

# BENEFITSCAPE™

## ACA COMPLIANCE TY23: GUIDE & VENDOR SCORECARD

**A REGTECH GUIDE:** for employers on Oracle, ADP, Dayforce, Workday & all major HCMs/ACA modules.

## ACA TY23 ALERTS

### AFFORDABILITY

Single coverage cannot exceed 8.39% of household income for 2023.

### COMPLIANCE THRESHOLD

ALEs must 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 for non-compliance can cost millions of dollars.

## HOW TO USE THIS GUIDE

For employers on all HCMs & ACA modules, choosing the right solution for ACA governance, risk management, and compliance is critical.

The right ACA process & partner can cut costs, save resources, eliminate IRS penalties, and deliver a better benefits experience for the employer and their employees.

This document outlines **KEY CONSIDERATIONS** and provides a **VENDOR SCORECARD** to help you decide on the best approach for your organization.

## ACA RISKS TY23

For TY 23 reporting 2024, the IRS requires Applicable Large Employers [ALEs] to provide & report adequate health coverage for > 95% of ACA eligible employees.

Hefty penalties are issued by the IRS for non-compliance, including penalties for prior tax years; there is no statute of limitations on ACA compliance.

A measure of this risk are the many tens of millions of dollars in IRS and state penalties that **BENEFITSCAPE** helps remediate for employers every year thanks to its leading ACA experience and intelligent Flag & Fix regtech diagnostics.

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**BENEFITSCAPE** was founded in 2014 to apply data science to employee benefits & is a certified member of the Women' Business Enterprise National Council [WBENC].

**BENEFITSCAPE** is the leading specialist in ACA reporting & compliance.

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# ACA TY23: KEY CONSIDERATIONS

## ACA SPECIALIST vs OTHER VENDORS

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The **Patient Protection & Affordable Care Act** was the first wholly new tax category in the USA for decades. ACA tax filing & compliance has, accordingly, its own unique set of data and regulatory complexities beyond standard payroll processing and other tax filing. When considering vendors to support your ACA compliance and reporting, make sure the vendor can successfully:

- » Identify & verify the full set of ACA data needed, including from external sources
- » Audit & optimize your HCM's ACA data flow
- » Manage eligibility/affordability using the very latest IRS intelligence
- » Track & manage eligibility/affordability month-by-month [ideally] or via data look back
- » Pro-actively manage risk, including a full IRS filing simulation
- » Manage data seamlessly across any system or other business changes
- » Make certified filings via IRS ACA Information Returns [IRSAIR]

## ACA EXPERTISE

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The overall demands for ACA compliance will exceed most employers' internal expertise and dedicated resources. **HCM modules** by their nature can only facilitate so much of the full end-to-end data flow, processing, and filing. Even **BENEFITSCAPE** intelligent and market-leading **ACA\_regtech**\* is not a blind plug & play answer, however transformational its impact on the efficiency and accuracy of the ACA process.

So look for a partner with both **dedicated specialists technology & the in-house counsel** to guide and focus how the ACA laws and regulations apply to your organization's specific needs, business rules, and employee populations. One size does not fit all.

\* *Any sufficiently advanced technology is indistinguishable from magic.* Arthur C Clarke

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## DATA MANAGEMENT & SECURITY

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ACA compliance typically requires data from a variety of sources. Your vendor should be able to accept **data in any format** from Payroll, HRIS [Human Resources Information Systems], HCM [Human Capital Management], Third Party Administrators [TPAs], COBRA vendors, and all other needed sources. When an employer is required to reformat data, considerable time, cost, and risk are added to the project.

Security with health data is of paramount importance - from data transfers & processing to the archiving of submissions. Confirm your vendor is **HIPAA & SOC2 compliant**.

## EMPLOYEE ELIGIBILITY TRACKING

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Determining total **work force eligibility** for health offers is critical to ACA compliance. You or your vendor must be able to obtain, track [as required] & process all variable data, rules & calculations to make this determination.

Given the complexities of part time and variable hour tracking in certain sectors, **BENEFITSCAPE** recommends this function is managed monthly, allowing for greater accuracy, more timely offers to newly eligible employees, and error mitigation before any risk of penalties is incurred.

## ZERO ERROR IRS CODING

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ACA compliance requires that every benefits-eligible employee receive **IRS Forms 1095-B & C** containing correct IRS coding for Cover Offer, Affordability, and Safe Harbor status. These codes [Lines 14, 15, 16 of the Forms 1095] determine if an employer is ACA compliant.

You must have total confidence that your vendor has the most **current detailed regulatory intelligence and data processing** to assign these IRS codes with 100% accuracy.

**We recommend employers do NOT take on this coding themselves.**

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## FORMs 1095 GENERATION & DISTRIBUTION

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For most employers, **Forms 1095-B & C** are distributed electronically to employees. Your vendor needs to be experienced at executing secure employee communications.

If a **printed format** is required, seek guarantees from your vendor that all forms will be printed error-free, ideally in-house for security, and distributed before the annual deadline. Also make sure you do not need to supply data for printing in a specific vendor format.

## E-FILING TO IRS AIR [IRS ACA Information Returns]

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Only **IRS certified e-filers** can file ACA reports to the **IRS ACA Information Returns System [IRSAIR]**. Obtaining a **Transmission Control Code [TCC]** can be time consuming and difficult. Confirm that your vendor is certified to file because obtaining your own TCC credentials is a lengthy and complicated process.

## STATE MANDATED REPORTING

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In parallel with IRS e-filing, state-mandated reporting must be completed through e-filing via state tax authorities. Filings are currently required in **CA, DC, CT, HI, MA, MD, MN, NJ, RI, VT & WA**. For a state-by-state list of required forms and TY23 filing 2024 deadlines [click here](#).

## ARCHIVING & POST-FILING SUPPORT

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All project data, including **IRS Transmission Receipts** and state-mandated filing receipts, should be securely archived. Ideally, your vendor should provide a service equivalent to **BENEFITSCAPE's** digital and encrypted **ACA Audit-in-a-Box** after filing. In the event of any future IRS questions or requirements, your vendor should be able to provide forensic support to confirm **100% ACA compliance**.

# ACA TY23: **VENDOR SCORECARD**

YES = 10 NO = 0 10 QUESTIONS TO RATE VENDORS OUT OF 100

## EXPERTISE

Are you confident this vendor has specialist ACA understanding, including the most current regulatory intelligence and specialist technology?

VENDOR ONE	VENDOR TWO	BENEFITSCOPE
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>

## TECH & TRACK RECORD

Does this vendor have > 5 years experience of delivering ACA compliance across your current as well as other possible HCMs within your organization?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## FLEXIBILITY

Has this vendor worked with a wide variety of employers and employee populations? Across different geographies and sectors, including yours? Also including companies of your size? And for self-insured as well as fully-insured plans, depending on your company's provisions?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## DATA SECURITY

Does this vendor have SOC2 accreditation and encrypt all data in transit and storage?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## HIPAA COMPLIANCE

Will this vendor sign a Business Associate Agreement to adhere to HIPAA & SOC2 provisions?

If No, we recommend not to proceed with this vendor.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## DATA ANY FORMAT

Will this vendor accept all data, whatever HCM and including external sources, in native formats? Or will you need to take time and resources re-formatting?

VENDOR ONE	VENDOR TWO	BENEFITSCOPE
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>

## IRS CODING

Does this vendor calculate all necessary IRS Codes to complete Forms 1095-B & C accurately?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## TCC CODE

Does this vendor have a Transmission Control Code for e-filing to the IRSAIR system?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## ERROR CODES

After filing, can this vendor analyze and help remediate of any IRS ERROR Codes?

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## STATE-MANDATED REPORTING

Does this vendor provide state-mandated reporting?  
[For CA, DC, CT, HI, MA, MD, MN, NJ, RI, VT & WA.]

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="10"/>
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## TOTAL SCORE

VENDOR ONE	VENDOR TWO	BENEFITSCOPE
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox" value="100"/>



IF YOU HAVE QUESTIONS ON ANY ASPECT  
OF ACA COMPLIANCE, CONTACT BENEFITSCAPE  
THE LEADING ACA SPECIALIST:

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