

# BENEFITS BRIEF

## JUNE • 2019

# PCORI Fee Deadline Just Around the Corner

The Affordable Care Act requires health insurers and sponsors of self-funded group health plans (including health reimbursement arrangements) to pay a Patient-Centered Outcomes Research Institute (PCORI) fee for each year from 2012 to 2019. The PCORI fee for plan years that ended in 2018 is due by July 31, 2019. This is the last year that will require payment of the PCORI fee.

### How Much is the PCORI Fee?

For plan years that ended on or after October 1, 2018, the PCORI fee is \$2.45 per covered life (that is, 2018 for calendar year plans). For plan years that ended before October 1, 2017, the PCORI fee is \$2.39 per covered life (that is, 2017 for calendar year plans).

PCORI fees are based on the average number of covered lives under the plan or policy. Covered lives generally include employees (and retirees) and their enrolled spouses and dependents. Individuals who are receiving COBRA or other continuation coverage must be included in calculating the PCORI fee.

IRS regulations provide three permissible methods for calculating the number of covered lives under the plan:

- **Actual Count Method.** Under the actual count method, the average number of covered lives for a plan year may be determined by adding the total of lives covered for each day of the plan year and dividing that total by the total number of days in the plan year.
- **Snapshot Method.** Under the snapshot method, the total number of lives covered on a date in each quarter of the plan year (or an equal number of dates for each

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### Patient-Centered Outcomes Research fee

Under the ACA, all medical plans are responsible for paying the Patient-Centered Outcomes Research fee to the IRS, based on the number of plan participants. If the plan is insured, the insurance carrier pays the fee on behalf of the policyholder. If the plan is self-insured, the employer/plan sponsor must file the Form 720 and pay the fee to the IRS directly.

quarter, like the first day of each month) are added together, and then divided by the total number of dates on which a count was made.

- **Form 5500 Method.** Under the Form 5500 method, the average number of covered lives may be determined based on a formula that takes into account the number of participants reported on the Form 5500 annual report for the plan.

## Who is Responsible for Paying the PCORI Fee?

For fully-insured health plans, the insurer is responsible for reporting and paying the fee. For self-funded group health plans (which include health reimbursement arrangements --- HRAs), the employer/plan sponsor is responsible for reporting and paying the fee.

## How are PCORI Fees Reported and Paid?

PCORI fees are reported on IRS Form 720 Quarterly Federal Excise Tax Return, which includes a section to report the PCORI fee. There is a payment voucher at the bottom of Form 720, which should be completed to show the amount of the payment. It is essential to check the "Second Quarter" box on the payment voucher when submitting the IRS Form 720 and PCORI fee payment to the IRS.

## How are Corrections and Amendments Filed?

The final regulations do not specifically address whether plan sponsors may correct or amend a previously filed Form 720 if errors were made or a filing was missed. However, the regulations note that the penalties associated with the late filing of Form 720 or late payment of the fee may be waived or abated if the issuer or plan sponsor has reasonable cause and the failure was not due to willful neglect.

According to the [FAQ page](#) on the IRS website, "A plan sponsor or policy issuer should make corrections to a previously filed Form 720 by filing a [Form 720X](#), Amended Quarterly Federal Excise Tax Return, including adjustments that result in an overpayment. Form 720X may be filed anytime within the applicable limitation period. Form 720X is available on IRS.gov." Line six of the Form 720X allows plan sponsors to draft an explanation of the adjustments included in the filing.



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