



Are You Ready to Pay the PCORI Fee?

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By: Karen Hooper, AVP, Senior Account Executive

The Affordable Care Act (ACA) imposes a fee on health insurance issuers and self-insured plan sponsors in order to help fund the Patient-Centered Outcomes Research Institute (PCORI). The fee is required to be reported and paid once a year and the filing is due to the IRS by August 1, 2016. (The filing is typically required by July 31, but the deadline is pushed back to the next business day when the due date falls on a Saturday, Sunday, or legal holiday.)

What is the Patient-Centered Outcomes Research Institute?

The Institute's mandate is to improve the quality and relevance of evidence available to help patients, caregivers, clinicians, employers, insurers, and policy makers make informed health decisions. These fees help fund comparative effectiveness research.

Who needs to pay the PCORI fee?

Health Insurers are responsible for paying the fee on fully insured health policies. The plan sponsor (generally the employer) is responsible for paying the PCORI fee for self-insured health plans.

Does the PCORI Fee Apply to HRAs?

An HRA is a self-funded health plan. The PCORI rules provide an exception to the fee requirement for an HRA where it is offered along with a self-insured major medical plan that has the same plan year as the HRA. This avoids the need to pay the PCORI fee for both the HRA and the self-insured major medical plan (*i.e.*, each person covered by both plans is counted only once for purposes of determining the PCORI fee).

There is no exception from the PCORI fee for an HRA offered along with fully insured major medical coverage. While the insurance carrier is responsible for paying the PCORI fee for the fully insured medical plan, the employer is also responsible for paying the PCORI fee on the HRA. The IRS is essentially double-dipping in this scenario both imposing the PCORI fee on the same lives covered by both the major medical and the HRA. In recognition of this, the HRA PCORI fee paid by the employer is determined by counting only one life per participant (and not dependents).

Does the PCORI Fee Apply to Dental and Vision Coverage?

The PCORI fee applies primarily to major medical plans. The PCORI fee does not apply to dental and vision coverage that are excepted benefits (whether through a stand-alone insurance policy, or meeting the "not integral" test for self-insured coverage). It also does not apply to health FSAs or HSAs.

For a quick reference guide, the IRS has [published a table](#) which summarizes the applicability of the fee to common types of health and welfare benefits.

How is the PCORI Fee Calculated?

Plan Sponsors of self-insured health plans (other than an HRA) calculate the fee based on the average number of total lives covered by the plan (both employees and dependents).

Plan Sponsors are required to use one of three alternative methods:

- Actual count method
- Snapshot method
- Form 5500 method

These methods are summarized by the IRS in its [PCORI fee homepage](#) and [PCORI fee FAQs](#).

How Much Do I Need to Pay?

- **Plan Years Ending January – September 2015:** \$2.08 per covered life (including spouses/dependents)
- **Plan Years Ending October – December 2015:** \$2.17 per covered life (including spouses/dependents)

For calendar plan years, the applicable rate will be the \$2.17 per covered life amount (the \$2.08 rate was applicable to the July 31, 2015 PCORI fee filing for the 2014 plan year).

The IRS has [published a table](#) of the applicable filing deadline and rate for each plan year ending date.

How do we file the PCORI fee?

The PCORI fee is filed on [IRS form 720](#). Consult the IRS [Instructions for Form 720](#) for direction on completing the form (see page 9).

Reminder: While we are talking about July deadlines—if your health and welfare plan is a calendar year plan with 100 or more covered employees at the beginning of the plan year, the [Form 5500](#) filing is due to the DOL by August 1, 2016 (July 31 is a Sunday). Plans are permitted to file a [Form 5558](#) with the IRS for an automatic 2 ½-month extension of this deadline (to October 17, 2016 for calendar plan years).

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