

## PCORI Fees

### Introduction

The Patient-Centered Outcomes Research Institute (PCORI) Fee was created by the Patient Protection and Affordable Care Act (ACA). It is a per-covered life fee paid by certain health insurers and sponsors of self-funded health plans to fund the Patient-Centered Outcomes Research Institute. Fees were originally calculated by multiplying the average number of covered lives under each plan or policy by \$1. The multiplier increased to \$2 for the second year and is indexed for inflation thereafter. The fee was scheduled to sunset with plan years ending after September 30, 2019 but was extended to plan or policy years beginning through October 1, 2028 (ending after 9/30/29).

### At a Glance

|       | Amount   | Plans Impacted |                    |                    | Penalties  | Notes   |
|-------|--|----------------|--------------------|--------------------|--|---|
|       |  | Medical        | Dental             | Vision             |  |   |
| PCORI | \$3.84 PMPY for plan years that end on or after October 1, 2025, and before October 1, 2026 (indexed thereafter) | All plans      | Non-excepted plans | Non-excepted plans | No express statutory or regulatory penalty; However, since the PCORI fee is filed and paid as an excise tax on IRS Form 720, there could be penalties for failing to pay the tax or file a return. | Originally applied for 7 plan years but the fee was extended an additional 10 years.<br><br>Due 7/31 with IRS Form 720.<br><br>Self-funded plans must submit directly.<br><br>Limited non- duplication rule applies to self-funded plans (e.g., if you have a self- funded medical and dental plan, the fee is paid for one plan only, as long as the plans have the same plan year.) |

### Amount and due date of Fee

|   | Plan Year   | Due Date   | Amount*                 |
|---|---|------------|-------------------------|
| 1 | Plan years beginning 11/1/11 (ending 10/31/12) through 1/1/12 (ending 12/31/12) | 07/31/2013 | \$1 per covered life    |
| 1 | Plan years beginning 2/1/12 (ending 1/31/13) through 10/1/12 (ending 9/30/13)   | 07/31/2014 | \$1 per covered life    |
| 2 | Plan years beginning 11/1/12 (ending 10/31/13) through 1/1/13 (ending 12/31/13) | 07/31/2014 | \$2 per covered life    |
| 2 | Plan years beginning 2/1/13 (ending 1/31/14) through 10/1/13 (ending 9/30/14)   | 07/31/2015 | \$2 per covered life    |
| 3 | Plan years beginning 11/1/13 (ending 10/31/14)through 1/1/14 (ending 12/31/14)  | 07/31/2015 | \$2.08 per covered life |
| 3 | Plan years beginning 2/1/14 (ending 1/31/15) through 10/1/14 (ending 9/30/15)   | 07/31/2016 | \$2.08 per covered life |
| 4 | Plan years beginning 11/1/14 (ending 10/31/15) through 1/1/15 (ending 12/31/15) | 07/31/2016 | \$2.17 per covered life |

|    |   |            |                         |
|----|---|------------|-------------------------|
| 4  | Plan years beginning 2/1/15 (ending 1/31/16) through 10/1/15 (ending 9/30/16)   | 07/31/2017 | \$2.17 per covered life |
| 5  | Plan years beginning 11/1/15 (ending 10/31/16) through 1/1/16 (ending 12/31/16) | 07/31/2017 | \$2.26 per covered life |
| 5  | Plan years beginning 2/1/16 (ending 1/31/17) through 10/1/16 (ending 9/30/17)   | 07/31/2018 | \$2.26 per covered life |
| 6  | Plan years beginning 11/1/16 (ending 10/31/17) through 1/1/17 (ending 12/31/17) | 07/31/2018 | \$2.39 per covered life |
| 6  | Plan years beginning 2/1/17 (ending 1/31/18) through 10/1/17 (ending 9/30/18)   | 07/31/2019 | \$2.39 per covered life |
| 7  | Plan years beginning 11/1/17 (ending 10/31/18) through 1/1/18 (ending 12/31/18) | 07/31/2019 | \$2.45 per covered life |
| 7  | Plan years beginning 2/1/18 (ending 1/31/19) through 10/1/18 (ending 9/30/19)   | 07/31/2020 | \$2.45 per covered life |
| 8  | Plan years beginning 11/1/18 (ending 10/31/19) through 1/1/19 (ending 12/31/19) | 07/31/2020 | \$2.54 per covered life |
| 8  | Plan years beginning 2/1/19 (ending 1/31/20) through 10/1/19 (ending 9/30/20)   | 07/31/2021 | \$2.54 per covered life |
| 9  | Plan years beginning 11/1/19 (ending 10/31/20) through 1/1/20 (ending 12/31/20) | 07/31/2021 | \$2.66 per covered life |
| 9  | Plan years beginning 2/1/20 (ending 1/31/21) through 10/1/20 (ending 9/30/21)   | 07/31/2022 | \$2.66 per covered life |
| 10 | Plan years beginning 11/1/20 (ending 10/31/21) through 1/1/21 (ending 12/31/21) | 07/31/2022 | \$2.79 per covered life |
| 10 | Plan years beginning 2/1/21 (ending 1/31/22) through 10/1/21 (ending 9/30/22)   | 07/31/2023 | \$2.79 per covered life |
| 11 | Plan years beginning 11/1/21 (ending 10/31/22) through 1/1/22 (ending 12/31/22) | 07/31/2023 | \$3.00 per covered life |
| 11 | Plan years beginning 2/1/22 (ending 1/31/23) through 10/1/22 (ending 9/30/23)   | 07/31/2024 | \$3.00 per covered life |
| 12 | Plan years beginning 11/1/22 (ending 10/31/23) through 1/1/23 (ending 12/31/23) | 07/31/2024 | \$3.22 per covered life |
| 12 | Plan years beginning 2/1/23 (ending 1/31/24) through 10/1/23 (ending 9/30/24)   | 07/31/2025 | \$3.22 per covered life |
| 13 | Plan years beginning 11/1/23 (ending 10/31/24) through 1/1/24 (ending 12/31/24) | 07/31/2025 | \$3.47 per covered life |
| 13 | Plan years beginning 2/1/24 (ending 1/31/25) through 10/1/24 (ending 9/30/25)   | 07/31/2026 | \$3.47 per covered life |
| 14 | Plan years beginning 11/1/24 (ending 10/31/25) through 1/1/25 (ending 12/31/25) | 07/31/2026 | \$3.84 per covered life |
| 14 | Plan years beginning 2/1/25 (ending 1/31/26) through 10/1/25 (ending 9/30/26)   | 07/31/2027 | \$3.84 per covered life |
| 15 | Plan years beginning 11/1/25 (ending 10/31/26) through 1/1/26 (ending 12/31/26) | 07/31/2027 | TBD                     |
| 15 | Plan years beginning 2/1/26 (ending 1/31/27) through 10/1/26 (ending 9/30/27)   | 07/31/2028 | TBD                     |
| 16 | Plan years beginning 11/1/26 (ending 10/31/27) through 1/1/27 (ending 12/31/27) | 07/31/2028 | TBD                     |
| 16 | Plan years beginning 2/1/27 (ending 1/31/28) through 10/1/27 (ending 9/30/28)   | 07/31/2029 | TBD                     |

|    |   |            |     |
|----|---|------------|-----|
| 17 | Plan years beginning 11/1/27 (ending 10/31/28) through 1/1/28 (ending 12/31/28) | 07/31/2029 | TBD |
| 17 | Plan years beginning 2/1/28 (ending 1/31/29) through 10/1/28 (ending 9/30/29)   | 07/31/2030 | TBD |

\*Calculation includes employees, dependents, and COBRA subscribers.

## Plans Subject to the PCORI Fee

| Plan   | Subject to PCORI Fee  |
|--|---|
| Medical/Rx   | Yes, both fully-insured and self-funded plans<br>Includes retiree-only plans and group plans sponsored by governmental agencies/public entities   |
| Separate prescription drug benefits — self-insured | Yes, the “non-duplication” rule can reduce (or eliminate) the amount owed, if the employer also maintains a separate self-insured health plan with the same plan year (see below)   |
| Stand-alone dental and vision                      | No, if the coverage is a HIPAA excepted benefit (see box below)   |
| Governmental                                       | Yes, however an exempt governmental program includes: (1) Medicare; (2) Medicaid; (3) Children’s Health Insurance Program; (4) Armed Forces or veterans’ coverage; and (5) certain medical care to members of Indian tribes |
| Stop Loss  | No  |
| Expatriate Policy                                  | No, if the policy was issued to cover employees working and residing outside of the US  |
| EAP, disease management, wellness programs         | No, as long as the plan does not provide “significant benefits in the nature of medical care or treatment.”   |
| Health FSA   | No, if the coverage is a HIPAA excepted benefit (see box below)   |
| HRA - Stand alone                                  | Yes, including retiree-only HRAs  |
| HRA - Integrated                                   | Yes, “non-duplication” rule can reduce or eliminate the amount due if employer maintains a separate self-insured health plan with the same plan year (see below).   |

### Q. What is a HIPAA Excepted Benefit?

**A.** For limited scope benefits (like dental and vision), if there is a separate fully-insured contract for the plan, it is an excepted benefit. For self-funded dental and vision plans, the participant has to be able to elect or decline the benefit separately (i.e., it is not bundled with another plan such as medical) OR the benefit must be administered separately from major medical coverage. Post-healthcare reform, virtually all health FSAs are HIPAA excepted benefits.

## Calculating and Submitting the Fee

### Fully Insured Plans

The Insurance carrier is responsible for calculating and submitting the PCORI Fee. For a detailed description of how an insurer calculates the number of lives, please refer to the [IRS guidance](#).

### Self-funded Plans

For a self-funded plan, the “plan sponsor” (usually employer) is responsible for calculating and submitting the PCORI Fee. The determination is made once per year, after the end of the plan year. The PCORI Fee only applies to individuals residing in the United States.

### Non-Duplication Rule (Self-funded plans only)

If an employer offers two or more self-funded plans and both have the same plan year, an employer may treat them as a single health plan when calculating the PCORI Fee. If the same “life” (i.e., enrollee) is covered

under each plan, he/she counts as only one "covered life", not two covered lives. If an employer has self-funded and fully insured plans or if the self-funded plans have different plan years, the fee will be paid twice.

## Methods for Calculating Covered Lives

### Actual count method

- $(\text{Add \# lives (employees + dependents) covered on each day of the plan year}) \div \# \text{ days in the plan year}$

### 5500 method

- Using numbers reported on 500 Employer covers employees and dependents
- Add # employees covered on 1<sup>st</sup> and last day of plan year Employer covers employees only
- $(\text{Add \# employees covered on 1}^{\text{st}} \text{ and last day of plan year}) \div 2$

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**IMPORTANT:** A plan sponsor only may use this method if the Form 5500 is filed no later than the due date for the fee imposed for that plan year. Counts that reflect employees covered by plans that are not subject to the fee must be adjusted.

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### Snapshot general method

- $(\text{Add \# lives (employees + dependents) covered on a specific day}^* \text{ of each quarter of plan year}) \div 4$

### Snapshot factor method

- $[\text{Add \# employee only units covered for on a specific day}^* \text{ of each quarter of plan year} + (\# \text{ family units}^{**} \text{ covered for on a specific day}^* \text{ of each quarter of plan year} \times 2.35)] \div 4$

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\*Snapshot methods note: Date used in the second, third, and fourth quarters must be within three days of the corresponding date chosen in the first quarter. For example, if an employer chooses January 7 as the counting date in the first quarter, the employer may use any date from April 4-10 as the counting date for the second quarter.

\*\*Family units is defined as any unit other than employee-only.

\*\*\* Snapshot factor method often yields the most favorable results

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## Special Rule for HRAs and Health FSAs

When counting lives in an HRA each participant can be treated as a single life, regardless of how many other individuals (e.g., spouse, dependents, and other beneficiaries) are actually covered. The plan sponsor is not required to include those other individuals as "lives" under these plans and is only required to count the employee lives. The plan sponsor can ignore spouses, dependents, and any other beneficiaries and can treat each participant's HRA as covering one life. This only applies to HRA plans that are not disregarded under the non-duplication rule.

## Submitting the Fee

The fee is submitted along with IRS Form 720, a quarterly federal excise tax return. For information on the form including detailed directions, please visit the [IRS website](#).

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