A holistic approach to implementing the ACA

Employers must take action now to develop a strategy for implementing and complying with the core Affordable Care Act (ACA) requirements taking effect in 2014. There is no single approach or strategy – the unique characteristics of the organization and the nature and demographics of the workforce affect ACA implementation and potential costs. Adopting regulatory safe harbors across the board may not be the answer for all employers and could significantly increase costs. Projections need to fully consider the potential new taxes, fees and indirect costs under the ACA. Communication plans also are critical – employees will need more information to understand their new choices and the ramifications of opting into Exchange coverage. Companies will need to plan for Exchange communications, new filings and expanded reporting. All of these factors need to be considered in developing the strategy for transitioning to the new rules and minimizing disruptions to the business, the workforce and overall productivity.

Ernst & Young LLP has broad subject matter resources aligned to help employers understand the interrelated technical requirements of the ACA, model potential costs, and develop and implement a customized strategy to comply with the many facets of the ACA.

Objective analysis, financial modeling and readiness assessments tailored to your business

Ernst & Young LLP professionals couple broad subject matter knowledge of the ACA with objective financial analysis to help a business develop and carry out its ACA strategy. Our services include (i) technical consulting on ACA requirements; (ii) reviewing organizations’ readiness for regulatory and reporting compliance requirements; (iii) performing financial and workforce analytics for projecting and potentially minimizing taxes and fees; (iv) planning and implementing communication strategies and (v) addressing tax controversy and appeals, which will be the primary enforcement mechanism under the ACA. We recognize that certain aspects of the ACA have varying effects on different industries and employee populations. Our services are designed to be tailored to the particular needs of the business; for example, our financial modeling tools may be utilized to test existing cost projections and compare outcomes in different scenarios that take into account broader economic and demographic data.

Process and technology efficiency analysis

Complying with ACA will be heavily data driven. Companies will need to collect data from diverse sources, including payroll, human resource information systems (HRIS), time and attendance, accounts payable, compensation and benefits. To successfully deliver the timely, accurate and complete data needed to track, monitor and report, companies will have to rely heavily on their own, and possibly third-party, technology and systems. Integrated end-to-end processes with effective controls will be needed to document and confirm the completeness and accuracy of incoming and outgoing data transfers. Compliance will require strong confidence in external vendor processes and effective vendor management. Ernst & Young LLP has a team of professionals experienced with the relevant systems required to communicate with each other and provide the necessary outputs that would help a large employer comply with the ACA. We also can assist you in testing your system readiness and provide consultation around the needed process to conform with the law.
**Workforce analytics**

A cornerstone of our services is objective analysis that couples the employer’s information on its workforce with broader economic data. Depending on an employer’s posture (i.e., industry and workforce characteristics), compliance and reporting for the ACA will require understanding and monitoring the distinct data points that affect potential costs and compliance. For businesses with a significant seasonal or variable hour workforce, monitoring hours to timely and accurately identify full-time employees will be critical. Furthermore, employers’ costs and potential excise tax liability may be significantly affected by demographic factors such as potential eligibility for Medicaid, dependent coverage, and analysis of likely household income in comparison to federal poverty levels. Adopting regulatory safe harbors under the ACA may significantly increase costs in some situations. Our workforce analytics provides detailed and objective analysis that allows an employer to compare different options. We utilize data developed with our economists and statisticians as well as data developed through our significant experience with employee tax credits and incentives. Our employee screening process and payroll interface infrastructure may be utilized to track certain data elements, such as potential eligibility for other health coverage. Understanding these elements for the particular workforce is key to projecting costs.

**Exchange notification support**

In October 2013, Exchanges for all 50 states are scheduled to begin open enrollment. Employees will have the opportunity to consider whether to buy their own coverage for themselves and their families through the Exchanges and, for households with income not in excess of 400% of the federal poverty level, may seek advanced certification for premium tax credits to help buy this coverage. Employers’ ability to purchase their own coverage in the Exchange affects employers’ costs. Full-time employees who are not offered affordable and adequate coverage by their employer may be eligible for the premium tax credits that, in turn, will result in an excise tax assessment against the employer. Regulations provide that Exchanges will notify an employer and provide an appeals process. Employers will need a method to timely confirm coverage and employment information with the Exchanges in order to avoid potential excise tax assessments. Each Exchange notification could possibly result in a $3,000 non-deductible excise tax for the employer. Ernst & Young LLP can assist employers in centralizing and administering the responses to Exchange notifications, including assistance with appropriately appealing erroneous notifications.*

**Reporting compliance support**

The ACA creates new and expansive IRS reporting requirements. For example, employers will be required to make annual reports for 2014 detailing every covered life (employee and dependents) that is provided coverage for each month of the year. These reports are required for insured and self-insured plans and will require the retention and merging of data that employers have not been previously required to maintain. Ernst & Young LLP can provide employers with support in assessing current systems as well as ongoing compliance.

**Employee communication and education**

The ACA outlines specific employee communication requirements, such as communicating information about the Exchanges and the cost of coverage for your own employer-sponsored health plan. Many employers may find that additional and more expansive communication with employees will be needed beyond the capacity of existing HR resources. Ernst & Young LLP can help develop required and discretionary employer communications, including independent financial education and counseling for employees.

**Taxes and fees and controversy support**

Per capita taxes and fees are imposed on employer plans under the ACA, with the first filings beginning in July 2013. In addition, the excise taxes for employers whose workers receive premium tax credits via the Exchanges are estimated by the Congressional Budget Office (CBO) to be $117 billion over the next 10 years. Ernst & Young LLP tax services and our tax controversy teams can assist in planning to avoid controversy, including advice on maintaining the appropriate business records needed to defend against tax assessments, appealing determinations and appropriately resolving IRS matters.

* Certain restrictions may apply where Ernst & Young LLP is the auditor of a company.