

FAQs: Patient-Centered Outcomes Research Institute (PCORI) Fee

Overview

The Affordable Care Act (ACA) established the nonprofit Patient-Centered Outcomes Research Institute to promote the use of evidence-based medicine by disseminating comparative clinical effectiveness research findings. This new Institute, which is funded in part by fees collected from insurers and plan sponsors, will ideally help patients and clinicians to make better informed health care decisions. The fees, which are treated as an excise tax, are often referred to as the “PCORI fees” or “PCOR fees”. The final regulations require plan sponsors of applicable health plans to use one of three alternative methods. Actual count method, Snapshot method or Form 5500 method to determine the average number of lives covered under the applicable self-insured health plan for a plan year.

Who Pays for the PCORI Fees?

Type of Plan	Who Pays Fee
Group Accident & Health or Major Medical Insurance Plan	Fully Insured: Plan Issuer Self-Insured: Plan Sponsor
COBRA coverage	Fully Insured: Plan Issuer Self-Insured: Plan Sponsor
Health Reimbursement Arrangement (HRA)	<p><u>If Combined with Fully-Insured Plan:</u> Plan Sponsor will pay the fee for each covered subscriber (does not apply to dependents) under the HRA. The health insurer will pay the fee for each covered life under the health insurance policy.</p> <p><u>If Combined with a Self-Insured Plan</u> Plan Sponsor will pay fee, but will not pay twice for the same lives insured under the Self Insured Plan and the HRA or FSA</p>
Flexible Spending Arrangement (FSA) *FSA only applies if Employer Contributes more than \$500 towards FSA plan	<p><u>If Combined with Fully-Insured Plan:</u> Plan Sponsor will pay the fee for each covered subscriber (does not apply to dependents) under the FSA. The health insurer will pay the fee for each covered life under the health insurance policy.</p> <p><u>If Combined with a Self-Insured Plan</u> Plan Sponsor will pay fee, but will not pay twice for the same lives insured under the Self Insured Plan and the HRA or FSA</p>

Reporting and Remittance of Fees

When you are preparing for the payment of your PCORI fee you should first consult your Tax or Accounting Advisors for further guidance.

Reporting and remittance of fees is completed through IRS Form 720. For information and to access Form 720 visit the IRS Patient-Centered Outcomes Research Institute Fee webpage at:

<http://www.irs.gov/uac/Newsroom/Patient-Centered-Outcomes-Research-Institute-Fee>

Method #1: Actual Count Method

Determined by adding the totals of lives covered for each day of the plan year and dividing that total by the total number of days in the plan year

A.	Sum of employees covered for <u>each day</u> of the plan year	
B.	Number of days in the plan year (365 days) (Note: 2016 is a leap year (366 days))	
C.	Average number of employees (A ÷ B)	
D.	Applicable fee \$1 for plan years ending before 10/1/13 (i.e., ending on 9/30/13 or earlier) \$2 for plan years ending between 10/1/13 and 9/30/14 TBD (adjusted for inflation) for plan years ending between 10/1/14 and 9/30/19	
E.	Total payable fee (C x D) This is the amount that will be remitted to the IRS using Form 720.	

Method #2: Snapshot Method

Determined by adding the totals of employees covered on a date during each quarter of the plan year (or more dates in each quarter if an equal number of dates is used in each quarter) and dividing 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 that corresponds to the date used for the first quarter (e.g., if the first quarter count is on 1/7, the second quarter count must be between 4/4 and 4/10), and all dates must fall within the same plan year.

A.	1st Quarter	
	Date count is made:	
	Number of employees covered on that date:	
B.	2nd Quarter	
	Date count is made:	
	<i>Must be within 3 days of the day Q1 count</i>	
	Number of employees covered on that date:	
C.	3rd Quarter	
	Date count is made:	
	<i>Must be within 3 days of the day Q1 count</i>	
	Number of employees covered on that date:	
D.	4th Quarter	
	Date count is made:	
	<i>Must be within 3 days of the day Q1 count</i>	
	Number of employees covered on that date:	
E.	Sum of covered employees from each quarter (A + B + C + D):	
	If more than one count per quarter is made, repeat steps A through D for each additional count, and add the totals for all quarters to determine this sum.	
F.	Average number of covered employees:	
	Divide by the number of counts made in the year:	
	<i>Will be 4 if one count per quarter, or a multiple of 4 if more than one count per quarter</i>	
D.	Applicable fee	
	\$1 for plan years ending before 10/1/13 (i.e., ending on 9/30/13 or earlier)	
	\$2 for plan years ending between 10/1/13 and 9/30/14	
	TBD (adjusted for inflation) for plan years ending between 10/1/14 and 9/30/19	
H.	Total payable fee (F x G)	
	This is the amount that will be remitted to the IRS using Form 720.	

Method #3: Form 5500 Method

Determine the average number of lives covered by a plan for a plan year based on the number of participants reported on the Form 5500 filed for that plan year. The final regulations provide that this method can only be used if the Form 5500 is filed no later than the due date for paying the PCORI fee. For plans that offer only self-coverage, the number of lives equals the sum of the participants covered at the beginning and end of the plan year divided by two. For plans that also cover spouses or dependents, the number of lives equals the sum of the total participants covered at the beginning and end of the plan year.

A.	Number of employees covered at the beginning of the plan year:	
B.	Number of employees covered at the end of the plan year:	
C.	Sum of A + B:	
D.	Average number of covered employees :	
	Divide by 2 ($C \div 2$)	
E.	Applicable fee	
	\$1 for plan years ending before 10/1/13 (i.e., ending on 9/30/13 or earlier)	
	\$2 for plan years ending between 10/1/13 and 9/30/14	
	TBD (adjusted for inflation) for plan years ending between 10/1/14 and 9/30/19	
F.	Total payable fee (D x E)	
	This is the amount that will be remitted to the IRS using Form 720.	