

**CITY OF WAUKESHA****Administration**

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<b>Committee:</b> Finance	<b>Date:</b> 8/25/2015
<b>Common Council Item Number:</b> ID# 15-3204	<b>Date:</b> 9/1/2015
<b>Submitted By:</b> Donna Whalen, HR Mgr/Asst. City Atty.	<b>City Administrator Approval:</b> Kevin Lahner, City Administrator <b>KL</b>
<b>Finance Department Review:</b> Rich Abbott, Finance Director <b>RA</b>	<b>City Attorney's Office Review:</b> Brian Running, City Attorney <b>BR</b>
<b>Subject:</b> Review and act on request to authorize funds for Affordable Care Act (ACA) information reporting services and approve 3 year contract with Sovos Compliance pending review by City Attorney.	

**Details:**

The Affordable Care Act (ACA) requires, beginning in January 2016 for calendar year 2015, that employers report, for each of their employees, data to the IRS showing the status of health insurance offers and enrollment for each of their employees. Forms showing the required information must also be distributed to employees. Failure to comply as required by law will result in monetary penalties. This vendor (Sovos Compliance) was selected because of its ability to provide all of the required services; because the transfer of data from the City's 3<sup>rd</sup> party health insurance plan administrator (UMR) to Sovos in an acceptable format is already assured; because Sovos Compliance can provide 24/7 assistance to HR staff as needed; and because compliance with ACA is assured based on the company's prior experience. Sovos Compliance is a testing partner with the IRS for ACA reporting requirements and has previously processed over 1 million forms. (See attached information.) The need to hire and train additional employees will be eliminated and overhead expenses will not be incurred. Current staffing in the Human Resources office is not sufficient to execute these functions without incurring additional personnel (salary and benefit) expenses estimated to be equal to or greater than the cost to outsource the function. Temporary staffing to execute this function is not practical because the need to do the IRS and employee notification functions correctly is critical.

**Options & Alternatives:**

Three companies that could provide the services needed to comply with the reporting requirements of ACA were reviewed. Annual costs are \$3000, \$10,000 and \$15,000. Human Resources staff members have reviewed the information provided and determined that the greatest value resides with the Sovos Compliance alternative. The company that quoted a \$3000 cost had no prior experience in ACA reporting; their standard contract required the City to waive any claims which might arise against the company; and services did not include IRS filing and delivery of required forms to employees.

**Financial Remarks:**

Cost is \$10,000 per year: \$9500 for services from Sovos Compliance and \$300-\$500 for charges by UMR for data feed. A 3 year subscription is requested. Funds from health insurance reserve #0761-1910-52190.



**Executive Recommendation:**

Recommend approval of retention of Sovos Compliance to review and import data and prepare necessary IRS filings, employee notices and other services in order to assure that the City of Waukesha complies with the reporting requirements of the Affordable Care Act (ACA) subject to approval of contract terms by the City Attorney.