



Health Care Reform

LEGISLATIVE BRIEF

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Reporting and Paying the PCORI Fees

The Affordable Care Act (ACA) requires health insurance issuers and sponsors of self-insured health plans to pay Patient-Centered Outcomes Research Institute fees (PCORI fees). The fees are reported and paid annually using [IRS Form 720](#) (Quarterly Federal Excise Tax Return).

For plan years ending in 2015, PCORI fees will be due by **July 31, 2016**. IRS [instructions](#) for filing form 720, which were revised in January 2015, include information on reporting and paying the PCORI fees.

OVERVIEW OF THE PCORI FEE

The ACA created the Patient-Centered Outcomes Research Institute to help patients, clinicians, payers and the public make informed health decisions by advancing comparative effectiveness research. The Institute's research is funded, in part, through fees paid by health insurance issuers and self-insured health plan sponsors. These fees are widely known as PCORI fees, although they may also be called PCOR fees or comparative effectiveness research (CER) fees.

The PCORI fees apply for **plan years ending on or after Oct. 1, 2012**, but do *not* apply for **plan years ending on or after Oct. 1, 2019**. For calendar year plans, the fees will be effective for the 2012 through 2018 plan years. Issuers and plan sponsors will be required to pay the PCORI fees annually on IRS Form 720 by July 31 of each year. It will generally cover plan years that end during the preceding calendar year. **Thus, for plan years ending in 2015, PCORI fees will be due by July 31, 2016.**

REPORTING THE PCORI FEE ON FORM 720

Issuers and plan sponsors will file Form 720 annually to report and pay the PCORI fee, no later than July 31 of the calendar year following the policy or plan year to which the fee applies. The PCORI fee applies separately to "specified health insurance policies" and "applicable self-insured health plans," and is based on the average number of lives covered under the plan or policy.

Using Part II, Number 133 of Form 720, issuers and plan sponsors will be required to report the average number of lives covered under the plan separately for specified health insurance policies and applicable self-insured health plans. That number is then multiplied by the applicable rate for that tax year, as follows:

- **\$1** for plan years ending before Oct. 1, 2013 (that is, 2012 for calendar year plans).
- **\$2** for plan years ending on or after Oct. 1, 2013, and before Oct. 1, 2014.
- **\$2.08** for plan years ending on or after Oct. 1, 2014, and before Oct. 1, 2015 (see [Notice 2014-56](#)).
- **\$2.17** for plan years ending on or after Oct. 1, 2015, and before Oct. 1, 2016 (see [Notice 2015-60](#)).
- For plan years ending on or after Oct. 1, 2016, and before Oct. 1, 2019, the rate will increase for inflation.

The fees for specified health insurance policies and applicable self-insured health plans are then combined to equal the total tax owed.

Issuers or plan sponsors that file Form 720 only to report the PCORI fee will not need to file Form 720 for the first, third or fourth quarter of the year. Issuers or plan sponsors that file Form 720 to report quarterly excise tax liability

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for the first, third or fourth quarter of the year (for example, to report the foreign insurance tax) should not make an entry on the line for the PCORI tax on those filings.

CORRECTIONS AND AMENDMENTS

The final regulations did not explicitly address whether plan sponsors may correct or amend a previously filed Form 720 if certain errors are made (for example, miscalculations related to covered lives or fee amounts due). However, they did note that the penalties related to late filing of Form 720 or late payment of the fee **may be waived or abated** if the issuer or plan sponsor has reasonable cause and the failure was not due to willful neglect.

In addition, plan sponsors may use [Form 720X](#), "**Amended Quarterly Federal Excise Tax Return**," to adjust liabilities reported on a previously filed Form 720, including adjustments that result in an overpayment. Form 720X and the accompanying instructions do not specifically identify or refer to the PCORI fees. However, there is space to include an explanation of adjustments, which plan sponsors can use to identify the PCORI fee.

MORE INFORMATION

Please contact Morris & Reynolds Insurance for more information on PCORI fees.

This Legislative Brief is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice.

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