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Why Not Payroll?

Benefits of Using Time & Attendance Data for PPACA Compliance

Summary

Final regulations for the Patient Protection and Affordable Care Act (PPACA) allow employers the option of using pay period boundaries (rather than calendar dates) for the start and end of measurement periods as part of the employee status determination process. This encourages employers to rely on their payroll system—instead of time and attendance data—for PPACA reporting.

While relying on a payroll system seems like a welcome compliance shortcut, it limits the employer's ability to manage other factors related to PPACA obligations. Instead, a time and attendance system not only can be used for designating measurement periods, it can also assist employers with managing employee status, responding to audits and complying with other calendar-based reporting requirements.

PPACA Compliance: Why Not Payroll?

The Patient Protection and Affordable Care Act (PPACA) establishes a determination process for employers to identify the full-time status of their employees. As part of the final regulations of the Act, employers have the option of using pay period boundaries instead of calendar dates to mark the beginning and end of their measurement periods.

While this seems like a welcome shortcut, relying on a payroll system impedes the employer's ability to manage other factors related to PPACA compliance, including:

- Employee status
- Audit response
- Compliance with calendar-based reporting requirements

Fortunately for employers, a time and attendance system can assist with all of these activities in addition to designating measurement periods, making it crucial to PPACA compliance.

PPACA Determination Process—A Review

The PPACA determination process includes three periods: a measurement period, an administrative period, and a stability period.

A ***measurement period*** is an employer-designated period of time used to determine if an employee is considered full-time (that is, works an average of at least 30 hours per week or 130 hours per month). There are two types of measurement periods:

- A ***standard measurement period*** is a look-back period from three to 12 months used to assess the full-time status of current employees.
- An ***initial measurement period*** of three to 12 months can be used to determine full-time status of new variable-hour and seasonal employees.

The ***administration period*** is an optional period employers can take to notify and enroll eligible employees for coverage. Administrative periods begin at the end of the measurement period and may last up to 90 days. However, the administrative period cannot reduce or lengthen either the measurement period or the stability period.

A ***stability period*** immediately follows the administrative period (or measurement period if an administrative period is not invoked) during which the employee is treated as a full-time or non-full-time worker according to the findings during the measurement period. The stability period is at least six consecutive months and no shorter than the duration of the measurement period.

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Designating the Measurement Period

The measurement period is the only period in the determination process that can be defined using pay period boundaries instead of calendar dates. Both the administration and stability periods require employers to use calendar-based dates.

Even if employers use their payroll system to set the beginning and end dates of their measurement periods, they will still need to rely on their time and attendance system for the following periods. However, a time and attendance system offers important advantages beyond being a consistent platform for the designation process.

Benefits of Time and Attendance Data for PPACA Compliance

The designation process is just one aspect of PPACA compliance. Employers also need to know if they qualify as a large employer (making them subject to PPACA provisions) and establish strategies for managing workers' eligibility for coverage and proving due diligence in the event of an employee classification audit.

Accurately Determining Large Employer Status

While regulations allow employers to use either pay period boundaries or calendar-based boundaries for measuring employee status, calendar-based measurements are still required for determining an organization's status as a large employer (and thus obligating them to PPACA compliance).

Organizations unsure whether they qualify as large employers (i.e., those close to the limit of 50 or more full-time or full-time equivalent employees) require calendar-year and calendar-month calculations to determine if they fall under PPACA provisions—timeframes that don't typically align with pay period boundaries. A time and attendance system makes it possible to calculate large employer status accurately, no matter the timeframe.

Managing Employee Status

Many organizations need to maintain part-time employees' status to keep coverage costs from escalating. A time and attendance system helps organizations optimize staffing and scheduling while alerting employers to part-time workers nearing the full-time threshold. A payroll system only reflects hours already worked, making proactive schedule management impossible.

Responding to Employee Classification Audits

In the event of PPACA-related audits, organizations need the ability to justify the criteria they used to designate workers' status as either part-time or full-time. Because a time and attendance system captures hours worked, organizations can run detailed histories of employee activity during the measurement period of the designation process, and also track and archive all edits to time and attendance data. This paints a fuller picture of due diligence for the IRS—a picture the payroll system is unable to provide.

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Conclusion

While payroll systems paint an accurate picture of the past, time and attendance systems work in the past, present and future. PPACA demands this kind of flexibility not only for compliance but also for employers looking to reduce costs and mitigate risk. Armed with time and attendance data, organizations can determine if they are subject to PPACA provisions, proactively measure and manage employee status, and respond quickly and effectively to compliance audits.

About Attendance on Demand, Inc.

Attendance on Demand employee time and attendance service supports the labor management needs of thousands of companies and more than a half million employees across North America. Launched in 2006, Attendance on Demand is a rapidly deployed, cloud-based solution that minimizes a company's risk and technology investment while providing advanced features for securely managing labor data—calculating pay rules, scheduling employees, budgeting labor, and automating record keeping for labor law compliance. With standard uptime over the industry average of 99.995% and above average customer retention rates, Attendance on Demand removes the worry of maintaining expensive infrastructure. An extensive North American distribution network helps organizations use Attendance on Demand to reduce labor expenses and improve decision making.

This document simplifies a complex Act as it is understood by Attendance on Demand, Inc. It is not to be taken as legal advice. For further information about PPACA compliance, please contact the U.S. Department of Labor at www.dol.gov or 1-866-4-USA-DOL.

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To find out how Attendance on Demand can help your organization, call 800-465-9980 or visit www.attendanceondemand.com

