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## One in Two Large Employers Unprepared to Fully Comply with the Affordable Care Act

### Cross-functional Teams and Effective Tracking and Reporting Systems are Keys to Compliance

**ROSELAND, N.J. - January 15, 2014** - ADP<sup>®</sup>, a leading global provider of Human Capital Management (HCM) solutions, today announced findings from research examining how companies are approaching Affordable Care Act (ACA) compliance. Based on ADP's new white paper, *Affordable Care Act and Employer Confidence: Navigating a Complex Compliance Challenge*, more than half of large employers (1,000+ employees) are unprepared to comply with all ACA regulatory requirements.

"As we meet with large employers, it has become clear that many don't have the systems or processes in place to meet ACA compliance requirements, highlighting a need for a cohesive internal effort and perhaps a third-party partner," said Vic Saliterman, senior vice president, ADP. "With reporting requirements based on 2015 data and subsequent penalties going into effect in 2016, the decision to go it alone on ACA compliance could prove risky based on current levels of preparedness."

While the majority of large employers (70%) handle ACA compliance internally, the study revealed that these employers do not feel fully prepared to manage several critical compliance requirements, including Exchange notices (62%), ACA penalties (60%) and annual health care reporting (IRS Forms 1094/1095-C) (49%).

In response to ACA compliance requirements, large employers also plan to take a number of strategic workforce management and cost containment actions, including:

#### **Change employee benefits plans**

As a result of the ACA Excise Tax on high-value health care plans that becomes effective in 2018, employers are continuing to employ benefits strategies that shift more costs to employees. Nearly two-thirds of large employers (63%) plan to increase employees' share of costs through changes to employee deductibles, employee co-pays or employer contributions.

In addition, many employers are trying to reduce costs by emphasizing consumerism through plan design. More than one-third of large employers have introduced a low actuarial value plan. Of these employers, more than half (57%) have decided to offer a Consumer Driven Health Plan (CDHP). This kind of plan design is generally the most effective way to actively engage employees and their dependents in making smart health care decisions, which can ultimately help to reduce costs.

#### **Expand benefits coverage beyond full-time mandate**

A majority of large organizations have or plan to extend benefits coverage beyond the mandated ACA full-time employee population (30+ hours of service per week). More specifically, 61% have already extended such coverage or plan to do so. Of those who have already or plan to extend benefits coverage, the top reasons include: talent acquisition, talent retention and avoiding penalties.

#### **Modify employee hours**

The study found that the majority of employers are not planning to change employee hours in response to ACA requirements. Most employers in the study offer coverage to all employees averaging at least 30 hours of service per week during the employer-defined measurement period. Only about two out of five large employers have limited or are planning to limit hours for some employees.

"The ACA has impacted many elements of workforce management, including HR, benefits, time, leaves of absence, and payroll," said David Marini, division vice president and managing director, strategic advisory services at ADP. "As employers continue to work toward ACA compliance, they should consider forming cross-functional teams equipped with the right tools and expertise to monitor and record employee hours, the affordability of coverage and rising health care costs."

To learn what steps to take in order to comply with ACA requirements and to obtain a free copy of the *Affordable Care Act and Employer Confidence: Navigating a Complex Compliance Challenge* white paper, please click [here](#).

To learn more about employer reporting requirements related to the new IRS Forms 1094-C and 1095-C, register [here](#) to join a webinar with ADP's ACA experts on January 29, 2015 at 11:00AM ET or [here](#) to join at 1:00PM ET.

#### **About this Report**

The ADP Research Institute<sup>®</sup> conducted the *Affordable Care Act and Employer Confidence: Navigating a Complex Compliance*

*Challenge* study in August and September 2014 and included input from HR/benefits decision makers in U.S. enterprises. The study was comprised of a representative sample of 403 heads of HR, senior HR/Benefits managers and executives who influence decisions regarding their company's employee benefits policy, system and services at large businesses (1,000 or more employees). The results were weighted to reflect the actual distribution of company size, region and industry within the U.S and achieved a statistical reliability at the 95% confidence level in each segment.

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