Transform Through Technology

Presented by
Karen Kirkpatrick

OM10
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Goal: You will identify the challenges, both practical and legal, of running small to mid-size businesses, the cost of mismanagement and attainable solutions to achieve success.

- Common missteps that employers make with data
- Costs of “simple”, recurring mistakes
- Technology solutions that will transform their operations
- Anticipated costs and ROI
- How to measure success
BENEFIT TECHNOLOGY RESOURCES

- Employee Navigator [https://www.employeenavigator.com/](https://www.employeenavigator.com/)
- Maxwell [https://www.maxwellhealth.com/home](https://www.maxwellhealth.com/home)
- PlanSource for larger groups [https://plansource.com/](https://plansource.com/)
- Paylocity for a full HCM [http://www.paylocity.com/](http://www.paylocity.com/)
- Infinisource for full HCM [www.infinisource.com](http://www.infinisource.com)

TERMINOLOGY

Human capital management — HCM

- Eliminates existing disparate solutions and processes with one elegant, configurable, end-to-end experience.
- Destroys the paper process and drives down cost and complexity of managing the workforce.
- Provides real time data so supervisors and financial leaders have immediate access to information for better decision making.
- Improves the employer-employee relationship. By empowering your employees to self serve with a highly intuitive and accessible interface.
TERMINOLOGY

Onboarding— HRIS
- Eliminates a grueling and time consuming experience involving excessive paperwork. This is a short description of how most employees think of it.
- The onboarding process is faster.
- Employees are more engaged in the process.
- Costs may be reduced.
- Paperless onboarding is a greener solution.
- Compliance may be improved.
- Information may be more secure.

TERMINOLOGY

Cloud
- The term "cloud computing" is everywhere. In the simplest terms, cloud computing means storing and accessing data and programs over the Internet instead of your computer’s hard drive. The cloud is just a metaphor for the Internet.

Employee self-service
- ESS is web-based applications that provide employees with access to their personal records and payroll details. ESS features include allowing employees to view and/or change their own HR information, manage life events, request time-off, enroll in benefits, elect COBRA, etc.

Single sign on
- SSO is a property of access control of multiple related, but independent software systems. With this property a user logs in with a single ID and password to gain access to a connected system or systems without using different usernames or passwords.

Single database
- When you log in to a true single database and enter data, it is shared instantly between HR, payroll, and benefits. You can manage employees, reduce payroll expenses and absenteeism with maximum accessibility - anytime, anywhere.
MISSTEPS

- Maintaining proper records and historical data
- Protecting data
- Managing new hires and rehires
- Managing timely tax filings
- Proper employee classification
- Proper pay calculations
- Handbooks and job descriptions
- Staying current with federal, state and local changes

MISSTEPS

- Not managing caps on tax advantaged plans
- Garnishments and other deductions
- DOL, IRS, HHS reporting
- Notices and disclosures
- I9s and supporting documentation
- Avoiding discrimination in hiring/firing process
- Being too paternalistic with employees
- Not communicating/coordinating/liking other departments
HCM MUST HAVES

Payroll manages:
- W-2 reporting
- Medicare tax
- ALE status
- Multiple FEINs
- Ongoing FT count
- "Hours of service"
- Affordability
- Accruals
- Garnishments
- General ledger reporting
- Memo calculations
- WOTC
- ESS
- Direct deposit
- New hire reporting
- EEO-1 reporting
- VETS 100 Reporting
- Job tracking
- Work comp tracking
- Pay as you go WC options
- Accounting integration (GL)
- Salary history
- Unlimited earnings/deductions
- MLR rebates
- Reinsurance fee

PAYROLL PITFALLS FOR ACA

- Track all compensable time toward the 30 hour (120 hours for FTE) FT definition
- Common law vs. 1099 and what you don’t label right can hurt you
- Exempt vs. Non-exempt and what hours you don’t capture can affect your total FTE count
- How job descriptions can increase costs by not defining expected hours worked for both employee and supervisor
- How poorly written job descriptions can increase the number of Variable Hour Employees
- Is your Waiting Period compliant?
- Are you using an Orientation Period and is it compliant?
- What data must be tracked for determining Applicable Large Employer status?
- What data must be tracked for determining FT status and eligibility for group health plan?
- What data must be tracked for determining Affordability based upon wages or safe harbor methods?
- What data must be tracked for employers with 50+ employees beginning January 1, 2015 and reported in 2016?
- Applicable Large Employer Reporting requirements
THE BEST PAYROLL IS

- Legally compliant
- Efficient
- Cost-effective
- Adaptable
- Scalable
- Accessible reporting
- Procedurally documented

PAYROLL COMPLIANCE INVOLVES

- Federal Fair Labor Standards Act (FLSA)
- Internal Revenue Code
- State laws
- Overtime and exemptions
- Minimum wage
PAYROLL COMPLIANCE INVOLVES

- Child labor
- Paycheck frequency
- Vacation paycheck deadlines
- Wage statements in certain states

Payroll Compliance Involves

- Meal and rest breaks
- Deductions
- Workers’ compensation
- Unemployment compensation
- State disability income
- State and local income tax withholding
OTHER EMPLOYMENT LAWS

- FMLA
- USERRA
- Title VII
- ADA
- SOX
- HIPAA
- NLRA
- COBRA
- ADEA
- OWBPA
- ACA
- GINA

MEDICAL LOSS RATIO REBATES

Payroll should be able to manage multiple options including:

- Lump sum payment is easily done through payroll. If employees pay for premiums on a pre-tax basis, the rebate is box 1 W-2 wages. If employees pay for premiums on an after-tax basis, the rebate is non-taxable.

- Premium credit/holiday for employees. If an employer wants to apply this to current or future month premiums, it can do so. Benefits administration system aligned with payroll would be the logical route.

- Premium credit/holiday for COBRA QBs.
**HCM MUST HAVES**

**Time & attendance manages:**
- Time off tracking
- Leave requests
- Role level self service including ESS
- Job costing
- “Hours of service” thresholds
- Certified payroll
- Unlimited accruals
- Approaching threshold notifications

**Talent management manages:**
- Applicant tracking
- Onboarding
- Performance reviews
- On-line training
- Hire to fire and hire to retire

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**HR**

“HR analytics are actually HR’s best-kept secret. After all, if CEOs were aware of what this data can show them — if they could cut through its complexity to access and exploit it in the way they want to — they would be extremely interested in HR analytics as a whole.” -Robert Bolton, KPMG Advisory Board
HCM MUST HAVES

HR manages:
- Unlimited use of defined fields
- Notifications
- Data activate
- Performance reviews
- Applicant tracking
- Onboarding
- Integration with SAP success factors
  - A valuable human capital management application suite integrates onboarding, social business and collaboration tools, a learning management system (LMS), performance management, recruiting software, applicant tracking software, succession planning, talent management, and HR analytics to deliver business strategy alignment.

Benefits manages:
- Open enrollment
- Life event wizard
- Carrier connections
- Simple change-of-plans
- Unlimited benefit plans
- COBRA integration
- FSA/HRA/Transit integration/management
- Management of company assets

ACA BENEFIT IDENTIFIERS

* Does plan meet Minimum Essential Coverage (MEC)?*
* Does plan meet Minimum Value (MV)?*
* Is plan self-insured?

*Employee waivers – for plans that are identified as MEC and/or MV, please embed waiver language should these plans be waived. It is recommended to have employee check waiver for each eligible individual.

Sample – This coverage has been identified as Minimum Essential Coverage (additional option: that provides Minimum Value). Waiving this coverage could result in payment associated with the Individual Mandate. The waiver could also render you, your spouse and/or dependents ineligible for a subsidy in the Marketplace.
RETIREMENT AGE/MEDICARE ELIGIBLE CONSIDERATIONS

- If the employee terminates within 18 months after they become Medicare Entitled, their spouse could get longer on COBRA. **HCM:** This might affect the event they list as causing a Loss of Coverage.
- The employee would have to cease contributing to their HSA. This might affect payroll deductions and enrollment options.
- The employer still needs to provide the Medicare Part D notice (as they do every year to all employees). **HCM:** The employer could post these notices electronically.
- The employer might track in their benefits data which plan is Primary or Secondary regarding Medicare and the Group Health Plan (GHP).
- The employee who is covered by Medicare (or even Medicaid) would not be a liability for the employer for penalties associated with the Employer Mandate.

3-STEPS TO ADOPTING HCM

- **Step 1:** Identify corporate objectives
  - Manage employees and save money at the same time.
  - Co-manage benefit adoption, usage, plan modifications
  - See real-time data to make timely, strategic decisions
- **Step 2:** HR and Finance partnership
- **Step 3:** Implementation and use of HCM
  - Each department secures certain data while freely sharing other
  - Departmental reporting
  - Corporate governance by accessing data in single database for HR, Payroll, GL, Benefits, etc.
## ACA COMPLIANCE

## EMPLOYMENT CLASSIFICATION

<table>
<thead>
<tr>
<th>Employment code</th>
<th>Description</th>
<th>ACA employment status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1099</td>
<td>Independent contractor</td>
<td>ACA exempt</td>
</tr>
<tr>
<td>U-intern</td>
<td>Unpaid intern</td>
<td>ACA exempt</td>
</tr>
<tr>
<td>Intern</td>
<td>Paid intern</td>
<td>ACA variable</td>
</tr>
<tr>
<td>U-student</td>
<td>Unpaid student</td>
<td>ACA exempt</td>
</tr>
<tr>
<td>Temp</td>
<td>Temporary employee</td>
<td>ACA variable</td>
</tr>
<tr>
<td>Seasonal</td>
<td>EE works no more than 6 months</td>
<td>ACA variable</td>
</tr>
<tr>
<td>PT .5</td>
<td>Part time .5</td>
<td>ACA full time</td>
</tr>
<tr>
<td>Employment code</td>
<td>Description</td>
<td>ACA employment status</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>FT</td>
<td>EE expected to work 30 hours/week</td>
<td>ACA full time</td>
</tr>
<tr>
<td>FT .1</td>
<td>EE expected to work 40 hours/week</td>
<td>ACA full time</td>
</tr>
<tr>
<td>FTNB</td>
<td>Full time no benefits. If, after the Measurement Period, an otherwise FT employee has average &lt;30 hours/week; they will not be considered FT.</td>
<td>ACA part time</td>
</tr>
<tr>
<td>PT</td>
<td>Part time</td>
<td>ACA part time</td>
</tr>
<tr>
<td>Adjunct</td>
<td>Adjunct faculty getting credited with 2.25 hours for each credit hour plus any additional meeting or office hours</td>
<td>ACA variable</td>
</tr>
</tbody>
</table>

**Section 6055**
- Required by insurers and self-funded plans (including certain HRAs)
- Forms 1094/1095 B
- Purpose is to enforce Individual Mandate
- Must identify all Covered E, S & D
- If covered one day of month (M), shows as covered entire M

**Section 6056**
- Required by ALEs (including certain HRAs)
- Forms 1094/1095 C
- Purpose is to enforce Employer Mandate
- Must identify all (ACA Full-Time defined) E, S & D Offered Coverage
- Must be eligible every day of M to be considered Offered for entire M
WHEN YOU REVIEW SYSTEMS AND METHODS TO CONFIRM YOUR ACA COMPLIANCE, REMEMBER THESE ITEMS:

- Will you be able to obtain the reports you need, when you need them?
- Can you monitor variable hour employee hours with a correct initial measurement period?
- Can you get real time data for an audit?
- Can you track dependent coverage and other elections?
- Letter 226J responsiveness and recordkeeping
- Can you easily obtain data to determine additional costs you are experiencing?
- Does it accommodate for the break in service rules outlined in the law?
- Will it keep track of those who have waived coverage and why?
- Those that are on Medicaid?
- Does it have a way to track anyone who might be eligible for a subsidy?

ACA REPORTING OPTIONS SHOULD BE

- **ACA Affordable Coverage Determination Report.** Enables employer to determine whether minimum essential coverage is affordable for each full-time employee, based on the currently prescribed safe harbor methods. Failure to provide affordable coverage could result in an Assessable Payment (i.e., Play or Pay penalty).

- **ACA Full Time Look-Back Report.** Enables employer to manage full-time status of workforce in accordance with the ACA's standard of 30 hours per week. This impacts the ACA rules on waiting periods, eligibility for minimum essential coverage and Assessable Payments (i.e., Play or Pay penalty).

- **ACA Large Employer Compliance Test.** Enables employer to determine if it is an Applicable Large Employer under the ACA for purposes of whether the Employer Shared Responsibility rules (e.g., Play or Pay) apply.
IMPORTANT NOTE: In determining whether an employer is an applicable large employer, you must include all entities as a single employer under §49-41(b), (c), (m), and (o) of the Internal Revenue Code. Thus, all employers in a controlled group of entities under §49-41(b) or (c), an affiliated service group under §49-41(m), or under §49-41(o) are taken into account in determining applicable large employer status. Also, you must include any predecessor employer and successor employer.

Warning: The data range specified is not a 12 month period and should not be used for Applicable Large Employer determinations of Full Time Employees.

For Applicable Large Employer determination your FTE employee count is: 21

The period selected is not valid for determining Applicable Large Employers therefore you should NOT use the Total FTE count calculated above when determining whether you are a Large Employer.

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**Ongoing Employees**

Employees included in this section have been employed for at least one complete standard measurement period.

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Hire Date</th>
<th>Hire Date</th>
<th>Age</th>
<th>Age Alert</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Smith</td>
<td>1/1/2012</td>
<td>1/1/2012</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Jane Doe</td>
<td>2/1/2012</td>
<td>2/1/2012</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Sarah Johnson</td>
<td>3/1/2013</td>
<td>3/1/2013</td>
<td>45</td>
<td>45</td>
</tr>
</tbody>
</table>

Full-Time ACA: Employed an average of 30 or more hours per week for the equivalent of 1,700 hours of service in a calendar month. An employee is entitled to payments during which an absence occurred performed due to military, family, illness, disability (including pregnancy), family, jury duty, military duty or leave of absence.

CORBA Event/Reduction of Hours: Because employee will lose benefit coverage at the start of the next stability period due to a reduction of hours, you must change the ACA status to Stopped and offer C0RBA.

Offer Health Benefits: Discuss employee's health benefits. Does the employee have change (full-time status), you must change the ACA status and offer health benefits at the start of the next stability period.

Insurance: Employees that work each week of the complete portion of the initial measurement period. Current status should continue.

Under 50: Employee is currently under the age of 50 and may qualify for coverage under parent's health plan.

Over 50: Employee is over the age of 50 and may qualify for Medicare benefits. However, is employee still have or receive on employees that elect Medicare, and employment-based coverage will be priority to Medicare under Medicare Secondary Payor Rules.

Missing Birth Date: Leave to users options due to incomplete data. Employee birth date needs to be entered.
Affordable Safe Harbor Determination Method: Annualized Rate of Pay

This report includes all Full Time or ACA Full Time active employees.

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Employee ID</th>
<th>Pay Type</th>
<th>Work Hours</th>
<th>Base Rate</th>
<th>Bonus</th>
<th>Commission</th>
<th>Annual</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Doe</td>
<td>12345</td>
<td>Hourly</td>
<td>200</td>
<td>25.00</td>
<td>800</td>
<td>25.00</td>
<td>2000</td>
<td>166.67</td>
</tr>
<tr>
<td>Jane Smith</td>
<td>67890</td>
<td>Salary</td>
<td>50</td>
<td>20.00</td>
<td>1000</td>
<td>20.00</td>
<td>1000</td>
<td>83.33</td>
</tr>
</tbody>
</table>

Total Increase in Wages to Comply: 0.00
Total Reduction in Employee Benefit Cost to Comply: 0.00
Potential Maximum Penalty for Non-Compliance: 0.00

ACA Eligibility Analysis Detail

Statistical detail over user-defined date range includes optional per-month detail of subject hours and average hours per week and month over the user-defined date range along with variances from Shared Responsibility full-time standards.
**ACA Affordability Analysis**

Comprehensive employee demographic detail consistent with allowable groupings for measurement periods under Shared Responsibility

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**ACA FTE Determination Report**

This report will calculate the number of FTEs for an entire organization or subset of employees within a group as allowed within safe harbor (i.e. hourly/salary, union, worked state etc.)
VENDOR CHALLENGES TO ACA REPORTING

- Clients having multiple vendors for multiple locations and not aggregating or coordinating data for one or multiple FEINs
- Employer data wrong. Vendor data then wrong. IRS data then wrong.
- Allowing employer to override data in IRS forms.
- Lack of SS#
- IRS not ready
- Client confusion to requirements
- Vendors not having compliance experts available for consults.

HCM POTENTIAL COSTS ($0-150 PEPM)+++
Return on investment (ROI) can be the deciding factor in some issues, but often ROI calculations ignore the difference between hard and soft dollars.

**Hard savings** means the company is spending less money, resulting in saving real, hard cash.

**HARD COST SAVINGS:**
- Disparate systems
- IT Support to manage systems
- Possible cost vs. insource
- TPS

When lost time is spent on a process, operation, or product, that's soft savings for the company. When a manual process becomes a technology process, it frees up time (soft savings) that can be better spent on important business issues. These soft savings aren't always readily visible and may be difficult to factor into ROI.

**SOFT COST SAVINGS:**
- IT support
- Vendor management
- Paying for upgrades
- Training time
- CPE - contract fees and management
- Payroll
- HR
- Benefits
- COBRA
- FBA
- Onboarding
- Applicant Tracking
- HR Consulting
- Blanket_mappings
- Human error
- Multiple entry
- Data latency
- Usable data to manage workforce
- Document storage
- HIPAA/HITECH security
- Server bandwidth
- ACA compliance
- WC tracking - pay as you go based upon actual counts per payroll or actualized totals from beginning of year
- Claimants processed properly
- Employment taxes correct and timely
- New hire reporting
- Employee self-sufficiency

**HARD SAVINGS + SOFT SAVINGS = A TRUE ROI!**

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**Time Spent on Internal Payroll per Month**

- No time
- 1-2 hours/month
- 3-5 hours/month
- 6-10 hours/month
- 10+ hours/month

As you can see, one in three small businesses report spending more than $500 per month (more than $6,000 per year) on outsourced payroll services.

**Money Spent on Outsourced Payroll Per Month**

- $1 - $100
- $101 - $500
- $501 - $1,000
- $1,001 - $5,000
- $5,001 or more

Among those businesses handling payroll internally, nearly one in four report spending more than six hours per month on payroll. That's at least 72 hours per year—nearly two full workweeks. If we use 2012 data from the Bureau of Labor Statistics, to assume the hourly cost for internal payroll staff to be $30, these 72 hours translate into $2,160 per year. So the businesses doing it themselves are...
QUESTIONS TO ASK OF AN HCM VENDOR

Features
- What does your basic service include?
- How quickly can you re-run a payroll if there is a mistake?
- How long does the average client stay with you?

Tax filing
- If I use your tax filing service, do you cover the penalties and/or interest charges?
- Do you provide filing assistance for local taxes?
- What is the cost to file taxes for multiple states?

Charges
- What is the cost for your service for one year, including year-end W-2 forms?
- How long are these rates in effect? What rate increase should I expect after that?
- If there are payroll data mistakes, how long will it take to reconcile the errors and what will it cost?

FACT SHEET #21: RECORDKEEPING REQUIREMENTS UNDER THE FAIR LABOR STANDARDS ACT (FLSA)

What Records Are Required: Every covered employer must keep certain records for each non-exempt worker. The Act requires no particular form for the records, but does require that the records include certain identifying information about the employee and data about the hours worked and the wages earned. The law requires this information to be accurate. The following is a listing of the basic records that an employer must maintain:

- Employee’s full name and social security number.
- Address, including zip code.
- Birth date, if younger than 19.
- Sex and occupation.
- Time and day of week when employee’s workweek begins.
- Hours worked each day.
- Total hours worked each workweek.
- Basis on which employee’s wages are paid (e.g., “$9 per hour”, “$440 a week”, “piecework”)
- Regular hourly pay rate.
- Total daily or weekly straight-time earnings.
- Total overtime earnings for the workweek.
- All additions to or deductions from the employee’s wages.
- Total wages paid each pay period.
- Date of payment and the pay period covered by the payment.

How Long Should Records Be Retained: Each employer shall preserve for at least three years payroll records, collective bargaining agreements, sales and purchase records.
RESOURCES ON COMMON PAYROLL MISTAKES

- http://blog.inovapayroll.com/blog/8-payroll-mistakes-that-could-cost-you
- https://www.paychex.com/secure/whitepapers/payroll-compliance

HCM VENDORS

- BASIC
- Infinisource
- ADP
- Workday
- Paychex
- Paylocity
- Ultimate Software
- Oracle
ON YOUR MARK CONSULTING
KAREN KIRKPATRICK, OWNER
REACH ME ON LINKEDIN, OR
TWITTER@COMPLY4SUCCESS
PHONE 248.219.0712
KKIRKPATRICK@ONYOURMARKCONSULTING.ORG

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