

Compliance Alert



July 31 PCORI Filing Deadline is Quickly Approaching

June 29, 2017

By: Karen Hooper, VP, Compliance Director

The end of July will be here in a blink of an eye, which means another round of Patient-Centered Outcomes Research Institute (PCORI) fees will soon be due for employers with a self-insured medical plan.

This round of the annual PCORI fee imposed on health insurance issuers and self-insured plan sponsors must be reported and paid to the IRS by July 31, 2017 via Form 720.

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 better-informed health decisions. It works with those healthcare stakeholders to identify critical research questions and answer them through comparative clinical effectiveness research, or CER, focusing on outcomes important to patients.

See the [PCORI](#) website for more information on the Institute's purpose, research studies, and results.

Who needs to pay the PCORI fee?

Fully Insured Medical Plans: Health Insurers are responsible for paying the fee on fully insured health policies. This fee is built into the insurance premium, so there is *no action required by employers*.

Self-Insured Medical Plans: The plan sponsor (generally the employer) is responsible for paying the PCORI fee for self-insured health plans. *The employer must file the Form 720 and pay the fee.*

Which Plans are Subject to the PCORI Fee?

The PCORI fee generally applies only to major medical plans and health reimbursement arrangement (HRAs). See below for an exception that applies to many HRAs.

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.

Does the PCORI Fee Apply to HRAs?

Yes, an HRA is a self-funded health plan. However, 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 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).

Summary: *The PCORI fee is required for an HRA unless it is paired with a self-insured major medical plan that has the same plan year as the HRA. The employer is responsible for filing the Form 720 and paying the PCORI fee for an HRA.*

Does the PCORI Fee Apply to Dental and Vision Coverage? Or Health FSAs or HSAs?

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). Virtually all dental and vision plans are excepted benefits.

The PCORI fee also does not apply to health FSAs (which must be an excepted benefit to comply with the ACA) or HSAs (which are not a group health plan).

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 2016:** \$2.17 per covered life (including spouses/dependents)
- **Plan Years Ending October – December 2016:** \$2.26 per covered life (including spouses/dependents)

For calendar plan years, the applicable rate will be \$2.26 per covered life (the \$2.17 rate was applicable to the July 31, 2016 PCORI fee filing for the 2015 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 the second quarter [IRS Form 720](#), due July 31, 2017. Consult the IRS [Instructions for Form 720](#) for direction on completing the form (see pages 8-9).

Don't Forget About the July 31 Form 5500 Filing Deadline

The Form 5500 is the other July filing requirement looming for calendar plan year health and welfare plans with 100 or more covered employees at the beginning of the plan year.

The [Form 5500](#) filing is due to the DOL by July 31, 2017 for calendar plan years. Plans are permitted to file a [Form 5558](#) with the IRS for an automatic 2 ½-month extension of this deadline (to October 16, 2017 for calendar plan years).

Disclaimer: The intent of this analysis is to provide the recipient with general information regarding the status of, and/or potential concerns related to, the recipient's current employee benefits issues. This analysis does not necessarily fully address the recipient's specific issue, and it should not be construed as, nor is it intended to provide, legal advice. Furthermore, this message does not establish an attorney-client relationship. Questions regarding specific issues should be addressed to the person(s) who provide legal advice to the recipient regarding employee benefits issues (e.g., the recipient's general counsel or an attorney hired by the recipient who specializes in employee benefits law).