

REMINDER: PCORI FEES DUE BY JULY 31, 2018

Employers that sponsor self-insured group health plans, including health reimbursement arrangements (HRAs) should keep in mind the upcoming July 31, 2018 deadline for paying fees that fund the Patient-Centered Outcomes Research Institute (PCORI). As background, the PCORI was established as part of the Affordable Care Act (ACA) to conduct research to evaluate the effectiveness of medical treatments, procedures and strategies that treat, manage, diagnose or prevent illness or injury. Under the ACA, most employer sponsors and insurers will be required to pay PCORI fees until 2019 (the fee does not apply to plan years ending on or after October 1, 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. This year, employers will pay the fee for plan years ending in 2017.

- For plan years that ended between January 1, 2017 and September 30, 2017, the fee is \$2.26 per covered life and is due by July 31, 2018.
- For plan years that ended between October 1, 2017 and December 31, 2017, the fee is \$2.39 per covered life and is due by July 31, 2018.

For example, a plan year that ran from July 1, 2016 through June 30, 2017 will pay a fee of \$2.26 per covered life. Calendar year 2017 plans will pay a fee of \$2.39 per covered life.

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 generally 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 October 1, 2016 and December 31, 2016, the fee is \$2.26 per covered life and was due by July 31, 2017.
- For plan years that ended between January 1, 2016 and September 30, 2016, the fee is \$2.17 per covered life and was due by July 31, 2017.
- For plan years that ended between October 1, 2015 and December 31, 2015, the fee was \$2.17 per covered life and was due by August 1, 2016.
- For plan years that ended between January 1, 2015 and September 30, 2015, the fee was \$2.08 per covered life and was due by August 1, 2016.
- For plan years that ended between October 1, 2014 and December 31, 2014, the fee was \$2.08 per covered life and was due by July 31, 2015.
- 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.

The information contained herein is for general informational purposes only and does not constitute legal or tax advice regarding any specific situation. Any statements made are based solely on our experience as consultants. Marsh & McLennan Agency LLC shall have no obligation to update this publication and shall have no liability to you or any other party arising out of this publication or any matter contained herein.

About the Author. This alert was prepared for Marsh & McLennan Agency by Marathas Barrow Weatherhead Lent LLP, a national law firm with recognized experts on the Affordable Care Act. Contact Peter Marathas or Stacy Barrow at pmarathas@marbarlaw.com or sbarrow@marbarlaw.com.

The information provided in this alert is not intended to be, and shall not be construed to be, either the provision of legal advice or an offer to provide legal services, nor does it necessarily reflect the opinions of the agency, our lawyers or our clients. This is not legal advice. No client-lawyer relationship between you and our lawyers is or may be created by your use of this information. Rather, the content is intended as a general overview of the subject matter covered. This agency and Marathas Barrow Weatherhead Lent LLP are not obligated to provide updates on the information presented herein. Those reading this alert are encouraged to seek direct counsel on legal questions. © 2018 Marathas Barrow Weatherhead Lent LLP. All Rights Reserved.