

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



## *FAQs for Self Insured Health Plans*

### **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.

### **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.

### **Does the PCORI fee apply to all self-insured plans?**

Yes. The PCORI fees are applied to sponsors of **all** self-insured plans, grandfathered plans, church plans, retiree-only plans, and government plans except for Medicare, Medicaid, the Children’s Health Insurance Program, and federal programs providing benefits to members of the armed forces, veterans, or members of Indian tribes.

### **How does a plan sponsor determine “the average number of covered lives?”**

The regulations implementing the PCORI fee provide three acceptable methods (with examples) for a plan sponsor to calculate “average number of covered lives.” Those three methods are:

- **The Actual Count Method:** adding the actual number of lives covered on each day of the plan year and dividing that total by the number of days in the plan year.
- **The Snapshot Method:** adding the actual number of lives covered on a selected date (or dates) in each quarter of the plan year and dividing that total by the number of dates on which a count was made.

- In using the Snapshot Method, the date(s) used in the second, third, and fourth quarters of the plan year must be within three days of the date(s) in that quarter that correspond to the date(s) used in the first quarter of the plan year. All dates must fall within the plan year.
- When using the Snapshot Method, the number of lives covered on a designated date can be determined in one of two ways:
  - *Snapshot Factor Method*: The sum of (i) participants with self-only coverage and (ii) participants with other than self-only coverage times 2.35, or
  - *Snapshot Count Method*: The actual number of lives covered on a designated date.
- **Form 5500 Method**: Based on the number of participants reported on the Form 5500 or Form 5500-SF filed by the plan sponsor. This method is only available for use if the plan sponsor has actually filed its Form 5500 or 5500-SF by the due date for the PCORI fee.
  - *For a plan offering self-only coverage*: the sum of the number of total participants at the beginning and end of the plan year divided by two.
  - *For a plan offering self-only coverage and coverage other than self-only*: the sum of the number of total participants at the beginning and end of the plan year.
- **Special rule for first year the fee is in effect**: For plan years beginning before July 11, 2012, and ending on or after October 1, 2012, a plan sponsor may use any reasonable method to determine the average number of covered lives.

*Note*: A plan sponsor must be consistent in the method it utilizes to calculate the average number of covered lives within any plan year, but may use a different method of calculation from one plan year to the next.

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

Yes. COBRA beneficiaries are included in the calculation.

**Will Health New England provide my plan with the data needed to calculate its PCORI fee liability?**

Yes, as your third-party administrator, Health New England will provide your plan with the data needed to calculate the average number of covered lives for any of the allowable calculation methods described above, if necessary.

**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, Health New England strongly advises that sponsors of self-insured health plans 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.

**Can Health New England file the Form 720 and 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.

**Please note:** HNE will file Form 720 and pay PCORI fees for its fully-insured groups.