here are some factors to consider when making the decision, starting with the choice between an ACA specialist, such as BenefitScape, or support from a more generalist provider of other services, such as a Payroll or HCM vendor.

ACA SPECIALIST VS. OTHER VENDORS

Reporting for ACA Compliance has very much its own IRS regulatory and coding complexities as well as a specific set of data requirements beyond core employee demographics and standard payroll data. *E.g.* Health Plan data or the tracking of variable hour and part-time employees for ACA eligibility [see Employee Eligibility & Tracking below].

If you do consider a non-specialist vendor to help you tackle ACA Compliance and Reporting, make sure the vendor's platform and service can do the following successfully:

- Identify all required data and input from external sources if needed [see Data Management & Security below];
- Verify, plus track and calculate if needed, all employee ACA eligibility [see Employee Eligibility & Tracking below];
- Assign IRS ACA Codes with 100% accuracy [see Zero-Error IRS Coding below].

ACA EXPERTISE

The overall demands for ACA Compliance will almost certainly exceed any Employer's internal expertise. So look for a partner with a specialist in-house counsel who can guide and focus how the ACA laws and regulations apply to your company's specific needs and unique situation. One size does not fit all.

DATA MANAGEMENT & SECURITY

As noted above, ACA Compliance typically requires data from a variety of sources. Your vendor should be able to accept data in any format from Payroll, HRIS, HCM, Benefits Systems, TPA's, COBRA vendors, or other relevant sources. When an employer is required to re-format data themselves, this adds considerable time, cost, and internal resource burden.

Additionally, with health data, security is of paramount importance throughout the compliance process, from data transfers and processing to the archiving of e-Filed submissions. Check your vendor is HIPAA compliant.

EMPLOYEE ELIGIBILITY & TRACKING

Determining total work force eligibility for health offers is critical to ACA Compliance. You or your vendor must be able to obtain, process, and track if required all the data and rules needed to make this determination.

Given the complexities of part-time and variable hour tracking in certain sectors or company operations, BenefitScape often recommends and manages this function monthly for clients, allowing for greater accuracy and for offers to be made and errors corrected before any risk of penalties is incurred.

ZERO-ERROR IRS CODING

ACA Compliance requires that every eligible employee receive a Form 1095 containing the correct IRS coding of his or her monthly offer of coverage plus a cost and Safe Harbor code where appropriate. These specific IRS Codes, for Lines 14, 15, 16 of the Form 1095, determine if an employer complies correctly with the IRS ACA regulations.

You must have total confidence that your vendor has the detailed regulatory understanding and data-processing technology to assign these IRS Codes with 100% accuracy. We do not recommend that employers take on this coding themselves.

FORM 1095 PRODUCTION & DISTRIBUTION

For the vast majority of employers, Form 1095's are distributed to employees in a printed format. You should seek Guarantees from your vendor that all these error-free Form 1095's will be printed and distributed before the January 31st, 2021 deadline. Also make sure you do not need to supply data for printing in a specific vendor format; and keep in mind that January 31st 2021 is also the deadline for Forms W2 and 1099. Vendors looking to bulk print all these forms may face capacity issues.

e-FILING TO IRSAIR

Only IRS-certified e-Filers with proper credentials can file ACA reports to the IRS ACA Information Returns [IRSAIR] system. Obtaining a Transmission Control Code [TCC] can be time consuming and difficult. So be sure your vendor is already certified to file; this will save you from having to obtain your own TCC credentials.

IRS ERROR CODE ANALYSIS & REMEDIATION

This step in the ACA Compliance process is easily overlooked. Once an e-Filing is made, the IRS will generate processing ERROR Codes. Your vendor must be able to analyze these codes, promptly reconcile any anomalies, and successfully re-File to the IRSAIR system.

STATE-MANDATED REPORTING

Once IRS e-filing is done, State-Mandated reporting must be completed through e-filing via state tax authorities. Filings are currently mandated in NJ, DC, and CA, and anticipated in CT, RI, VT in 2020. All project data along including IRS Transmission Receipts and State Mandated filing receipts should be securely archived.

Additional Considerations for TY2020

Affordability: Single coverage cannot exceed 9.83% of household income for 2020 Health Plans.

Compliance Threshold: ALEs must be report compliance for at least 95% of eligible employees.

No Automatic Extensions: Employers will be expected to meet strict IRS ACA reporting deadlines.

Penalties Are Increasing: Penalties and fines for non-compliance can now be in the millions.

ACA SCORECARD

Use these questions to rate vendors out of 100

1.ACA EXPERTISE: Are you confident this vendor has sufficient expertise and focus on the specific demands and complexities of TY2020 ACA Compliance to avoid the risk of time-consuming corrections or costly penalties?

VENDOR 1	VENDOR 2	BENEFITSCAPE
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<input type="checkbox"/>	<input type="checkbox"/>	10
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2.TRACK RECORD: Does this vendor have at least 3 years experience of successful ACA Compliance?

<input type="checkbox"/>	<input type="checkbox"/>	10
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3.FLEXIBILITY: Has this vendor worked with a variety of different companies and types of employer, including in your industry? And of your size?

<input type="checkbox"/>	<input type="checkbox"/>	10
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4. DATA SECURITY: Does this vendor encrypt all data, both in transit and at rest?

<input type="checkbox"/>	<input type="checkbox"/>	10
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5.HIPAA COMPLIANCE: Will the vendor sign a Business Associate Agreement, agreeing to adhere to all HIPAA and HITECH provisions?

<input type="checkbox"/>	<input type="checkbox"/>	10
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If No, we recommend you do not proceed with this vendor.

6.DATA IN ANY FORMAT: Will this vendor accept all your data, including from external sources, in any existing format or require you to re-format?

<input type="checkbox"/>	<input type="checkbox"/>	10
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7.IRS CODING: Does the vendor calculate for you all necessary IRS Codes? [Coverage Offer, Affordability, and Safe Harbor status on Lines 14, 15, 16 of Form 1095.]

<input type="checkbox"/>	<input type="checkbox"/>	10
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8.TCC Code: Does this vendor have a Transmission Control Code [TCC] authorizing it to e-File your submission to the IRS ACA Information Returns [IRSAIR] system?

<input type="checkbox"/>	<input type="checkbox"/>	10
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9.ERROR Codes: After securely e-Filing, can this vendor assist you in analyzing and remediation of IRS ERROR Codes?

<input type="checkbox"/>	<input type="checkbox"/>	10
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10.STATE-MANDATED REPORTING: Does this vendor provide State-Mandated reporting services, currently mandated in NJ, DC, and CA, and anticipated in CT, RI, VT in 2020?

<input type="checkbox"/>	<input type="checkbox"/>	10
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VENDOR TOTAL SCORES

<input type="checkbox"/>	<input type="checkbox"/>	100
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There is certainly more than one way for an employer to go about successful ACA Compliance tracking, reporting, and e-Filing to the IRS. **BenefitScape scores 100/100 on the above Scorecard**, and we pride ourselves on the highest levels of flexible customer service.

Please consider us when you make a choice and feel free to contact us at **508-655-3307** or via info@benefitscape.com if you have any further questions.