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Client Alert Applies To: Self-Funded

October 24th 2023

IRS Announces Annual PCORI Fee Adjustment

The IRS has announced the annual increase in Patient-Centered Outcomes Research Institute (PCORI) fees that must be paid by health insurers and self-insured health plan sponsors.¹ PCORI fees were established by the Affordable Care Act (ACA) and are used to support clinical effectiveness research. Because the ACA provision included an expiration date, PCORI fees originally were collected only for plan years ending before October 1, 2019. However, legislation enacted at the end of 2019 reinstated the PCORI provision, continuing the fee requirements through plan years ending before October 1, 2029.

The initial PCORI fee amount of \$2.00 is adjusted annually based on the percentage increase in projected per capita national health expenditures. The new adjusted applicable dollar amount for plan and policy years ending on or after October 1, 2023, and before October 1, 2024 (i.e., calendar year plans), is \$3.22. This is a \$0.22 increase from the amount in effect for plan and policy years ending on or after October 1, 2022, and before October 1, 2023. PCORI fees are calculated by multiplying the applicable dollar amount for the year by the plan's average number of covered lives.

PCORI fees are reported annually on the second quarter IRS Form 720 no later than July 31 of the calendar year immediately following the last day of the policy year or plan year to which the fee applies (i.e., July 31, 2024 for plan years ending in 2023). Self-funded plan sponsors should confirm that this important date is noted on their compliance calendars. (Insurers are responsible for paying the fee for insured employer group plans.)

¹ www.irs.gov/pub/irs-drop/n-23-70.pdf

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