

**APEXBENEFITS**

CASE STUDY | 2016

# ACA Case Study

**> STRATEGIC RESPONSE TO ACA FOR A  
TECHNICAL SERVICES STAFFING FIRM**



**The staffing company needed to assess the financial and regulatory impact ACA would have on their organization, and develop a strategic response in line with their multi-year goals for the company.**

### **SITUATION**

Entering 2014 a staffing employer had two distinct groups of employees: 1) 100 or so core "salaried" employees operating the staffing company; 2) an ongoing pool of several hundred "hourly" workers recruited then placed with outside employers. This staffing firm was facing the challenges of ACA compliance. Intuitively they knew there would be some costs associated with ACA but the full impact was largely unknown to them. The staffing firm leases highly skilled workers to employers on a long term basis. The firm offered the salaried employees a fully insured comprehensive medical plan and the hourly employees a limited medical plan - which would not meet the ACA threshold for minimum essential coverage.



THE FINANCIAL IMPACT  
STUDY ILLUSTRATED  
SEVERAL ALTERNATIVE  
PLAN DESIGNS AND COST  
CONTRIBUTION SCENARIOS.

## CHALLENGE

Identifying who is an ACA defined full time employee (benefit eligible) was overwhelmingly complex given the variable work schedules. To combat this challenge, Apex Benefits conducted a multi-year retrospective analysis of employee paid hours and employee turnover. Having identified the true average number of benefit eligible full time employees costs could be accurately projected using Apex Analytics™

Alternative plan designs and cost contribution scenarios were also modeled by Apex including their respective ACA driven costs. A termination (not offering a plan to any employee) analysis weighed savings against penalties and tax consequences with a second scenario including a salary adjustment to employees.

The Apex study found two baseline outcomes facing the employer if no action was taken:

1. \$1M in additional premium costs year one if the salaried health plan (ACA compliant) was open to hourly employees.
2. \$1.3M in IRS assessments as a non-offering employer under ACA 4980H (a) if the salaried plan was not open to hourly employees.

Neither of the baseline options was financially acceptable. Longer term the employer did wish to enhance benefits for hourly workers - but on a more gradual basis - as the company's growth and success continued.

### APEX GUIDANCE

The employer had to be shielded from the sudden and potentially devastating costs of either opening the current plan to all employees, or the ACA penalty assessments if they did not. The first order was helping the employer select one of the Apex impact study's alternative modeled plans. One that would be affordable, and yet shield the staffing company from the potential \$1.4M in assessments. The employer selected a low cost plan offer that would be in compliance with the ACA employer mandate. Next, Apex helped develop a multi-year strategy to enhance benefits for the hourly group gradually so the firm could recruit and retain the best employees as they grow. The employer had to be shielded from the sudden and potentially devastating costs of either opening the current plan to all comers, or the ACA penalty assessments if they did not. The first order was helping the employer select one of the impact study's alternative modeled plans. One that would be affordable, and yet shield the staffing company from the potential \$1.4M in assessments. Lastly, Apex helped develop a multi-year strategy to enhance benefits for the hourly group gradually — so the firm could recruit and retain the best employees as they grow.

### APEX ACTIONS INCLUDED:

- 1 | Established parameters for optimizing a look-back safe harbor method to identify full-time employees among the variable hourly “staffing” workforce — to reduce employer cost exposure.
- 2 | Provided the employer a low cost but ACA-compliant plan for the identified full-time hourly workers.
- 3 | Apex negotiated with the insurance carrier to keep the current (low) premium rates in place in year two (during the increased employee eligibility at open enrollment). Apex Analytics™ was used to present a compelling case showing the projected enrollment characteristics would not cause adverse selection (less healthy persons enrolling).
- 4 | Apex provided the employer with our computer “dashboard” tool for maintaining regulatory compliance — complete with automated “action needed” alerts. Now the employer is on a safe compliance course and has established a documentation trail for any future DOL or IRS audit.
- 5 | Apex Compliance Services then held several meetings with the employer to guide their look back measurement activities during this phase, and later to assist the employer with their IRS employer reporting. Apex conducted HRIS vendor oversight as needed.
- 6 | Apex put the employer on an eventual course to stabilize costs, then transition the entire group to a self-insured consumer-directed high deductible plan featuring tiered benefits — again using Apex Analytics to predict the optimum time to execute the move from a cost standpoint.
- 7 | Future Apex Analytics projects at that juncture will include data driven population health management, PBM contract review, stop loss carrier negotiation, and a feasibility study for the employer to consider a relative reimbursement based claim payment model.



Created financial stability  
and avoided penalties

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Provided more employees  
access to benefits

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## RESULTS

To date (two and half years) this employer has saved a total of \$2.4M in costs utilizing Apex Analytics™ and Apex Compliance Services.

This employer is now on a multi-year benefit offering strategy. The employer is enhancing the employee benefits concurrent with company growth and increasing profits. They have achieved their cost and overall employee rewards objectives so far — and avoided panic decisions or punitive federal penalties due to any compliance failures.