ACA COMPLIANCE BULLETIN

HIGHLIGHTS

- The ACA imposes PCORI fees on health insurance issuers and self-insured plan sponsors.
- PCORI fees apply to policy or plan years ending on or after **Oct. 1, 2012, and before Oct. 1, 2019**.
- PCORI fees are paid through the Electronic Federal Tax Payment System (EFTPS), and should be applied to the second quarter.

IMPORTANT DATES

August 1, 2016

Issuers and plan sponsors are generally required to pay PCORI fees annually on IRS Form 720 by July 31 of each year.

However, since July 31, 2016, is a Sunday, **the deadline for filing Form 720 is Aug. 1, 2016, for plan years ending in 2015**.

Provided By:
KRA Agency Partners, LLC

PCORI FEES DUE AUG. 1, 2016

OVERVIEW

The Affordable Care Act (ACA) requires health insurance issuers and sponsors of self-insured health plans to pay Patient-Centered Outcomes Research Institute fees (PCORI fees). The fees are reported and paid annually using IRS Form 720 (Quarterly Federal Excise Tax Return).

Issuers and plan sponsors are generally required to pay the PCORI fees annually on IRS Form 720 by July 31 of each year. However, because July 31, 2016, is a Sunday, PCORI fees will be due by **Aug. 1, 2016**, for plan years ending in 2015. IRS instructions for filing Form 720 include information on reporting and paying the PCORI fees.

ACTION STEPS

To assess their compliance obligations, employers should:

- ✓ Determine which employee benefit plans will be subject to the research fees;
- ✓ Assess plan funding to determine whether the issuer or the employer will be responsible for the fees; and
- ✓ For any self-insured plans, select an approach for calculating average covered lives.

KRA Agency Partners

Overview of PCORI Fees

The ACA created the Patient-Centered Outcomes Research Institute to help patients, clinicians, payers and the public make informed health decisions by advancing comparative effectiveness research. The institute's research is funded, in part, through fees paid by health insurance issuers and self-insured health plan sponsors. These fees are widely known as PCORI fees, although they may also be called PCOR fees or comparative effectiveness research (CER) fees.

PCORI fees apply for **plan years ending on or after Oct. 1, 2012, but do not apply for plan years ending on or after Oct. 1, 2019**. For calendar year plans, the fees will be effective for the 2012 through 2018 plan years.

PCORI fees apply separately to "specified health insurance policies" and "applicable self-insured health plans," and are calculated based on the average number of lives covered under the plan or policy.

The entity that is responsible for paying PCORI fees depends on whether the plan is insured or self-insured.

- For insured health plans, the **issuer** of the health insurance policy is required to pay the research fees.
- For self-insured health plans, the research fees are to be paid by the **plan sponsor**.

Issuers and plan sponsors will be required to pay the PCORI fees annually on IRS Form 720 by July 31 of each year. It will generally cover plan years that end during the preceding calendar year.

Because July 31, 2016, is a Sunday, Form 720 and full payment of the PCORI fees will be due by Aug. 1, 2016, for plan years ending in 2015.

Reporting and Paying PCORI Fees on Form 720

In general, the PCORI fees are assessed, collected and enforced like taxes under the Internal Revenue Code. Issuers and plan sponsors must report and pay the research fees annually on IRS Form 720 (Quarterly Federal Excise Tax Return). The PCORI fee applies separately to "specified health insurance policies" and "applicable self-insured health plans," and is based on the average number of lives covered under the plan or policy.

Using Part II, Number 133 of Form 720, issuers and plan sponsors will be required to report the average number of lives covered under the plan separately for specified health insurance policies and applicable self-insured health plans. That number is then multiplied by the applicable rate for that tax year, as follows:

- **$1** for plan years ending before Oct. 1, 2013 (that is, 2012 for calendar year plans).
- **$2** for plan years ending on or after Oct. 1, 2013, and before Oct. 1, 2014.
- **$2.08** for plan years ending on or after Oct. 1, 2014, and before Oct. 1, 2015 (see Notice 2014-56).

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- **$2.17** for plan years ending on or after Oct. 1, 2015, and before Oct. 1, 2016 (see Notice 2015-60).
- For plan years ending on or after Oct. 1, 2016, the rate will increase for inflation, based on the percentage increase in the projected per capita amount of the National Health Expenditures.

The fees for specified health insurance policies and applicable self-insured health plans are then combined to equal the total tax owed. Issuers or plan sponsors that file Form 720 only to report the PCORI fee will not need to file Form 720 for the first, third or fourth quarter of the year. Issuers or plan sponsors that file Form 720 to report quarterly excise tax liability for the first, third or fourth quarter of the year (for example, to report the foreign insurance tax) should not make an entry on the line for the PCORI tax on those filings.

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