



Insourcing ACA Reporting

3 Steps to Selecting the Right Software

Summary

Many employers are still wondering, “Is it smarter to insource or outsource ACA reporting?” While outsourcing seems the simplest solution, it’s also the most costly. Consequently, there are many software solutions on the market to help employers handle ACA reporting in-house. These solutions typically fall into three categories: form generators, modules that integrate with existing human capital management systems, and standalone software.

To choose the right solution for your organization, first develop your selection criteria to determine the features your organization needs. Then select a software vendor offering a solution that meets your criteria. Finally, smooth the transition with decision-makers to generate support for the system among your key stakeholders.

ACA Reporting : Outsource or Insource?

ACA reporting requirements have employers scratching their heads. Should they insource or outsource ACA reporting? Which is simpler? Or more cost-effective? Is there a solution that offers both?

Today, employers have two options for ACA reporting: outsource reporting to an external vendor or find an in-house solution.

Outsourcing vs. Insourcing

It's no surprise 37 percent of large employers are considering an outsourced vendor. Outsourcing seems like the easiest option—but it's also the most costly.

Cost is clearly the factor that keeps small and mid-sized employers from unani- mously taking this route. PricewaterhouseCoopers reported only 20 percent of small and 26 percent of mid-sized employers were considering outsourcing. Compare this to 18 percent of small and 27 percent of mid-sized employers plan- ning to insource¹—almost the same amount—and it's clear small and mid-sized employers were on the fence on whether to insource or outsource (Figure 1).

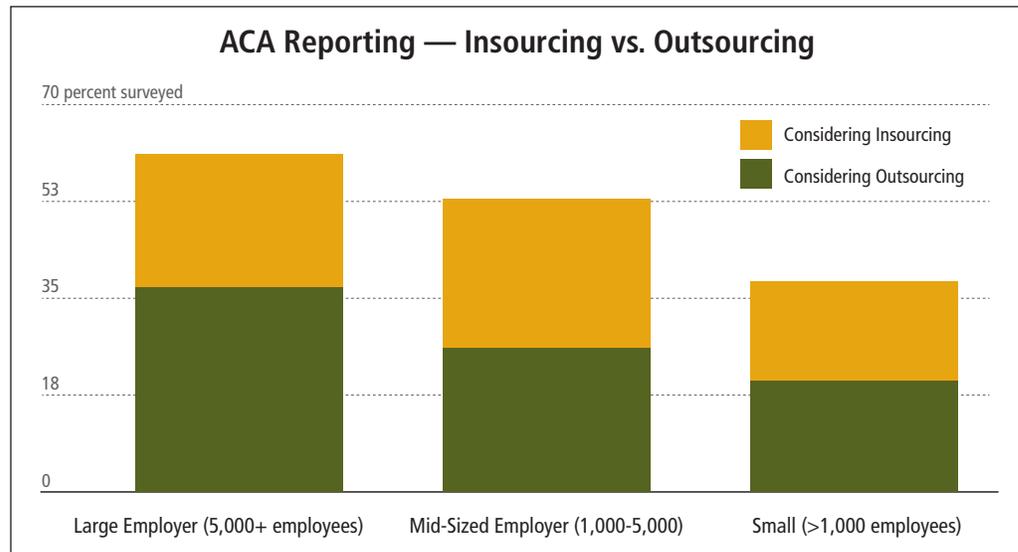


Figure 1. Employers considering insourcing vs. outsourcing ACA reporting. From "An HR Perspective: Affordable Care Act (ACA) Reporting Survey Results" by PricewaterhouseCoopers.²



While the cost of outsourcing puts it beyond the reach of many employers, insourcing also seems problematic to employers that equate insourcing with completing ACA forms manually. Manual reporting has many drawbacks including being time consuming and error-prone, which could cause the IRS to assess wrongful penalties. No employer needs to deal with that.

So, what are the options for employers looking for a simple, cost effective in-house reporting solution?

ACA Insourcing Software

Vendors realize ACA reporting puts a lot of pressure on employers. Many vendors have created software solutions that let employers manage their ACA reporting in-house. These solutions generally fall into three categories.

- **Form generators**
This software populates ACA forms with field-by-field information you provide, then generates a completed PDF or e-filing form that you can file with the IRS.
- **HCM suite modules**
HCM (or human capital management) suites are integrated systems that manage employee information such as payroll, HR, benefits administration, and time and attendance. HCM vendors are developing ACA-specific modules that integrate with the suite to pull relevant information to compute values and complete forms.
- **Standalone software**
Standalone solutions gather and import data from disparate workforce management and benefit systems in order to determine values and complete ACA forms.

Let's take a closer look at each type.

3 ACA Software Types: Pros and Cons

Form Generators

Form generators are the simplest insourcing software solution, and therefore the least expensive. They are designed to populate your ACA forms electronically and produce a completed form (electronic or print) to file.

To populate the form, form generators rely solely on the data you provide. That means employers using this type of software must collect or calculate required information. The software cannot automate or assist in determining employee status, insurance affordability or other safe harbors.

Form Generators	
Pros	Cons
<p>Inexpensive</p> <p>Enables e-filing by producing an electronic form</p> <p>No impact on existing workforce management, payroll, or benefits systems</p>	<p>Employer must understand key ACA concepts (i.e., employee status, plan affordability, plan details, safe harbors)</p> <p>Time consuming</p> <p>Software provides no assistance beyond form completion</p> <p>Requires employer to import source data</p> <p>Scope limited to ACA reporting</p>



HCM Suite Modules

A human capital management suite is an integrated software system designed to manage the employee lifecycle. These systems usually include payroll, HR, benefit administration, and time and attendance.

Many HCM vendors offer ACA modules or capabilities that pull relevant information from the suite of systems to complete ACA forms. This takes pressure off employers to calculate and provide the information themselves. But this option requires employers to use an HCM suite—an expensive option unless an employer already has one in place.

HCM Suite Modules	
Pros	Cons
<ul style="list-style-type: none"> Employers do not need to import or enter data Saves time, reduces errors Populates forms and most field values using data from suite Facilitates electronic filing Software offers varying levels of assistance for form completion 	<ul style="list-style-type: none"> Expensive (unless employer is already using an HCM suite) Migration to a new suite can take time Changing or updating key systems (payroll, HR, benefits, timekeeping) at a time when ready access to data is critical

Standalone Software

If you’re looking for more assistance than form generators can offer but don’t want to migrate to an expensive HCM suite, standalone software might be the answer.

Standalone solutions are designed to import data from your existing systems. This means the software imports data from your payroll, time and attendance, or benefits systems to populate ACA forms. It can also help manage important ACA information such as determining employer ALE status, identifying full-time employees, and managing limited non-assessment periods, which can be complicated.

Standalone Software	
Pros	Cons
<ul style="list-style-type: none"> Reasonably priced Imports and populates forms and most field values using data from existing systems Saves time, reduces errors Facilitates electronic filing Software offers varying levels of assistance for form completion 	<ul style="list-style-type: none"> Requires employer to import source data If vendor doesn’t offer option to integrate with other systems, software is limited to ACA reporting



One simple way to compare the three types is to consider them using top level criteria such as overall cost (inexpensive to expensive) and data sourcing (manual to automatic) as seen in Figure 2.

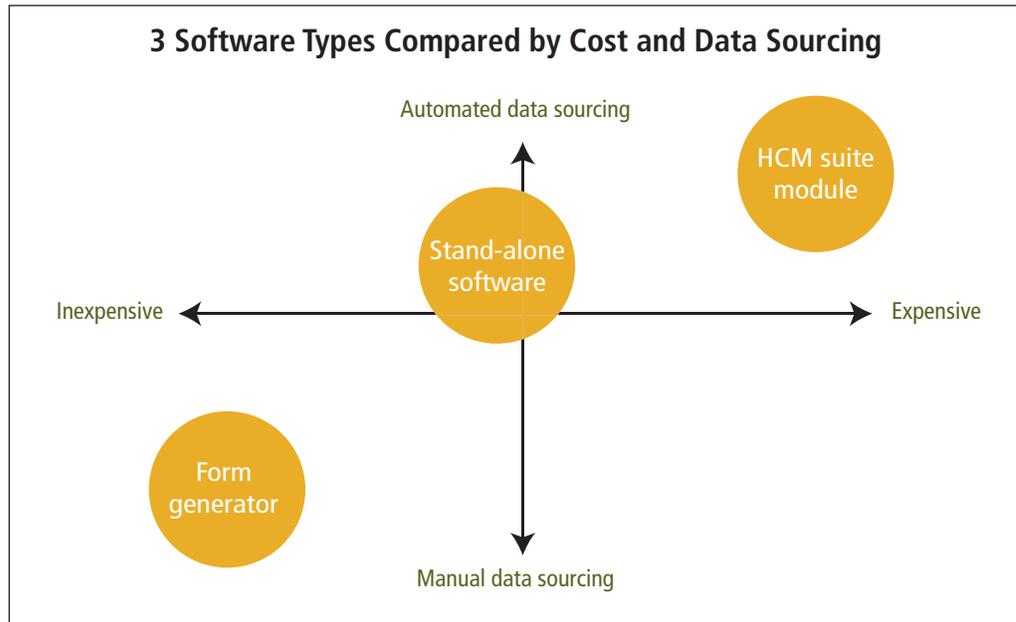


Figure 2. HCM suite modules are expensive since they require employers to use the suite, but automate much of the data sourcing. Form generators are inexpensive but necessitate employers source and input the data into the software. Standalone software can bridge the gap by providing some data sourcing assistance from existing systems at a reasonable cost.

3 Steps to Selecting the Right Software

Because ACA reporting occurs annually, it's important to select a software solution that works best with your organization's needs and resources. Let's look at three steps you can use to choose the right solution for you.

1. Develop your selection criteria

What's important to you? Group features and functionalities into three categories:

- **Must have** – These are required features and functionalities necessary to meet your ACA reporting needs
- **Nice to have** – These may be “bells and whistles” that would make the job easier but aren't necessarily a requirement
- **Deal breaker** – These are features (or lack of features) that immediately eliminate that solution from your list of possibilities

If you're unsure of which features you may need, start with the pros and cons of each solution type mentioned earlier.



You'll also want to consider future needs. As employers complete the ACA reporting cycle, their focus will shift to managing ACA obligations for the following year. This includes limiting penalties, projecting potential liabilities, and managing employee status as it relates to ACA.

2. Find a vendor

Start with current providers, including your payroll, benefits and time and attendance vendors. Seek referrals from colleagues and professional organizations and forums. Look for webinars and seminars on ACA reporting hosted by vendors on websites like HR.com.

3. Smooth the transition

ACA reporting may not be a simple process, but managing the transition will keep it as smooth as possible. Identify your project champion and key decision makers and keep them informed throughout the decision-making process. Once you have a solution in place, inform and train key stakeholders to give them the tools they need to succeed.

Conclusion

The decision to insource or outsource ACA reporting is an important one. While outsourcing seems like the easiest solution, the cost can be prohibitive for many employers. More and more vendors are creating software solutions to make it possible for employers to insource ACA reporting. These fall into three types: form generators, HCM suite modules, and standalone solutions. To select the right software for you, define and group your selection criteria, find a vendor by talking with current vendors or seeking recommendations from professional colleagues, and smooth the transition with buy-in from decision makers and training for key stakeholders.



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VisualACA is built by Attendance on Demand, Inc., a leader in cloud-based labor management systems. VisualACA assists companies in all industries with managing compliance for the Affordable Care Act. It works either with Attendance on Demand or as a standalone system.



Action for the Affordable Care Act

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This document simplifies a complex Act as it is understood by Attendance on Demand, Inc. It is not to be taken as legal advice. For further information about ACA compliance, please contact the Internal Revenue Service at www.irs.gov/Affordable-Care-Act/Employers.

References

- 1 PricewaterhouseCoopers, LLC and Equifax. "An HR Perspective: Affordable Care Act (ACA) Reporting Survey Results." PWC.com. 2015. PDF. Accessed 7 Oct 2015. <https://www.pwc.com/us/en/hr-management/publications/assets/pwc-hr-perspectives-nothing-but-change-for-healthcare.pdf>
- 2 Ibid.



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