

REMINDER: PCORI Fees

Issue Date: May 2020

Employers who sponsored self-funded medical plans ending sometime during 2019 are required to report and pay the ACA Patient-Centered Outcomes Research Institute (PCORI) fees no later than July 31, 2020. In the spending bill passed late in 2019, the PCORI fee (which was set to expire) was extended another 10 years, and therefore even plans ending in October – December 2019 are subject to the fee. At this time, the IRS has not provided any extension to the July 31st deadline to report and pay the PCORI fee.

Background

General summary information regarding PCORI fees can be found at <https://www.irs.gov/newsroom/patient-centered-outcomes-research-institute-fee>.

Health insurance carriers pay the fee directly in the case of fully-insured plans, so employers offering only fully-insured group health plans do not have to do anything. However, employers are responsible for reporting and paying the fee for any self-funded group health plans, including HRAs. The PCORI fee applies to most group health plans, but not to excepted benefits. The IRS published a chart that describes the different types of plans subject to the fee here - <https://www.irs.gov/newsroom/application-of-the-patient-centered-outcomes-research-trust-fund-fee-to-common-types-of-health-coverage-or-arrangements>.

The fee is paid using quarterly excise tax Form 720 and must generally be paid no later than July 31st of the year following the last day of the plan year. If any corrections need to be made for prior years, use Form 720X.

Fee Amount

Payment amounts due in 2020 will likely differ based on the employer's plan year. The IRS put together a chart showing applicable fee amounts depending on the plan year end date at <https://www.irs.gov/affordable-care-act/patient-centered-outreach-research-institute-filing-due-dates-and-applicable-rates>.

- \$2.45 per covered life for plan years ending in January – September 2019.
- ??? per covered life for plan years ending in October – December 2019.

Since the PCORI fee was extended, the IRS has not provided the updated fee for plan years ending in October, November or December 2019, and has not updated Form 720 either. The IRS will need to provide this information before the fees can be reported and paid. We expect the fee to increase slightly, but it will probably be less than \$3 per covered life.

Calculating the Average Covered Lives

Self-funded plans may use one of three methods to determine the average covered lives. Plan sponsors must stick with one method for the entire plan year, but are allowed to change from year to year.

1. Actual Count Method – Calculate the lives covered for each day of the plan year and divide by the number of days in the plan year.
2. Snapshot Method – Add the lives covered on a date during the first, second, or third month in each quarter, or an equal number of dates for each quarter, and divide the total by the number of dates on which a count was made. There are two methods for counting family members:
 - (a) Count the actual lives covered on the designated date; or
 - (b) Count the participants with self-only coverage on the designated date, plus the participants with coverage other than self-only coverage on the designated date multiplied by 2.35.
3. Form 5500 Method – Use the participants actually reported on the Form 5500 for the plan year (this method may be used only if the Form 5500 is filed no later than the due date for the fee imposed for that plan year). Total number of lives is determined by adding the participant counts at the beginning and the end of the plan year. Note—if a plan offers only single coverage, the final result is divided by 2.

Special rules for counting covered lives:

- Multiple Self-Funded Plans – If one plan sponsor maintains more than one self-funded health plan with the same plan year, the arrangements can be treated as a single plan for purposes of the fee.
- HRAs – An employer who sponsors an HRA *integrated* with a fully-insured medical plan is required to pay the fee only with respect to each HRA participant/employee (not required to count dependents or beneficiaries).

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