



...From the Employer Perspective

Thursday, July 10, 2014

Reminder: PCORI Fee Due July 31

As we discussed in previous editions of *Health Care Reform News*, the Affordable Care Act (ACA) requires that health plans pay an annual Patient-Centered Outcomes Research Institute (PCORI) fee for a limited period of time. As the 2014 payment deadline approaches, we want to take this opportunity to remind employer plan sponsors of the specifics of the fee and responsibilities for payment.

PCORI FEE DETAILS

What is the PCORI fee?

The PCORI fee will be used to support the work of the Patient-Centered Outcomes Research Institute established by the ACA to research and provide guidance regarding the clinical effectiveness of different medical treatments.

To what does the fee apply?

Insured and self-funded health plans, both grandfathered and non-grandfathered, are subject to the fee.

Are there any health plans to which the fee doesn't apply?

The fee applies to plans as summarized below:

Fee DOES Apply To:	Fee DOES NOT Apply To:
<ul style="list-style-type: none"> • Medical/Rx plans (including COBRA & retiree plans) • HRA plans, self-funded Rx carve-out plans and non-excepted dental, vision or health FSA plans not integrated with a self-funded medical plan* 	<ul style="list-style-type: none"> • Excepted benefits, including limited scope dental and vision benefits, accident and disability benefits, workers' compensation benefits, on-site medical clinics, LTC benefits and most health FSAs • HSA plans • EAP, disease management and wellness programs that do not provide significant medical benefits • Expatriate plans • Medicare supplement policies • Stop loss coverage • HRA plans, self-funded Rx carve-out plans and non-excepted dental, vision or health FSA plans integrated with a self-funded medical plan*

*HRAs, self-funded Rx carve-outs and non-excepted dental, vision and health FSA plans are not subject to a separate research fee if the plan is integrated with another self-insured plan providing major medical coverage, as long as the plans are established and maintained by the same plan sponsor and have the same plan year. (Fee must be paid once

for each applicable covered life in the integrated plan.) If an HRA, self-funded Rx carve-out or non-excepted dental, vision or FSA plan is integrated with insured major medical coverage, the plan sponsor and the issuer of the insured plan will both be subject to the research fee, even though the plans are maintained by the same plan sponsor.

When does the fee apply?

The fee is charged based on plan year and is assessed for each plan year ending between October 1, 2012 and September 30, 2019.

What is the cost of the fee?

For plan years ending between October 1, 2012 and September 30, 2013, the fee is \$1 per covered person based on the average number of covered persons during the plan year. For plan years ending between October 1, 2013 and September 30, 2014, the fee increases to \$2 and the fee will increase by the projected growth rate of National Health Expenditures in subsequent years.

Who is responsible for paying the fee?

Insurers are responsible for remitting the fee for insured plans and plan sponsors (e.g., employers) are responsible for remitting the fee for the self-funded plans they sponsor.

When must the fee be paid?

The fee must be paid once per year no later than July 31 of the calendar year that follows the date the plan year ended.

If Plan Year Ends Between:	PCORI Fee Is Due:
October 1, 2012 and December 31, 2012	July 31, 2013
January 1, 2013 and December 31, 2013	July 31, 2014
January 1, 2014 and December 31, 2014	July 31, 2015
January 1, 2015 and December 31, 2015	July 31, 2016
January 1, 2016 and December 31, 2016	July 31, 2017
January 1, 2017 and December 31, 2017	July 31, 2018
January 1, 2018 and December 31, 2018	July 31, 2019
January 1, 2019 and September 30, 2019	July 31, 2020

How do self-funded plan sponsors remit payment for the fee?

Sponsors of self-funded plans must pay the fee by filing [IRS Form 720](#) (“Quarterly Federal Excise Tax Return”), which is an IRS form used for a variety of excise taxes. IRS instructions for completing and submitting this form and remitting payment can be found [here](#). Although it is a “quarterly” form, if an employer has no other excise taxes to report via Form 720, the employer need only file the form once per year.

How is the average number of covered lives during the plan year determined?

The IRS allows a self-funded plan sponsor to use one of four calculation methods (which may be swapped from year-to-year):

1. Actual Count Method: the sum of the number of covered members for each day of the plan year, divided by the number of days in the plan year
2. Snapshot Count Method: the sum of the number of covered members on a date during the first, second, or third month of each quarter of the plan year (or more dates in each quarter if an equal number of dates is used in each quarter) divided by the number of dates on which a count was made (each date used for the second, third and fourth quarter must be within three days of the date in that quarter that corresponds to the date used for the first quarter, and all dates used must fall within the same plan year)
3. Snapshot Factor Method: similar to #2, except the number of covered members on each date is determined by adding the number of participants with self-only coverage to the number of participants with coverage other than self-only coverage multiplied by a dependency factor of 2.35
4. Form 5500 Method: the sum of the number of participants reported on Form 5500 for the beginning and end of the plan year (if plan offers only self-only coverage, divide this number by 2)

Note: For HRAs and FSAs, plan sponsors are permitted to assume one covered life for each participant enrolled in the plan (i.e., no dependents are counted).

WHAT IT MEANS TO YOU

Self-funded plan sponsors that have not already done so should do the following:

- Determine which plans are affected by the fee
- Identify the plan years for which the fee must be paid
- Determine the date payment of the fee is due for each plan year
- Determine the method by which you will calculate the average number of covered lives
- Gather data necessary to calculate average number of lives and calculate fee amount due by July 31, 2014
- File Form 720 and remit payment for fee due by July 31, 2014

Because Form 720 is a tax filing, Trion cannot prepare the form on our clients' behalf, but your Trion account team is available to address questions you might have as you take action to comply with the filing requirement. If you are not currently a Trion client and would like assistance navigating the requirements of the ACA, please contact us today by emailing info@trion.com.

PPACA REGULATIONS & GUIDANCE ISSUED IN THE LAST 3 MONTHS

May 2014: DOL Issues ACA [FAQs Part XIX](#)

May 2014: Agencies Issue [Bulletin on COBRA Special Enrollment](#) and [Proposed Rules](#)

May 2014: CMS Issues [FAQ on Transitional Reinsurance Contribution Process](#)

Jun. 2014: Agencies Issue [Final Rules on Orientation and 90-Day Waiting Periods](#)

Jun. 2014: IRS Issues [Final Regulations on Small Employer Tax Credit](#)

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