Pay or Play: Determining Your Company's Best Solution to the Affordable Care Act

Presented by:

Todd Black
Product Marketing Manager
Kronos Incorporated

Monday, May 13, 2013
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1:00 p.m. to 2:00 p.m. Central
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Sponsored by:
KRONOS

TIME WELL SPENT™ by Tom Fishburne

LA LA LA LA LA

SOONER OR LATER, WE’RE GOING TO HAVE TO START PLANNING FOR AFFORDABLE CARE ACT COMPLIANCE.
Affordable Care Act - Facts

President Obama Signed....................March 23, 2010
Supreme Court Upheld......................October 28, 2012

Total Pages........................................974 pages

Ten Title Sections

Title 1  Quality, Affordable Health Care for All Americans
Title 2  The Role of Public Programs
Title 3  Improving the Quality and Efficiency of Health Care
Title 4  Prevention of Chronic Disease and Improving Public Health
Title 5  Health Care Workforce
Title 6  Transparency and Program Integrity
Title 7  Improving Access to Innovate Medical Therapies
Title 8  Community Living Assistance Services and Supports Act
Title 9  Revenue Provisions
Title 10 Reauthorization of the Indian Health Care Improvement Act

http://www.healthcare.gov/law/full/

Average Hours Worked per Week in a Month

30

Average Hours Worked (BLS)

35

Average Cost of Medical Coverage (per Aon Hewitt)

$10,000
Fundamentals of the Affordable Care Act

- Individual mandate – U.S. citizens and legal residents must have minimum essential health care coverage or pay an annual fee

- Employers must offer “affordable” health coverage to all employees working an average of 30 hours

- 30+ hours average per week in a month; failure to comply could result in fines of $2,000 per employee per incident (in excess of 30 employees)

- Employers with 200+ employees must auto-enroll eligible employees and offer opportunity to opt-out
Look Back / Stability / Monitoring

- There is a "standard measurement period" that is also known as the look-back period to determine if an employee is full-time. Employers are to look-back at a period of time of not less than 3 consecutive months or no more than 12 consecutive months.

- Next there is the "stability period" which is at least 6 consecutive months and equal to the look-back period used.

- Then comes the month to month monitoring of your workforce to see if they are crossing the 30 hour threshold and determine how you will handle them going forward.

3 Options: Provide, Pay or Play

- Today: 1,600 employees = 1000 FTEs; 600 PT
- After look-back: 50% of PT re-classified as FT, +300

<table>
<thead>
<tr>
<th>Provide affordable coverage, $10,000 per employee</th>
<th>PAY Strategy - pay $2,000 penalty</th>
<th>PLAY Strategy - Provide minimum essential coverage but not affordable to 30% FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 * 1,000 = $10M</td>
<td>Pays $2,000/year penalty for each FTE in excess of 30 FTE</td>
<td></td>
</tr>
<tr>
<td>$10,000 * 1,300 = $13M</td>
<td>Penalty of $2,000/employee = $2,000 x (1300-30) = $2,000 x 1,270 number of FTE &gt; 30 =</td>
<td></td>
</tr>
</tbody>
</table>

- $13 Million in HC costs | $2.5 Million Penalty | $10.3 Million in HC costs |
- Pays $3,000/year penalty for each FTE that purchases from state HC exchange |
- 1300 FTE x 30% opt out and purchase state HC exchange |
- $3,000 x 390 = $1.2M penalty |
- $10,000 * 910 = $9.1M HC costs ($900K less) |
- Total HC & penalty = $10.3M |
### The Reality: Pay, Pay or Pay

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*Whatever strategy you chose you PAY*

### Resolution

**Affordable Care Act**
Kronos Delivers With ONE Solution

Analytics  
Ad-Hoc Reporting  
Scheduling  
Timekeeping  
Human Resources

How Could Kronos Help You

Analyze your workforce by looking-back for a specified period to determine part-time and full-time.

You comply with the Affordable Care Act and can report to the IRS.
Using Analytics / Ad-Hoc Reporting for Look-Back

**STEP 1**

- Determine a specified date range to extract data
- Use specialized reports to view part-time and full-time employees
- Color code employees for easy examination

Kronos Delivers – Possible Analytics Reports
How Could Kronos Help You

Analyze your workforce by looking-back for a specified period to determine part-time and full-time employees.

Look-back at a historical timeframe to determine part-time and full-time employees.

You comply with the Affordable Care Act and can report to the IRS.

Using Timekeeping for Look-Back

STEP 2

- Determine a specified date range to extract data
- Use preconfigured views to view part-time and full-time employees
- Sort by Average Hours Worked
Kronos Delivers – Possible Timekeeping Views

How Could Kronos Help You

Analyze your workforce by looking-back for a specified period to determine part-time and full-time

Look-back at a historical timeframe to determine part-time and full-time employees

Change employee status and process benefit eligibility / allow employee to enroll through self service, opt-out, or waive benefits

You comply with the Affordable Care Act and can report to the IRS
Using Human Resources for Benefit Enrollment

**STEP 3**

- Change employment status from PT to FT
- Run Benefit Eligibility Process to pick up new employees
- Allow employee to enroll with Self Service, Opt-out, or Waive

If customer does not have Kronos for HR then an interface will be provided to send information from Kronos timekeeping to the HR system they are using.

Kronos Delivers – HR Benefit Eligibility Process
How Could Kronos Help You

Analyze your workforce by looking back for a specified period to determine part-time and full-time.

Look-back at a historical timeframe to determine part-time and full-time employees.

You comply with the Affordable Care Act and can report to the IRS.

Examine and monitor your workforce’s actual hours worked and scheduled hours to determine best fit for the threshold.

Change employee status and process benefit eligibility / allow employee to enroll through self service, opt-out, or waive benefits.

Using Scheduling for Monitoring Your Workforce

STEP 4

• View schedules with timecard data

• Determine if (time worked + scheduled time) > 30 hour threshold

• Change schedules to maximize employee hours and maintain appropriate staffing levels
### Kronos Delivers – Possible Scheduling Process

<table>
<thead>
<tr>
<th></th>
<th>Week 1</th>
<th>Week 2</th>
<th>Week 3</th>
<th>Week 4</th>
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<tr>
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<td>30</td>
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<td>30</td>
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<tr>
<td>Actual</td>
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Using Timekeeping or Human Resources Solutions for IRS Reporting

- Predetermined information on the report
- Kronos timekeeping report (if Kronos HR is not used)
- Kronos HR report (if full suite customer)
Kronos can help:

- **Provide accurate information** about average hours worked by full-time and part-time employees to comply

- **Deliver timely analysis** of employee benefit eligibility, thus improving compliance and reducing financial penalties

- **Monitor your workforce** by analyzing schedules, time records, and benefits enrollment in real time

- **Delivering comprehensive auditing and reporting** that will permit you to provide evidence of your ACA compliance efforts to government agencies

**Challenges**

**Affordable Care Act**
Some organizations will...

**CUT HOURS**

- 22% currently do not offer coverage to all employees working 30+ hours per week
- 56% will have fewer employees work 30+ hours per week

**PROVIDE MINIMUM COVERAGE**

- 57% will continue to offer level of coverage needed to support business and HR goals

Per Mercer Report & Aon Hewitt Data

What are the RISKS...

**CUT HOURS**

- Losing top employees to competition
- Customer satisfaction and customer service may suffer

**PROVIDE MINIMUM COVERAGE**

- Losing profit as HC costs negatively impacts bottom line
- Will have to decide what positions will remain full-time to keep the right mix of employees for the future
Challenges – Affordable Care Act

Companies are “trying” to do their look-back NOW...

- Spreadsheets
- Homegrown systems
- Incomplete data
- Don’t understand how to analyze their data

Ongoing monitoring

- How are you tracking employee’s time?
- Is there a way to monitor “live” time data with schedules?
- How can I update the employee’s benefits?
- Administrative nightmare - What happens when the period is over and we offer COBRA?

Kronos Delivers with One Solution
One Solution for Affordable Care Act

• Corporatewide visibility into employee status, average hours worked, overtime, labor costs, and additional information.
• Analyze your workforce on a broad scale and at the individual level so you can determine benefits eligibility and understand where trends/averages are occurring, then use that data to make better decisions.

Timekeeping

• Analyze your workforce to determine FT/PT status based on the new rules of 30-plus hours average per week.
• Establish thresholds for 30 hours, and set automatic alerts to assist managers in proactively monitoring and managing employee time.

Human Resources

• Integrate with core data from Timekeeping to determine whose status should be changed under the new threshold and be able to change them from PT to FT.
• Perform benefits administration and initiate benefits for those employees through Employee Self-Service.

• Assist managers in creating schedules that are cost-effective, compliant, and meet demand.
• See current hours and projected schedules to arm managers with the information they need to control hours, and enable them to make scheduling changes easily.

Scheduling

Kronos Delivers – One Solution for ACA

• Ability to do Look-Back & Plan for the Future
• Change Status & Provide Benefits
• Enroll Electronically with Self Service
• Gain Visibility through Stability Period
• Monitor Workforce On-Going
• Provide Evidence of ACA Compliance Efforts
Additional Resources:

- AHCA Health Reform Resource Center:  
  http://www.ahcancal.org/advocacy/healthcarereform/Pages/default.aspx
- Kronos
  - Webinar with Jackson Lewis Law Firm, March 6
  - HC Reform Update, IRS Proposes Regulations on Employer Penalty by Jackson Lewis
  - Mercer, Health Reform Poses Biggest Challenges to Companies with the Most Part-Time and Low-Paid Employees
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Todd has 20 years of experience in HR/Payroll processes, programs, and providers. He has been with Kronos for over seven years and has been involved with the HR/Payroll product the entire time. Prior to Kronos – Todd spent 10 years with various software vendors entirely in the HR/Payroll space. Prior to jumping into the software world – Todd spent three years as an HRIS Analyst working in Human Resources as a liaison between HR and IT.