



**NEVER SAY NEVER – THE PCORI FEE MARCHES ON FOR ANOTHER TEN YEARS (REALLY) – NEXT PAYMENT DUE BY JULY 31, 2020**

The old PCORI fee is now the new PCORI fee. Originally created as part of the ACA legislation enacted in 2010, the seven-year assessment applied to medical policy/plan years ending before October 1, 2019. In other words, for a calendar-year health plan, the last year for the assessment was the 2018 calendar year and final payment was due this past July 31, 2019. Employers with non-calendar year health plans ending during the first nine months of 2019 have just one payment left due by the end of next month -- July 31, 2020 at \$2.45 per covered life.

Good riddance, right? Not a chance. Legislation passed in December 2019 included a 10-year extension of the PCORI fee. The applicable dollar amount that must be used to calculate the PCORI fee for policy years and plan years that end on or after October 1, 2019, and before October 1, 2020, is \$2.54.

**PCORI FEE FOR POLICY/PLAN YEARS ENDING IN 2019**

For employers that are fully insured, the medical plan insurer remits the fee on the employer’s behalf. Self-funded employers and fully insured employers with an HRA (which is self-funded), must directly remit the applicable PCORI fee using IRS Form 720 no later than July 31st of the calendar year immediately following the last day of the plan year. Please refer to the schedule below for PCORI fees due by July 31, 2020:

Plan Year	Fee	When
2/1/18 to 1/31/19	\$2.45/ average covered life	7/31/2020
3/1/18 to 2/28/19		
4/1/18 to 3/31/19		
5/1/18 to 4/30/19		
6/1/18 to 5/31/19		
7/1/18 to 6/30/19		
8/1/18 to 7/31/19		
9/1/18 to 8/31/19		
10/1/18 to 9/30/19		
11/1/18 to 10/31/19	\$2.54 / average covered life	
12/1/18 to 11/30/19		
1/1/19 to 12/31/19		

The recently updated IRS Form 720 can be found [here](#).

## DON'T FORGET THE HEALTH REIMBURSEMENT ARRANGEMENT

**Fully-insured medical plans with a self-funded HRA, must remit payment on IRS Form 720 for the self-funded HRA. However, in the case of an HRA, employers need only pay the fee based on actual participants (not dependents) enrolled in the HRA. Self-funded medical plans are not required to submit a separate HRA fee if the HRA has the same plan year as the self-funded medical plan.**

Stand-alone vision and dental plans are not subject to the PCORI fee.

The fee also applies to FSA plans only in those cases where the plan sponsor makes FSA contributions on behalf of its employees that exceeds either 2x the employee's salary reduction or, if greater, \$500 per year. (This is rare)

## DETERMINING THE PCORI FEE HEADCOUNT

Self-funded employers and fully-insured employers with an HRA can determine their headcounts using one of the three following methods:

- **Actual count**—add the total lives covered each day of the plan year and divide by the number of days in the plan year.
- **Snapshot method**—add the number of total lives covered by the plan on a date during each quarter and then divide that total by four. The date in the second, third and fourth quarter must be within three days of the date used in the first quarter. All dates must be the same plan year.
  - **Snapshot factor**—the number of lives covered on a date is equal to the sum of the number of participants with self only coverage on that date and the number of participants with coverage other than self-only coverage on that date multiplied by 2.35.
  - **Snapshot count**—the number of lives equals the actual number of lives covered on the designated date.
- **Form 5500**—a plan sponsor may determine the average number of lives for a plan year based on the number of participants reported on the Form 5500 filed for that plan year. This method can only be used if the Form 5500 is filed no later than the date for paying the PCORI fee (7/31).

***RAS NOTE:** The IRS indicates in Notice 2020-44 that for plan years ending on or after October 1, 2019, and before October 1, 2020, plan sponsors may use any reasonable method for calculating the average number of covered lives, provided it is applied consistently for the duration of the plan year.*

## PCORI BACKGROUND

Rusty on what the PCORI fee is all about?

The ACA established the Patient Centered Outcomes Research Institute (PCORI) as a private, nonprofit corporation to advance comparative clinical effectiveness research and to make available the findings of this research to assist patients, clinicians and health care policy makers in making informed health decisions.

Comparative effectiveness research focuses on clinical effectiveness and health outcomes. It does NOT focus on cost effectiveness.

The ACA also established the PCORI Trust Fund as the funding source for the PCORI and additional new fees on health insurers and self-funded health plan sponsors to finance the PCORI Trust.

PCORI fees paid by health insurers are passed on to employer plan sponsors in the form of increased premium rates. Self-funded employer plan sponsors pay applicable PCORI fees directly.

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