The Affordable Care Act (ACA) certainly has taken a toll on already overtaxed employers and human resource (HR) departments over the past two years. Within the personnel departments of applicable large employers (ALEs), administrators have faced two equally unfavorable choices: invest the time to learn the regulation to complete annual reporting in-house, or outsource ACA reporting completely and add another line item to the annual budget.

It’s easy to dwell on the negatives (or on the regulation’s future in light of the recent election), but that’s not where this article focuses. ACA has magnified an underlying issue, and an examination of why ACA reporting is such a burdensome task may reveal an opportunity.

What’s the Problem ACA Has Magnified?

Ten years ago, few people had ever heard of cloud computing. Today, it’s a $210 billion industry. Software companies once touted annual new releases. Today, if developers are not issuing monthly updates to their software, they’ll soon grow obsolete.

Technology is rapidly changing around us for the better, but we, the end users, are often the last to know. Until ACA came along, many of us also were the last to care.

Before ACA, few people really cared whether their health benefits enrollment data were accessible or shared integrated databases with payroll. HR technology was purchased to meet siloed needs within siloed systems. Little thought went into the overall architecture of HR databases or the efficiencies of data flows from one system to another. Integration was an afterthought, at best. After all, staff is a fixed cost. If the integration task at hand can be accomplished with another spreadsheet and some overtime, then . . . well, end of discussion.

Herein lies the problem: Information technology (IT) purchases for HR administration too often are made to
service a specific need at a given time without proper consideration of how a new system will interact and integrate with already present software applications. Rarely is enough consideration given to building a deliberate and efficient HR software architecture.

The result is a data-management nightmare—prone to errors, reliant on manual processes, and costly and labor-intensive to maintain.

What's the Total Cost of Short-Sighted HR Software Purchases?

When this siloed mindset is applied to a technology investment, it can create a ripple effect of unintended costs. Personnel departments end up spending excessive amounts of time managing a collection of software applications with minimal integration and functionality. Spreadsheets become the go-to fix for any data-management need, and they can work for a time. But these systems often fail when long-time employees retire or move on, and new hires and remaining staff are left to pick through the rubble of spreadsheets and manual workarounds that have compiled over the years.

With siloed systems, overtasked and understaffed HR departments are more likely to create personal workflows that get them through the gotta-do list of the day and less likely to build standard operating procedures that can be mapped out and passed on to someone else when the time comes. When processes are not standardized and universally known, employers are more susceptible to lost productivity, wasted labor and the impact of employee turnover.

The manual workarounds and spreadsheet links among siloed systems often lead to costly data entry errors and inflated labor costs through excessive overtime or the need to bring on part-time clerical help. Studies have revealed that, on average, 5.7% of annual payroll can be attributed to overtime. If we’re saving money on IT but increasing overtime or staff resources to manage siloed systems, is it possible that we’re merely cost shifting?

What’s the beauty of ACA? It finally forced many of us to realize how dysfunctional our HR data management truly was. By requiring ALEs to file annual reports that drew data from traditionally siloed time-tracking, payroll, benefits administration and HR information systems (HRIS), administrators were forced to reassess the architecture of their personnel data-management systems and explore opportunities to build economies—a revolution of thought.

What's the Good News in an HR Technology Revolution?

By “technology revolution,” I’m not talking about Terminator, Rise of the Machines or technology replacing people. Rather, I’m alluding to a revolution in the way consumers approach an HR software investment. An integrated HR software system is more than just the sum of its functions and automations. When data is consolidated, organizations can’t help but run better.

How do they run better? Here are a few stats from a September 2015 research study conducted by SMB Group on employers that have made the shift to integrated, cloud-based HR software platforms:

- 80-90% reduction in time required to manage ACA compliance
- 20-30% reduction in IT costs
- 70-80% reduction in rate-of-pay calculation errors
- 60-80% reduction in rate of payroll errors and time required to correct
- 20-85% reduction in time required to manage and control overtime
- 80-95% reduction in costs associated with paper tracking
- 40-60% improvement in utilization of staff resources
- 50-80% reduction in time required to compile management reports.

This is the good news in an HR technology revolution: When data can be consolidated on a single database and shared between payroll, time-tracking, leave management, scheduling, benefits administration and compliance software, there is an exponential ripple effect of real cost savings. The economies are not restricted to the functional area of the software. Rather, the efficiencies created through automated business processes and consolidated and accessible data help to nurture a workplace environment that fosters increased productivity, employee engagement and data-driven decision making.

Integrated technology can empower employers to build standard operating procedures that increase the speed and accuracy of daily decisions that drive their business forward. What integrat-
ed HR technology can accomplish with one mouse click, siloed architectures require two spreadsheets, two uploads, three e-mails, two phone calls and a boatload of opportunity costs. Furthermore, by streamlining items on the HR gotta-do list, HR professionals finally can find the time to tackle important projects on their oughta-do list. It’s not just the defense recovering the fumble on the goal line and keeping the other team from scoring but also taking the ball and running it back 99 yards for a touchdown!

Because of the opportunities recovered through integrated HR technology, we may see a shift in how employers structure their HR departments and a greater demand for technical expertise and leadership formation for HR generalists. According to the SHRM Foundation Executive Briefing, “Leveraging HR Technology for Competitive Advantage,” because of the opportunities provided by a deliberate (and somewhat complex) HR system architecture:

The level of education and experience required for success in HR careers will increase, and HR professionals will increasingly be divided into two groups: the content experts, who work with the HR system and provide the company-specific knowledge base for that system, and the HR generalists, who focus on organizational effectiveness and one-on-one coaching with managers. This points to a future with fewer but more highly skilled and educated HR professionals.²

Not only are integrated HR technology systems changing the ways companies make decisions, they also are impacting the evolution of the HR profession itself.

**What Will It Take to Start the Revolution?**

Whether approaching the problem of siloed HR systems from the angle of a consultant or that of an HR professional building a case internally for integration, there are a few best practices to consider.

**Design HR Suite for Five Years Into the Future**

In 2020, Millennials are projected to comprise more than 50% of the workforce (and 83% of them sleep with their phones every night). While the current workforce may struggle with employee self-service or prefer paper notices to e-mails and mobile alerts, the future workforce expects mobile and on-demand access to information. Researchers at UNC Kenan-Flagler Business School assert that “HR policies designed to attract, develop and retain this vast cohort must change to reflect this generation’s work—and life—expectations.”³

In other words, plan for technology the organization can grow into.

**Identify Project Priorities and Resource Limitations**

While a complete overhaul of systems and workflows may be necessary, it’s often not practical or fiscally feasible to do all at once. While it’s still advisable to begin with the goal of total integration in mind, breaking the project into phases over months or years may be a more viable course of action. To gain the full value from an HR technology investment, the focus during implementation must be on optimizing the workforce for system adoption, not speed.

Implementing new HR technology for optimal performance will always require three essential implementation components: data collection, process standardization and employee training. Most employers successfully fulfill the data collection component in order to get past system implementation, but they often fall short of adequate process updating and employee training. Brian Rupar, HR technology consultant and CEO of HR Data Systems and Solutions, shared in a recent interview the folly of many organizations that fail to prepare their workforce for system adoption.

If you don’t have a plan when integrating a new HRIS system beyond the technical setup, you are setting your company up for failure. The most important exercise to do when integrating a new HRIS is to review your HR processes and build them into the new system. If you do not do this exercise, your users will most likely not use the system and revert back to manual processing—which they know. In order to see the benefit and get the return on investment from a new HRIS system, you have to build it to fit your needs and be sure to train your users on how to do their day-to-day job within it.⁴

To avoid such implementation shortfalls, employers should consider breaking down each phase into sub-tasks that cover the three essential implementation components of data collection, process standardization and employee training.

For example, the first priority for
implementing new HR technology might be optimizing open enrollment. When breaking this goal into subtasks that cover the three essential implementation components, one may have a list including:

- Implement an online enrollment technology.
- Upload a current snapshot of the member population into the system.
- Integrate the online enrollment system with payroll for automated deduction changes.
- Develop and publish standard operating procedures for annual open enrollment and qualifying life event changes.
- Conduct train-the-trainer sessions for the new online enrollment system and process with supervisors.
- Build a communications campaign to assist reluctant adopters in the population with the transition.

Viewing HR technology implementation through the scope of essential components may seem daunting. Phasing implementation into manageable chunks will assist employers with resource limitations in following this best practice, helping them realize greater and faster benefits from their new HR technology.

New HR Technology Must Always Be Accompanied by New Processes . . . Perhaps Even Beyond HR

An organization may have a world-class IT department, but bending new HR technology to conform to current business processes may not be the best option. When introducing a new technology, an open mind is needed to process reevaluation across the company. Performance reviews, applicant tracking and time keeping are functions that go beyond the departmental boundaries of HR, possibly disrupting established workflows and daily procedures. This likely is going to create some unrest across the organization—Change always does. This is where leaders need to be aligned in shaping expectations for change across the workforce and committed to working through process evolution. The long-term benefits far outweigh the momentary pain of change.

Are We Ready to Revolutionize the Way We Think About HR Technology?

The greatest cost in any organization is the uninformed decision—one made based on poor data or excessive assumptions. The potential consequences of uninformed decisions include inflated labor costs, increased compliance risk and reduced employee productivity and engagement.

An organization that looks at an HR technology investment based on how it can help employees make better decisions with greater access to accurate data can begin to see how the ripple effects of improved decision making translate into real cost savings. One study revealed an average overtime reduction of 32% when employers made the move from paper-based and siloed HR administration to an integrated software platform. That may be a laughable improvement to some, but imagine the savings from just a 5% reduction in an organization’s overtime budget.

With year one of ACA reporting down, ALEs have had their personnel departments and data architectures put through quite the stress test. Depending on the talent sitting behind the spreadsheet, some organizations made out better than others. With round two of ACA reporting around the corner, a little revolution in the way data is managed may be prudent.

Endnotes
4. Brian Rupar, interviewed August 5, 2015 by the author.

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