



ACA COMPLIANCE

ORGANIZATIONAL AUDIT

The ACA Compliance Assessment provides employers with a comprehensive assessment of their current compliance with the ACA.

We review current benefit plans, costs, processes and technology associated with all of the employer related ACA Compliance provisions to identify current and potential gaps in compliance practices that are then validated through consultation with our client prior to finalization. The scope of assessment includes activities performed by the employer and its Third-Party providers. We will also assist in developing a Total Cost of Ownership (TCO) of the employer's ACA Compliance process and benchmarking this versus best practice.

The outcome of the Assessment includes a Future State Risk Mitigation Strategy that defines recommended changes to plans, processes and systems, tactics for reducing TCO, and a plan for implementing the recommended changes.

Phase 1 - ACA Employer Shared Responsibility (ESR) Compliance

- I. Document compliance of Health Plan design by capturing any relevant documents prepared by carriers, actuaries etc. This analysis will focus on
 - a) Minimum Essential Coverage (MEC)
 - b) Minimum Value (MV)
 - c) Affordability

- II. Review Variable Hour\Part Time and Seasonal Employee Eligibility Measurement technology and methods
 - a) Hours Paid reporting process and systems
 - b) Initial and Standard Measurement Period establishment and tracking processes
 - c) Stability Period Analysis and management
 - d) Offer and Waiver Tracking

- III. Review Full Time Employee Offer, Waiver and Enrollment Tracking in order to determine that proper offers, elections and waivers are being made and recorded.



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Phase 2 - ACA IRS Section 4980 A and B Penalty Employer Liability

- I. Document Results of Phase 1 and Determine Potential Employer Liability Based on:
 - a) Offer of Health Plan that meets MEC/MV requirements to 95% of Full Time employees)
 - b) Affordability Analysis across all Employee Groups
 - c) Determine if any solicitation requirements are necessary to obtain correct Social Security numbers for dependents if these are to be provided in the IRS filing
 - d) Review the communication requirements to be certain that employees have received the marketplace notice and other plan summaries that are required under the ACA
 - e) Calculation of Maximum Potential Liability and Sample Scenario Liabilities

Phase 3 - ACA Employer Shared Responsibility (ESR) IRS Reporting Compliance

- I. Document Source System and Data Flows for IRS 1094 and 1095 Reporting
 - a) Employee Demographic and Employment Status Information
 - b) Health Plan Offer, Enrollment and Waiver Elections
 - c) Employee Contribution Affordability based on the various safe harbor that is available
- II. Assess Accuracy of IRS 1095 Offer and Safe Harbor Code Calculations
 - a) Review of ACA Compliance system calculations, in particular to determine that the correct offer and safe harbor codes are observed
 - b) Sample prior Tax Year's results and test versus Best Practices. This analysis requires a detailed examination of each 1095 produced to determine if all of the proper coding is in place
- III. Review 1095 Printing, Fulfillment and Distribution, plus Correction processes
- IV. Appraise IRS eFiling, Transmission and Correction Methods
- V. Examine how each of the IRS corrections are handled and whether any TIN validation errors require re-solicitation of data by the employer
- VI. Study archival procedures and analyze for potential audit accessibility and accuracy



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Phase 4 - IRS Penalty Notice Response Process

- I. Responding to Marketplace Notices
 - a) The employer may periodically receive reports that certain employees have been granted a subsidy under the ACA. In cases where this is not an accurate representation, since the employer has provided affordable coverage, we will assist in reviewing and responding to these requests if required by the employer
- II. Responding to IRS Letter 226J
 - a) Audit IRS Section 4980 A and B Penalty Impact Analysis
 - b) Review Premium Tax Credit Eligibility Determination Processes
 - c) Assess access to necessary information to complete response
 - d) Response completeness, accuracy and timing
- III. Responding to IRS letter 225J
 - a) In some cases, the IRS will move forward assessing penalties either because the information that disputes the penalty was inadequate or has not been accepted by the IRS. In these cases, we will assist in replying to this letter as well

Phase 5 – ACA Compliance Total Cost of Ownership

- I. Document Prior Year's Cost for End to End Compliance Process
 - a) Calculate estimated internal labor cost for HR/Benefits/Payroll and IT activities
 - b) Determine Third Party Costs
 - 1. Reporting and eFiling Suppliers
 - 2. Benefits or IT Consulting
 - 3. Printing, Fulfillment, and Distribution
 - 4. Legal Fees
 - c) Gather Software Licensing, or Subscription Fees
 - d) Identify other ACA Compliance related costs

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Phase 6 - Final Report Preparation and Delivery

- I. Review of Preliminary Organizational ACA Compliance Assessment report with key Stakeholders
- II. Deliver Final Organizational ACA Compliance Assessment report, including
 - a) Health Plan design Compliance and Affordability
 - b) ACA Compliance Business Processes, including health insurance offer determination and processing
 - c) ACA Compliance System Inventory, Integration and Assessment
 - d) Total Cost of Ownership Analysis and Value vs. Standards
 - e) Risk Analysis
 - f) Future State Risk Mitigation and Process Improvement

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