HANDLING THE 2016 PCORI FEE

The Affordable Care Act (ACA), requires that all medical plans pay the Patient-Centered Outcomes Research Institute (PCORI) fee to the IRS annually, based on the number of plan participants.

What is the PCORI Fee?

The Patient-Centered Outcomes Research Trust Fund fee is a fee on issuers of specified health insurance policies and plan sponsors of applicable self-insured health plans that helps to fund the Patient-Centered Outcomes Research Institute (PCORI), a non-governmental nonprofit agency created by the Affordable Care Act. The institute assists, through research, patients, clinicians, purchasers and policy-makers, in making informed health decisions by advancing the quality and relevance of evidence-based medicine. The institute compiles and distribute comparative clinical effectiveness research findings.

Who must pay the fee directly to the IRS?

Employers with self-funded health plans submit applicable health reform fees directly to the IRS, and those with fully insured health plans will see fees prorated into their premiums. The fees are pro-rated over 12 months and paid by the carrier to the IRS. All self-insured medical plans, including health FSAs and HRAs, must pay the fee unless the plan is either primarily for employees working/residing outside of the U.S., or is considered an *excepted-benefit*.

- A health FSA is an excepted-benefit as long as the employer does not contribute more than $500/year to the accounts and offers another medical plan with non-excepted benefits.
- An HRA is an excepted-benefit if it only reimburses for excepted-benefits (e.g., limited-scope dental and vision expenses or long-term care coverage) and is not integrated with the group medical plan.

When is the fee due?

The fee is due by July 31 of the calendar year immediately following the last day of the plan year.

How much is the PCORI fee this year?

For plan years:

- Ending on or after October 1, 2012 and before October 1, 2013: $1.00 per covered life
- Ending on or after October 1, 2013 and before October 1, 2014: $2.00 per covered life
- Ending on or after October 1, 2014 and before October 1, 2015: $2.08 per covered life
- Ending on or after October 1, 2015 and before October 1, 2016: $2.17 per covered life

Plan Years Ending in 2015	Fee per Covered Life Due by 7/31/2016
Feb 1, 2014 - Jan 31, 2015	$2.08
Mar 1, 2014 - Feb 28, 2015	$2.08
Apr 1, 2014 - Mar 31, 2015	$2.08

May 1, 2014 - Apr 30, 2015	$2.08
Jun 1, 2014 - May 31, 2015	$2.08
July 1, 2014 - Jun 30, 2015	$2.08
Aug 1, 2014 - July 31, 2015	$2.08
Sept 1, 2014 - Aug 31, 2015	$2.08
Oct 1, 2014 - Sept 30, 2015	$2.08
Nov 1, 2014 - Oct 31, 2015	$2.17
Dec 1, 2014 - Nov 30, 2015	$2.17
Jan 1, 2015 - Dec 31, 2015	$2.17

The fee is indexed for future years, and ends in 2019.

All employees and dependents who participate in your plan are counted as covered lives. When paying for HRA and health FSA plans, count each covered employee as a covered life.

How do you pay the fee to the IRS?

Self-funded employers complete and file the Form 720 for the second quarter. The Form 720 and fees are due on July 31 of the calendar year following the last day of the plan year. If your medical plan year ended in 2015, your Form 720 is due by July 31, 2016.

The Form 720 and instructions are available on the IRS website:

http://www.irs.gov/pub/irs-pdf/f720.pdf
http://www.irs.gov/pub/irs-pdf/i720.pdf

Employers/plan sponsors need to complete:

- Company information and quarter ending "June 2016"
- Part II, IRS No. 133
    - Column (a), row (b) - enter “Avg. number of lives covered for self-insured health plans”
    - Column (b) – see instructions ($2.08 or $2.17, depending on end of plan year)
    - Column (c) – enter total Fee (lives x $)
    - Tax column – enter the amount of the fee (from Column (c))
- Part II, Line 2 – enter Total Tax (from Tax column on No. 133)
- Part III, Line 3 – enter Total Tax (from Part II, Line 2)
- Part III, Line 10 – enter Balance Due (from Part III, Line 3)
- Signature section
- Payment voucher with “2nd Quarter” checked, or file and pay electronically
    - If filing by mail, send the form, payment voucher, and check to:
      Department of the Treasury
      Internal Revenue Service
      Cincinnati, OH 45999-0009

To calculate the "Avg. number of lives covered", use one of the three methods listed on pages 8 and 9 of the instructions:

Actual count method – The total number of lives covered (employees and their covered family members or only employees if HRA or FSA) on each day of the plan year, divided by the total number of days in the plan year.

Snapshot method – At least one date during each month of each quarter. Dates in each quarter must be within 3 days of the dates for corresponding quarters.

Snapshot actual method – Total number of lives covered (employees and their covered family members or only employees if HRA or FSA) on each selected date, divided by the number of dates used.

Snapshot factor method – Number of participants with self-only coverage plus 2.35 times the number of participants with other than self-only coverage. (Do not use this method for HRA or FSA plans.)

Form 5500 method – Use participant counts from the 5500 for that plan for that year.

Plan with only self-only coverage – Add the total number of participants at the beginning and end of the plan year, and divide by 2 to get the average for the year.

Plan with self-only and dependent coverage – Add the total number of participants at the beginning and end of the plan year. (Do not use this method for HRA or FSA plans.)

How are participants counted when covered under more than one medical plan by the same employer?

HRA and insured plan: Not treated as a single plan, so the employer/plan sponsor pays the fees for the HRA and the carrier pays the fees for the insured plan. However, the employer/plan sponsor may count just employees as covered lives in the HRA, and disregard covered dependents.

HRA and other self-insured plan: Treated as a single plan for purposes of calculating the fee, so each participant (including dependents) is only counted once.

Multiple HRAs and an insured plan: The carrier still pays the fees for the insured plan. The HRAs may be treated as a single plan for purposes of calculating the fee, so each participant (disregarding covered dependents) is only counted once.