



Legislative and Regulatory Updates



Comparative Effectiveness Tax (PCORI Fee) Information for Filing in July 2017

Overview

The Affordable Care Act (ACA) includes provisions to promote research by the Patient-Centered Outcomes Research Institute (PCORI) that will provide information on the relative strengths and weaknesses of various medical interventions. This initiative is being funded by a tax that must be paid by insurers and plan sponsors of self-funded health plans. Per [IRS Guidance](#), for self-insured and/or self-funded plans ending in 2016, **filing and payment must be submitted to the IRS by July 31, 2017**. The fees owed in 2017 are as follows:

- For plan years* ending on or after October 1, 2015, and before October 1, 2016: \$2.17 per covered life
- For plan years* ending on or after October 1, 2016, and before October 1, 2017: \$2.26 per covered life

**Plan year' is generally the 12-month period stated in the Summary Plan Description, or for plans filing a Form 5500, the plan year stated in that filing. NOTE: The plan year may be different from the benefit year or the renewal period.*

How to Access Your PCORI Reports

In an effort to assist you with this filing, MedCost has calculated the average number of covered lives for your appropriate plan year utilizing [three of the calculation methods permitted by the ACA](#): the *Actual Count Method* (daily), the *Snapshot Method* (monthly), and the *Snapshot Factor Method*.

The reports containing these calculations for your plan will be available on the secure [employer portal](#) of the MedCost website by May 19, 2017.

To access your files:

- Go to www.MedCost.com.
- Click on "Employers Login" in left sidebar.
- Enter your username and password.

- Choose “Employer Reports.”
- Select the “PCORI Reports” folder.
- Choose the current report.

You may elect to use any method to calculate your tax liability; simply multiply the number titled ‘average number of covered lives’ by the appropriate fee (based on your plan year end date).

As noted above, the filing and payment must be submitted to the IRS by July 31, 2017.

How to Pay PCORI Fees

Under the Internal Revenue Service (IRS) final rule, plan sponsors are responsible for paying the fee, which is treated as an excise tax by the IRS. A Quarterly Federal Excise Tax Return (Form 720) must be used when reporting liability for the fee. The form can be accessed at <http://www.irs.gov/pub/irs-pdf/f720.pdf>. Instructions for completing and filing the form can be accessed at <http://www.irs.gov/pub/irs-pdf/i720.pdf>. Completion of the form is quite simple; only the relevant parts of the form need to be completed, which include:

- Identifying information at the beginning of the form
- Part II, line 133 (“Applicable self-insured plans” line)
- Part III, items 3 and 10
- The signature section
- The voucher form, if the form is mailed
- The form may be filed electronically or mailed to:

Department of the Treasury
Internal Revenue Service
Cincinnati, OH 45999-0009

Additional Tips

The following information may be helpful in determining your tax obligation under the PCORI provision:

- The plan sponsor must apply a single calculation method in determining the average number of lives covered under the plan for the entire plan year. However, the plan sponsor is not required to use the same method from one plan year to the next.
- A self-insured Health Reimbursement Account (HRA) is not subject to a separate fee if the HRA is integrated with another applicable self-insured health plan that provides major medical coverage. The HRA and the other plan must be established or maintained by the same plan sponsor with the same plan year. However, if a self-insured HRA is integrated with an **insured** group health plan, then the fee must be paid for both the self-insured product and the insured product.
- Excepted benefits (as defined under section 9832c of the U.S. Code) are exempt from the fee, as is a health Flexible Spending Account (FSA) that satisfies the requirements of an excepted benefit.
- If a HRA or health FSA is determined to be subject to the fee, the regulation permits the plan sponsor to assume one covered life for each employee with a HRA and for each employee with a health FSA (due to the unavailability of information on the dependent lives covered under a HRA or health FSA).
- All plans that provide medical coverage to employees owe this fee. The insurer/carrier for fully insured plans will pay the fee. (It is usually passed on to the plan.) The plan sponsor for self-funded plans will pay the fee. There is no exception for small employers, or for government, church or not-for-profit plans, nor for grandfathered plans or union plans. The fee is tax-deductible.
- For more information, see:

An IRS FAQ: <https://www.irs.gov/uac/Patient-Centered-Outcomes-Research-Trust-Fund-Fee:-Questions-and-Answers>

An IRS chart that shows which plans owe the fee: <https://www.irs.gov/uac/Application-of-the-Patient-Centered-Outcomes-Research-Trust-Fund-Fee-to-Common-Types-of-Health-Coverage-or-Arrangements>

NOTE: The information we have provided is related to the self-funded group health plan that MedCost Benefit Services administers for you. You may have additional tax obligations for other benefit plans that you offer to your employees. Please consult with your tax advisor for guidance.

If you have questions about any of this information, please contact your Account Manager or the Compliance Staff at MedCost Benefit Services.

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