



# Compliance Alert

## Annual PCORI Fee Deadline Coming July 31<sup>st</sup>

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By: Karen Hooper, VP, Compliance Director

### PCORI – An ACA Fee That is Still Going Strong

Although the Transitional Reinsurance Fee has expired, the PCORI fee is alive and kicking. This is the fee that is imposed on health insurance issuers and self-insured health plan sponsors in order to fund the Patient-Centered Outcomes Research Institute (PCORI).

This round of the annual PCORI fee must be reported and paid to the IRS [by July 31, 2018 via Form 720](#).

#### Key Action Item:

- *Employers that sponsored a self-insured major medical plan and/or an HRA with a plan year ending in 2017 must pay the PCORI fee by July 31, 2018.*

### What is the Patient-Centered Outcomes Research Institute?

The institute currently maintains a robust portfolio of patient-centered outcomes research that addresses a variety of high priority conditions and topics. The studies are now producing important results that are being summarized in leading medical journals and presented at major scientific meetings. The top five conditions being studied are:

- mental and behavioral health,
- cancer,
- neurological disorder,
- cardiovascular diseases, and
- multiple chronic conditions

If you are interested in what your PCORI fees are paying for, check out the [PCORI](#) website. It lists current research projects as well as completed research projects and outcomes.

### 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 (Including HRAs):** 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.*

### **To Which Plans Does the PCORI Fee Apply?**

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 also responsible for paying the PCORI fee on the HRA. The IRS is essentially double-dipping in this scenario by 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 2017:** \$2.26 per covered life (including spouses/dependents)

- **Plan Years Ending October– December 2017:** \$2.39 per covered life (including spouses/dependents)

For calendar plan years, the applicable rate will be \$2.39 per covered life (the \$2.26 rate was applicable to the July 31, 2017 PCORI fee filing for the 2016 plan year).

Employers filing for a self-insured medical plan should keep in mind that the plan year is the ERISA plan year reflected in the plan document, SPD, and Form 5500 (if applicable).

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, 2018](#). Consult the [IRS Instructions for Form 720](#) for direction on completing the form (see pages 8-9).

### **Second Deadline: Form 5500 Filing**

One other July deadline looming is 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, 2018 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 15, 2018 for calendar plan years).

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