

ACA COMPLIANCE BULLETIN



PCORI Fees Reinstated Through 2029

A federal [spending bill](#) enacted at the end of 2019 included several provisions affecting benefit plans. The bill repealed three major taxes and fees under the Affordable Care Act (ACA)—the Cadillac tax, the medical devices excise tax and the health insurance providers fee.

The law also **extended the PCORI fees for an additional 10 years**. These fees will continue to apply for the **2020-2029 fiscal years**.

Overview

The ACA created the Patient-Centered Outcomes Research Institute (PCORI) 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, by fees paid by health insurance issuers and sponsors of self-insured health plans.

Under the ACA, the PCORI fees were scheduled to apply to policy or plan years ending on or after Oct. 1, 2012, and before Oct. 1, 2019. The PCORI fee is calculated based on the average number of lives covered under the policy or plan. The fee amount is set by the IRS each year, and was **\$2.45 per covered life** for 2018.

Action Steps

- Determine which employee benefit plans are subject to the PCORI fees.
- Assess plan funding status (insured vs. self-insured) to determine whether the employer or a health policy issuer is responsible for the fees.
- For any self-insured plans, select an approach for calculating average covered lives.

Provided to you by **Chelko Consulting Group**

Important Dates

Oct. 1, 2019

The PCORI fees were scheduled to expire for policy or plan years ending on or after Oct. 1, 2019.

2020-2029 Fiscal Years

Under the new law, the PCORI fees will now apply for the 2020-2029 fiscal years.

July 31, 2020

PCORI fees are required to be paid annually on IRS Form 720 by July 31 of each year. The next PCORI fee payment will be due July 31, 2020.





PCORI Fees Reinstated Through 2029

Paying PCORI Fees

PCORI fees are reported and paid annually using [IRS Form 720](#) (Quarterly Federal Excise Tax Return). These fees are due each year by July 31 of the year following the last day of the plan year. It will generally cover plan years that end during the preceding calendar year.

For plan years ending in 2018, the PCORI fees were due by July 31, 2019. For plan years ending in 2019, the next PCORI fee payment will be due July 31, 2020. The IRS [instructions](#) for filing form 720 include information on reporting and paying the PCORI fees.

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](#)).
- **\$2.26** for plan years ending on or after Oct. 1, 2016, and before Oct. 1, 2017 (see [Notice 2016-64](#)).
- **\$2.39** for plan years ending on or after Oct. 1, 2017, and before Oct. 1, 2018 (see [Notice 2017-61](#)).
- **\$2.45** for plan years ending on or after Oct. 1, 2018, and before Oct. 1, 2019 (see [Notice 2018-85](#)).

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