

CLIENT | ALERT



Client Alert Applies To: Self-Funded, Fully-Funded, Large Group, and Small Group

June 9th, 2020

Reminder – 2019 PCORI Filing Due Soon

Summer means PCORI season! Under the Affordable Care Act, the PCORI fee was imposed for plan years ending on or after Oct. 1, 2012, and before Oct. 1, 2019. Unfortunately, in legislation passed earlier this year, the PCORI fee was extended for an additional ten years.

While insurers pay the PCORI fee for fully-insured plans, employers sponsoring self-funded plans (this includes “level” self-funded plans) must report and pay the PCORI fee on behalf of the self-funded plan. Self-funded plans must report and pay PCORI by July 31 of the calendar year following the close of the plan year. For plan years ending in 2019, the fee is due by July 31, 2020.

PCORI fees are reported and paid using the IRS Form 720, for the second quarter of the calendar year. The Form 720 was revised in January of this year before the fee was extended and the PCORI section of the form (Part 2) references only plans with plan years ending between January 1 and September 30, 2019. While confusing, this format should not affect use of the form. The current updated form can be found here: <https://www.irs.gov/pub/irs-pdf/f720.pdf>

Plan sponsors and insurers subject to PCORI fees but not other types of excise taxes should file Form 720 only for the second quarter; no filings are needed for the other quarters. The PCORI fee can be paid electronically or mailed to the IRS with the Form 720 using a Form 720-V payment voucher for the second quarter. According to the IRS, the fee is tax-deductible as a business expense.

The chart below shows the applicable PCORI fee, and the Form 720 due date. It also contains the quarter ending date that should be reported on the first page of the Form 720 (month and year only per IRS instructions). In general, there are three methods a self-funded plan may use to determine the average number of covered lives. Detailed information on these methods can be found here: <https://www.irs.gov/newsroom/patient-centered-outcomes-research-institute-fee>. In addition, because of the recent extension of the tax, the IRS recently announced that for plan years ending on or after October 1, 2019, and before October 1, 2020, plan sponsors may use any reasonable method for calculating the average number of covered lives for a plan year ending during that period.

Plan Year End	PCORI Fee	Form 720 Due Date	Form 720 Ending Quarter
Plan years ending in January 2019 through September 2019	\$2.45 per covered life	July 31, 2020	June 2020
Plan years ending in October, November or December 2019	\$2.54 per covered life	July 31, 2020	June 2020

Remember, if you maintain a health reimbursement account (HRA) in conjunction with an insured plan, your HRA component is a self-funded plan and requires the annual PCORI reporting and payment. (If your HRA is linked to a self-funded health plan, your health plan PCORI reporting and payment covers the HRA).

You can find more information on PCORI at: <https://www.irs.gov/affordable-care-act/patient-centered-outcomes-research-trust-fund-fee-questions-and-answers>

Please visit www.moreton.com/news-events/ for more information and to view other client alerts. This Client Alert was written by Carolyn Cox, Moreton & Company's in-house corporate counsel who provides our clients with compliance services. For additional questions, please contact Carolyn at 801-715-7110 or ccox@moreton.com.

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