State and local governments are working to implement provisions of the Patient Protection and Affordable Care Act (PPACA), and at the same time, as employers, they are also feeling the impact of those provisions. While the primary goals of the act are to ensure healthcare for every American and reduce overall healthcare costs, state and local governments must deal with the immediate challenge of effectively meeting and implementing its provisions or face the potential specter of increased costs due to expensive and sometimes inaccurate manual processes that could lead to noncompliance penalties.

To effectively meet these challenges, state and local governments are examining their human resources (HR) capabilities and rapidly developing strategies to implement, explain, and support ACA while minimizing implementation and compliance costs.

The following questions were posed by Kronos to Thom Rubel, vice president of research at IDC Government Insights, on behalf of Kronos’ state and local government customers.

Q. **How are state and local governments impacted by ACA?**

A. Basically, they are treated like all employers under the act. All employers with 50 or more full-time equivalent employees will be required to extend healthcare coverage to all employees working an average of 30 or more hours per week in a month or face possible penalties.

Since individuals will be required to have qualified health insurance if they can afford it, state and local governments will also need to auto-enroll newly hired and/or newly eligible employees into their plan, potentially increasing enrollment. Enrollment growth could increase costs.

Q. **What are the key ACA requirements and deadlines that state and local governments must comply with as employers?**

A. While rules are still a bit in flux due to the delayed implementation of ACA, employers will first be required to provide notice to employees regarding the health insurance exchanges established by ACA and implement certain tax changes related to Medicare and flexible spending accounts. On the heels of that requirement, the individual healthcare coverage requirement and employer affordable health coverage offerings to all employees working an average of 30 or more hours per week in a month will take effect, as will the requirement that
employers with 200 or more employees auto-enroll eligible employees and offer them the opportunity to opt out. State and local governments should be prepared to comply with these provisions by planning now.

Q. **What are emerging strategies for best addressing these requirements?**

A. ACA presents one of the best opportunities and rationales for state and local governments to thoroughly access their HR management systems capabilities and ancillary costs. They should be engaged now in an information management capabilities assessment to meet ACA essential requirements of employee notification, plan management (options, etc.), participation eligibility, compliance, and reporting. While many of these capabilities may currently exist in disparate places and/or systems, many state and local governments are examining the opportunities that ACA offers them to provide multiple benefits by upgrading and/or augmenting legacy IT systems through the implementation of new solutions that more competently and completely address other issues such as overtime costs and other reporting needs. In short, the best emerging strategies are holistic and opportunistic. They focus on real-time provision of and access to up-to-date, accurate employee information across the entire government enterprise.

Q. **What are some of the key business processes involved?**

A. Key business processes include those that support providing accurate employee eligibility information, monitoring employee eligibility changes, and notifying the appropriate federal agencies to prove compliance. For example, while most employers have traditionally considered full-time employees as those who work 40 hours per week, eligibility information for determining full-time status for purposes of ACA compliance is defined by a "standard measurement period" (also known as the "look-back period") of not less than three consecutive months and not more than 12 consecutive months, followed by a "stability period" of at least six consecutive months following the measurement period, during which time the employee maintains his or her full-time status.

And as state and local governments employ HR strategies that allow them to become increasingly agile and flexible, employee schedules may change throughout these periods, with some employees moving between full-time status and part-time status. Employers will need to put in place business processes that closely track employee eligibility status so that benefits can be offered as appropriate based on an employee’s current status and that allow them to continually determine the cost impacts of these status shifts. Another major capability includes business processes that support timely and accurate reporting for compliance. Both the cost of reporting, based on the processes involved, and the cost of noncompliance have substantial implications for how effectively state and local governments control overall costs in implementing ACA.

Q. **What are the essential elements of an effective IT solution to implementing these strategies?**

A. IT solutions need to be automated, integrated across the enterprise (multi-agency), agile, and cost effective. To maximize the benefits of an automated workforce management system, solutions should include complete automation of the workforce management process — including scheduling, timekeeping, attendance, and leave management— that enables them to increase visibility into and gain control of labor costs and mitigate compliance risk. Workforce management data often resides in information silos (e.g., HR management software, enterprise resource planning [ERP], or other systems) with little or no real-time integration. As a result, workforce management processes are often delayed and prone to errors, which can result in a general lack of management oversight, visibility, and control.
Error-prone systems lead to increased costs, compliance issues, and an inability to respond quickly to changing business conditions. Eliminating such workforce management issues by implementing integrated workforce management software and devices can positively impact an organization's administrative operations as well as its overall performance.

The degree to which a workforce management system meets or exceeds an organization's needs without customization has a direct impact on the cost of deploying the system initially and maintaining it over time, which, as previously noted, will spell success or failure for state and local governments implementing ACA. Some modules for workforce management are not part of a vendor's core functionality and provide only basic capabilities out of the box. In addition, full implementation of these modules often requires costly customization and extended services contracts, particularly in a diverse workforce environment such as the public sector. A flexible system that keeps pace with ever-evolving needs is key to keeping costs low and ensuring that the workforce management process is accurate, efficient, and compliant. Specialized best-of-breed systems tend to have the advantage of configurability over systems offered as part of broader HR systems.

Q. What considerations are unique to the public sector when selecting a vendor or implementing solutions?

A. Solutions providers should have industry experience — both government and human resources — and be sensitive to risk and cost. Public sector organizations are typically very risk averse. Unlike private sector organizations, they do not gain a competitive edge by taking chances. Solutions need to be affordable, reliable, and proven. A good solution minimizes project risk, helps cut costs, and contributes to improved program metrics. It can reduce the likelihood that organizations will receive bad publicity for things such as noncompliance, particularly in a high-profile program such as ACA.

ABOUT THIS ANALYST

Thom Rubel is vice president of research at IDC Government Insights. He is responsible for spearheading all research targeted to decision makers within government organizations and maintains direct responsibility for managing the EMEA and U.S. research agendas. He draws on more than 20 years of experience in government and IT research organizations to deliver research specific to strategies, operations, programs, policies, and technologies unique to government markets.

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