Affordable Care Act Reporting Survey Results
An HR perspective

Background
New complex reporting requirements for the ACA started for employers on January 1, 2015. The first reporting is due to the IRS and employees beginning in January 2016, and the required IRS forms must contain data for employees and their dependents for every month in 2015. The effort required to implement the reporting can be significant, and if employers do not implement a solution soon for meeting these requirements, they may have significant risk for reporting penalties and underlying ACA excise taxes. This reporting, on IRS Forms 1094 and 1095, is needed to demonstrate compliance with the ACA’s employer mandate and individual health coverage requirements.

PwC and Equifax Workforce Solutions conducted a survey in the first quarter of 2015 to better understand how employers are planning to comply with the new ACA reporting requirements. This survey report contains information provided by 480 employers in 36 different industries across the U.S.

Summary
The results of this survey show that the new ACA reporting requirements are presenting challenges to employers, and that many have not decided how they will comply; although most are considering or implementing an outsourced solution.

ACA reporting
Most companies will need to act quickly over the next several months to implement a solution for meeting the required ACA reporting. Only 10% of survey participants reported having already implemented an in-house or outsourced solution. 16% of survey participants reported that they have not yet even considered a solution, or do not know what solutions they should consider. Even though the IRS Forms 1094 and 1095 are due in early 2016, completing them requires capturing month-by-month data for 2015.

Data accuracy, aggregation and security
65% of survey participants indicated that data quality was a concern. For many employers, multiple systems house the necessary data (these include payroll, HRIS, benefits administration, and leave of absence
systems), and some of the data may be held by third parties. Aggregating all of this data on a month-by-month basis for purposes of reporting to the IRS and employees can be challenging, especially because of the degree of scrutiny the IRS Forms 1094 and 1095 are likely to receive. Employers will need to make a business decision as to how to collect the necessary data in year 1 and then create an on-going process for future years.

It is surprising that only 31% of survey participants reported that data security was a concern since much of the data necessary to complete the IRS forms is sensitive and includes such elements as social security numbers and dates of birth.

Responding to exchange notices
43% of survey participants indicated that they are concerned about responding to exchange notices. Employers can expect to receive notices from exchanges when their employees apply for subsidized insurance, possibly triggering employer penalties. Upon notice, an employer may be able to validate or challenge an employee’s eligibility for a subsidy (for example, because a full-time employee is eligible for affordable employer-sponsored coverage) and thus mitigate the risk of penalties. Particularly for multi-state employers with many worksites, responding to the exchange notices on a timely basis could be very challenging since state exchanges may vary in their notices and response procedures. Timely response to notices is critical, but could be a challenge for decentralized employers. There is also no way to predict the volume of these notices and a high level of notice activity in addition to other inquiries from the IRS and exchanges could create challenges for employers. As expected, 61% of survey participants with more than 20,000 employees are concerned about responding to exchange notices.

Detailed findings
Department responsible
As a preliminary matter, employers must correctly identify their employees for ACA reporting, and may want to review their independent contractor population. 62% of survey participants reported that the human resource department is responsible for determining whether an individual is properly treated as an independent contractor; however, 14% of survey participants are relying on the legal departments for this determination and 12% of participating employers did not know who would be responsible for this determination. 82% of survey participants indicated that the human resources/benefits department is leading the ACA reporting compliance effort; however, 5% indicated that the department leading the effort is still undecided.
**ACA reporting readiness**

Only a small fraction of survey participants have already implemented a solution for ACA reporting while the remainder are still considering their options or have not even begun considerations.

- 26% of small employers (<1,000 employees) are still undecided regarding whether they will implement a solution in-house or an outsourced solution to facilitate reporting.
- 37% of large employers (5,000+ employees) reported that they are in discussions with outsourced vendors currently while 12% have not yet considered any solutions or do not know.
- 27% of mid-sized employers (1,000 – 5,000 employees) reported that they are planning to implement an in-house solution and the same percentage reported that they are considering an outsourced solution while 15% have not yet considered any solutions or do not know.

**Type of vendor**

The participating employers that intend to or have already outsourced their ACA information reporting requirements vary with respect to the type of vendor they intend to use. 48% of smaller employers plan to use their payroll vendor, whereas for large employers, 35% plan to use a dedicated ACA compliance vendor. 18% of mid-sized employers are still in the process of determining their outsourcer. Of the survey participants who have more than 30% variable hour/part-time employers, 44% intend to use a dedicated ACA compliance vendor for their ACA information reporting requirements.
Delivery of forms
Many employers are also undecided about how they are going to deliver the necessary forms to employees and the IRS (46%). 30% of participating employers plan to use a vendor and 24% plan to perform this in-house.

Of employers with more than 30% variable hour/part-time employees, 53% are undecided as to how they plan to deliver the forms to employee and the IRS. For companies with a large variable hour/part-time workforce, there could be a challenges associated with reaching out to employees to have them elect electronic forms initially and on an on-going basis because such workers generally have a high level of workforce turnover.

Hour tracking
The vast majority of employers have already begun tracking employee hours of service for purposes of determining full-time employee status in 2015 (79%). The manufacturing (67%) and health industries (72%) employers are less prepared in terms of tracking hours than the retail and consumer industry (92%). With a larger variable hour/part-time workforce, the retail and consumer industry generally has had to track employee hours to determine medical plan eligibility for a longer period of time than other industries.

Employer concerns
Employers have numerous concerns about the employer mandate and ACA reporting. The most pressing concern for small employers is the understanding of different reporting options whereas most mid-sized and large employers are concerned about data quality.

Because the retail and consumer industry tends to have a larger variable hour/part-time workforce, and many of those employees may be eligible for subsidies on the public healthcare exchanges, it was not surprising to find that 52% of retail and consumer survey participants are concerned about responding to exchange notices.

For all survey participants, other concerns include: administrative burdens (time and workload), data (complexity and access to the data), establishing company-wide policies and procedures, tracking/identifying employees (full time and variable hour/part-time), and distribution and production of reporting.

<table>
<thead>
<tr>
<th>CONCERNS</th>
<th>&lt; 1,000 EMPLOYEES</th>
<th>1,000 - 5,000 EMPLOYEES</th>
<th>&gt; 5,000 EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data quality</td>
<td>55%</td>
<td>63%</td>
<td>72%</td>
</tr>
<tr>
<td>Responding to exchange notices</td>
<td>40%</td>
<td>35%</td>
<td>54%</td>
</tr>
<tr>
<td>Understanding different reporting options</td>
<td>70%</td>
<td>58%</td>
<td>51%</td>
</tr>
<tr>
<td>Determining different reporting entities within the controlled group</td>
<td>24%</td>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td>Expense of reporting</td>
<td>43%</td>
<td>42%</td>
<td>46%</td>
</tr>
<tr>
<td>Data security</td>
<td>25%</td>
<td>31%</td>
<td>35%</td>
</tr>
<tr>
<td>Other</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>
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Method of determining eligibility and affordability
Employers vary in how they intend to determine eligibility and affordability on a regular basis and during open enrollment. Small employers are more likely to use their payroll/time and attendance vendor (30%) going forward whereas large employers are more likely to use their HRIS system (32%). 12% of all employers are not sure what solution they will use to measure eligibility and affordability.

Summary
In summary, employers will face many challenges related to ACA reporting and need to make important business decisions soon such as whether or not they will implement a solution in-house or whether they will outsource their reporting requirements.

Survey participant mix

<table>
<thead>
<tr>
<th>US Employees</th>
<th></th>
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<tbody>
<tr>
<td>Less than 100</td>
<td>4%</td>
</tr>
<tr>
<td>100 – 499</td>
<td>8%</td>
</tr>
<tr>
<td>500 – 999</td>
<td>8%</td>
</tr>
<tr>
<td>1,000 – 2,499</td>
<td>21%</td>
</tr>
<tr>
<td>2,500 – 4,999</td>
<td>21%</td>
</tr>
<tr>
<td>5,000 – 9,999</td>
<td>13%</td>
</tr>
<tr>
<td>10,000 – 19,999</td>
<td>9%</td>
</tr>
<tr>
<td>20,000+</td>
<td>16%</td>
</tr>
</tbody>
</table>

Industry

- Agribusiness: 1%
- Education and nonprofit: 13%
- Energy, utilities and mining: 2%
- Engineering and construction: 2%
- Financial services*: 10%
- Government/public services: 4%
- Health industries*: 11%
- Manufacturing*: 15%
- Retail and consumer*: 19%
- Services*: 12%
- Technology*: 8%
- Transportation and logistics: 3%

*Includes multiple smaller industries
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ABOUT EQUIFAX

Equifax is a global leader in consumer, commercial and workforce information solutions that provide businesses of all sizes and consumers with insight and information they can trust. Equifax organizes and assimilates data on more than 600 million consumers and 81 million businesses worldwide. The company’s significant investments in differentiated data, its expertise in advanced analytics to explore and develop new multi-source data solutions, and its leading-edge proprietary technology enable it to create and deliver unparalleled customized insights that enrich both the performance of businesses and the lives of consumers.

ABOUT PwC US

PwC US helps organizations and individuals create the value they’re looking for. We’re a member of the PwC network of firms, which has firms in 157 countries with more than 195,000 people. We’re committed to delivering quality in assurance, tax and advisory services. Find out more and tell us what matters to you by visiting us at www.pwc.com/US.