

Updated PCORI Fees Released

Issue Date: June 8, 2020

In Notice 2020-44, the IRS provided the adjusted PCORI fees for plan years ending in October 2019 through September 2020. The guidance does not provide for an extension of the July 31st deadline to report and pay the PCORI fee, but there is a bit of relief provided for certain plans in the method used to count covered lives.

Background

General summary information regarding PCORI fees can be found at <https://www.irs.gov/newsroom/patient-centered-outcomes-research-institute-fee>. The PCORI fee applies to most group health plans, including HRAs, but not to excepted benefits. Health insurance carriers pay the fee directly in the case of fully-insured plans, but employers are responsible for reporting and paying the fee for any self-funded group health plans, including HRAs. 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.

Fee Amount

Payment amounts due by July 31, 2020 differ based on the employer's plan year.

- \$2.45 per covered life for plan years ending in January – September 2019.
- \$2.54 per covered life for plan years ending in October – December 2019.

NOTE: The IRS chart illustrating plan year end dates and applicable fees has not yet been updated to reflect the adjusted PCORI fees for plan years ending in October through December 2020. You can find the chart here - <https://www.irs.gov/affordable-care-act/patient-centered-outreach-research-institute-filing-due-dates-and-applicable-rates>. The Form 720 (Line 133) has not been updated yet either.

Calculating the Average Covered Lives - Transition Relief

Self-funded plans may generally use one of three methods to determine the average covered lives used for reporting and paying the PCORI fee: (i) the actual count method; (ii) the snapshot method; or (iii) the Form 5500 method. Plan sponsors must stick with one method for the entire plan year, but are allowed to change from year to year.

Due to the fact that employers of self-funded plans ending in October 2020 or later may not have been tracking covered lives because the PCORI fee was supposed to expire, in addition to the counting methods set forth above, such employers are also permitted to use **any reasonable method** to calculate the average number of covered lives so long as the method is used consistently for the duration of the plan year.

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