

Fees For the Patient-Centered Outcomes Research Institute (“PCORI”)

FAQs for Sponsors of Health Reimbursement Accounts (“HRAs”)



What is PCORI?

PCORI is a private, non-profit corporation established by Section 6301 of the Patient Protection and Affordable Care Act (“PPACA”). Its purpose is to perform research that will help patients, medical providers, policy makers, and insurance companies make informed health decisions by comparing clinical effectiveness research findings.

How is PCORI being funded?

PCORI is being funded in part by a fee on the plan sponsors of applicable self-insured health plans. HRAs are considered self-insured health plans, unless they **only** provide reimbursement for excepted benefits such as vision or dental.

How long will the PCORI fee be in effect?

The fee will apply for plan years that end on or after October 1, 2012, and before October 1, 2019 for a total of seven plan years.

How will the PCORI fee be calculated?

The fee will be calculated based on the average number of covered lives. For plan years ending between October 1, 2012, and September 30, 2013, the fee will be \$1 times the average number of covered lives; for plan years ending between October 1, 2013, and September 30, 2014, it will be \$2 times the average number of covered lives. For the remaining five years of the imposition of the fee, it will be indexed to the percentage increase in the projected per capita amount of the National Health Expenditures most recently released by the Department of Health and Human Services.

How does an HRA plan sponsor determine “the average number of covered lives?”

The Treasury Department and the IRS have established a special rule for HRAs. If the HRA is the only self-insured plan offered by a plan sponsor, the plan sponsor may treat each participant’s HRA as covering a single life.

Are COBRA beneficiaries included in the calculation of the average number of covered lives?

Yes. COBRA beneficiaries are included in the calculation if they have exercised their right to continue paying the monthly HRA contribution.

Will Health New England (HNE) be paying PCORI fees?

Yes, under the regulations, HNE is considered an issuer of health insurance policies and is subject to the requirement to pay PCORI fees on its average number of covered lives for its fully-insured business.

Why must my company pay PCORI fees in addition to the fees being paid by HNE?

Under PPACA, the health plan that your company provides to its employees through HNE is considered an insured health plan that is separate from the HRA plan that your company provides. As stated earlier, most HRAs are considered to be separate *self-insured* plans that are also subject to the requirement to pay PCORI fees.

Can HNE pay the fee on behalf of my plan?

No. The Treasury Department and the IRS determined that the burden and complexity of establishing a system of third-party reporting or payment of the PCORI for self-insured groups would significantly outweigh the benefits of such a system. Therefore, the regulations do not permit third-party reporting or payment of the PCORI fee.

How does my plan report its liability for PCORI fees?

The liability for PCORI fees is to be reported by filing an IRS Form 720, "Quarterly Federal Excise Tax Return." The PCORI fee is considered to be an excise tax. For this and other reasons, HNE strongly advises sponsors of HRAs to consult with their tax advisors regarding this new fee imposed by PPACA.

When must my plan file Form 720?

The Form 720 must be filed by July 31 of the calendar year immediately following the last day of the plan year. This means that for plan years ending between October 1, and December 31, 2012, the first PCORI fees will be due and payable by July 31, 2013. For plan years ending during 2013, the first PCORI fees will be due and payable by July 31, 2014.