Integration of Payroll and Benefits – Why it's important

If it wasn't obvious to employers prior to passage of the Affordable Care Act, it should be abundantly clear to them now that the segregation of employee benefits data from payroll data is a patently bad idea. Employers across the country are scrambling to comply with ACA reporting requirements and are finding it nearly impossible to do so, because some of the information required to prepare forms 1094 and 1095 is contained in the payroll system, some is in the files of a benefits broker, and some has never been collected at all. Required information includes such things as:

- How many full-time equivalent employees did the employer have during the year?
- How many employees were eligible to participate in employer-sponsored benefits plans?
- Which employees declined coverage under employer-sponsored benefit plans?
- Did employer-sponsored plans offer Minimum Essential Coverage?

Data needed to determine full-time equivalency and eligibility to participate in benefit plans reside in the payroll system database, and data needed to determine employee declinations, participation and plan specifics usually reside in the files of the benefits broker. If the data are not integrated in some manner, pulling together the information required to complete the ACA reporting forms may be practically impossible.

Without real systems integration, the employer lacks access to critical benefits data, and the broker lacks access to critical payroll data. Neither, therefore, is capable of producing the required reports. And that is just part of the problem. Another part of the problem of segregated data that has plagued employers since the beginning of employer-sponsored benefits is the frequent failure of communications between employer and broker and between broker and provider (e.g. insurance company) when employees are added to or deleted from benefit plans. If an eligible employee elects to participate in a plan but his or her participation is not reported to the broker or to the carrier, an awkward and potentially expensive situation develops when the employee suffers a covered injury or illness. Similarly, when an employee is terminated from employment but is not terminated from a benefit plan, the plan coverage generally continues, at the employer's expense, until the error is eventually discovered. Most employers have dealt with frequent discrepancies in carrier invoices, most of which were the direct result of communications failures between employer and broker. It is common, and natural, for the employer to blame the broker for billing and coverage problems, but it's not the broker's fault. The fault lies in the absence of data and systems integration.

So, what's the solution?

The solution is integration of the payroll and benefits data management systems. When an employee is added to the payroll system (i.e. hired), the hire date, employee demographics, and benefits eligibility data should flow automatically to the benefits administration system. When an existing employee elects coverage or changes coverage, that information must flow from the benefits system to the payroll system. When an employee is terminated in the payroll system, that information must flow automatically to the benefits system. Since payroll service providers are unlikely to grant system access to the brokers and are equally unlikely to develop system interfaces with multiple brokers, the only way that a broker who is unrelated to the employer or the payroll service provider is likely to get employee data automatically is for the payroll service provider and the broker to share a program that collects that data, and only that data, from the payroll system that is needed for benefits administration.

TriCore may be the only payroll service provider that has developed a benefits administration system that is fully integrated with the payroll system and provides all of the information needed by the broker without compromising any other employee data. Whether or not the broker is affiliated with TriCore, he or she will have real-time access to all of the information needed to add, change or terminate benefits. The employer doesn't need to remember to notify the broker of employee additions or deletions; that information is automatically pushed to the benefits administration system from the payroll system. Perhaps more importantly, all of the data needed to comply with ACA requirements is readily available to whoever needs it, whenever they need it.