5 things no one tells you to look for when choosing a payroll company

Looking to see what new functionality is available in the world of payroll and human capital management (HCM)? It's all about conducting research.

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Let’s be honest. Shopping for a new payroll company isn’t exactly fun. Whether you’re starting a new business, frustrated with your current provider, or simply curious about your other options, the process can feel overwhelming. You’ll do your research, read reviews, and visit the websites of big-name payroll companies.

The challenge? Most of what you’ll see is marketing and it’s hard to tell what really matters when making the right choice for your business.

If this article were called “The Obvious Things to Consider,” we’d talk about features, ROI, scalability, and reputation. But instead, let’s focus on the **5 things no one tells you to look for when choosing a payroll company.**

1) Proprietary vs. licensed software

Did you know some payroll companies don't actually own their software? Instead, they use "white-label" solutions which are built by third-party companies and rebranded with their name.

When a company **owns its own software**, it has full control over product improvements and can respond directly to client feedback. With licensed software, changes depend on the third-party provider's priorities, which may slow down much needed updates.

If your payroll is simple, this might not matter. But if you need a true partner who can adapt to your needs, ask about this upfront.

Questions to ask:

- Do you own your payroll software or license it from another company?
- How often are updates released, and how do you decide what's updated?
- Can you customize features to meet healthcare specific needs?

2) Fiduciary responsibility and audited controls

When you trust a payroll company to handle your taxes, you expect accuracy, timeliness, and compliance with federal and state laws. But what if they don't have the right controls? That could leave you facing penalties, interest, or worse.

This is especially critical in healthcare where thing margins and complex funding sources make every dollar count. You can't afford surprises when it comes to tax deposits or filings.

Questions to ask:

- Has your company incurred penalties or interest in the past 12 months?
- Can you provide proof of tax deposits if I request it?
- Do you have an independent fiduciary account for client funds?
- Are you SSAE16 Level 2 certified?

These questions (and the provider's answers) will help you avoid unpleasant surprises down the road.

3) APIs matter more than you think

Technology has evolved and so have payroll systems. An API (Application Programming Interface) allows different software platforms to share data automatically.

With open APIs, your payroll system can easily share data with other HR and business platforms, reducing manual entry, keeping records consistent and lowering the risk of errors. Without them, you

may be stuck exporting spreadsheets, retyping data, or dealing with disconnected systems that don't talk to each other, which costs time and creates compliance risks.

Questions to ask:

- Do you offer open API's or only limited/pre-built integrations?
- Can your APIs support real-time data transfer?
- Have you successfully integrated with platforms we already use?

4) Service model

When you have a payroll issue, who's going to answer your call when you have a problem? The speed at which these problems can be resolved can directly impact on your business. Many providers use offshore or large shared call centers. That's not necessarily bad but will the person you talk to on Monday know what you discussed on Wednesday? Will that person understand your industry's unique needs and how to address those challenges?

Some providers route all clients, regardless of industry, to the same general support pool. That can mean spending valuable time explaining the basics of your business and the regulations surrounding your issue before you can even begin addressing the problem. A better approach might be to work with a support team that knows healthcare payroll inside and out, can anticipate common issues, and speaks your language from day one.

Questions to ask:

- Do you have a dedicated team for healthcare clients?
- How do you train your team in healthcare specific challenges?
- Can you share examples of healthcare-specific challenges you've solved?

A true ally is more than a service provider. They listen deeply, anticipate needs, and adapt when the unexpected happens. They bring both expertise and empathy, making you feel understood, valued, and confident.

5) Understand what you're signing

Before you sign, make sure you know what you agree to. Signing without full clarity can lead to unexpected fees, delays in switching providers, or even disruptions in paying employees and taxes.

Key documents include:

- Sales agreement or contract: Many providers require 30–90 days' notice to cancel. A locked-in contract isn't always bad because it guarantees pricing but be cautious if you're unsure about the payroll company.

- Power of attorney: Required for the payroll company to file taxes on your behalf. Make sure to revoke your previous payroll company's authority if you're switching.
- Banking authorization: Gives the provider permission to debit your account. Ask questions about timing, refunds, and policies for insufficient funds.

Questions to ask:

- How will you help with the transition to your platform?
- What safeguards are in place for handling my organization's funds and sensitive data?
- How will I receive updates if my terms or fees change?

Final thoughts

Choosing a payroll company isn't just about price or features. It's about finding a partner you can trust who understands your industry, values compliance, and can deliver technology that makes your job easier instead of harder.

Keep these 5 lesser-known considerations in mind, and you'll be better prepared to make the right decision. Asking the right questions, digging beyond the marketing, and choosing a provider who will be a reliable ally in your day-to-day operations and your long-term growth will ensure you set your organization up for success.

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