

2016 HR & Benefits Compliance Alert



REMINDER: PCORI Fees Due by August 1, 2016

Employers that sponsor self-insured group health plans, including health reimbursement arrangements (HRAs) should keep in mind the upcoming August 1, 2016 deadline for paying fees that fund the Patient-Centered Outcomes Research Institute (PCORI). As background, PCORI was established as part of health care reform to conduct research to evaluate the effectiveness of medical treatments, procedures and strategies that treat, manage, diagnose or prevent illness or injury. PCORI fees were first due in July 2013 for plan years that ended on or after October 1, 2012. Under health care reform, most employer sponsors and insurers will be required to pay PCORI fees until 2019.

The amount of PCORI fees due by employer sponsors and insurers is based upon the number of covered lives under each “applicable self-insured health plan” and “specified health insurance policy” (as defined by regulations) and the plan or policy year end date.

- For plan years that ended between January 1, 2015 and September 30, 2015, the fee is \$2.08 per covered life and is due by August 1, 2016.
- For plan years that ended between October 1, 2015 and December 31, 2015, the fee is \$2.17 per covered life and is due by August 1, 2016.
- The fee is payable by August 1, 2016 for any plan years ending in 2015.

NOTE: The insurance carrier is responsible for paying the PCORI fee on behalf of a fully insured plan. The employer is responsible for paying the fee on behalf of a self-insured plan, including an HRA. In general, health FSAs are not subject to the PCORI fee.

Employers that sponsor self-insured group health plans must report and pay PCORI fees using [IRS Form 720, Quarterly Federal Excise Tax Return](#).

Note that because the PCORI fee is assessed on the plan sponsor of a self-insured plan, it should not be included in the premium equivalent rate that is developed for self-insured plans if the plan includes employee contributions. However, an employer’s payment of PCORI fees is tax deductible as an ordinary and necessary business expense.

Historical Information for Prior Years

- For plan years that ended between January 1, 2014 and September 30, 2014, the fee was \$2 per covered life and was due by July 31, 2015.

- For plan years that ended between October 1, 2013 and December 31, 2013, the fee was \$2 per covered life and was due by July 31, 2014.
- For plan years that ended between January 1, 2013 and September 30, 2013, the fee was \$1 per covered life and was due by July 31, 2014.
- For plan years that ended between October 1, 2012 and December 31, 2012, the fee was \$1 per covered life and was due by July 31, 2013.

Counting Methods for Self-Insured Plans

Plan sponsors may choose from three methods when determining the average number of lives covered by their plans.

Actual Count method. Plan sponsors may calculate the sum of the lives covered for each day in the plan year and then divide that sum by the number of days in the year.

Snapshot method. Plan sponsors may calculate the sum of the lives covered on one date in each quarter of the year (or an equal number of dates in each quarter) and then divide that number by the number of days on which a count was made. The number of lives covered on any one day may be determined by counting the actual number of lives covered on that day or by treating those with self-only coverage as one life and those with coverage other than self-only as 2.35 lives (the “*Snapshot Factor method*”).

Form 5500 method. Sponsors of plans offering self-only coverage may add the number of employees covered at the beginning of the plan year to the number of employees covered at the end of the plan year, in each case as reported on Form 5500, and divide by 2. For plans that offer more than self-only coverage, sponsors may simply add the number of employees covered at the beginning of the plan year to the number of employees covered at the end of the plan year, as reported on Form 5500.

Special rules for HRAs. The plan sponsor of an HRA may treat each participant’s HRA as covering a single covered life for counting purposes, and therefore, the plan sponsor is not required to count any spouse, dependent or other beneficiary of the participant. If the plan sponsor maintains another self-insured health plan with the same plan year, participants in the HRA who also participate in the other self-insured health plan only need to be counted once for purposes of determining the fees applicable to the self-insured plans.

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