

Legislative Brief

Health Care Reform - PCORI Fees

December 2015

2015 PCORI Fee Adjustment and Corrections

Quick Facts:

- The new adjusted PCORI fee amount for plan years ending on or after Oct. 1, 2015 and before Oct. 1, 2016 (e.g., 2015 calendar year plans) is **\$2.17** (up from \$2.08) multiplied by the average number of covered lives for the plan year.
- Although the final regulations did not explicitly address whether a previously filed Form 720 for PCORI fees may be amended or corrected (e.g., due to miscalculations related to covered lives or fee amounts due), it did note that penalties related to late filings or payment may be waived or abated for reasonable cause.
- Plan sponsors may use Form 720X to adjust liabilities reported on previously filed Form 720.

The Affordable Care Act (ACA) imposes a fee on health insurance issuers and self-funded plan sponsors in order to fund comparative effectiveness research. These fees are widely known as “Patient-Centered Outcomes Research Institute fees,” “PCOR fees” or “PCORI fees.”

On October 9, 2015, the Internal Revenue Service (IRS) published [Notice 2015-60](#) which provides the new adjusted PCORI fee amount. For plan years ending on or after Oct. 1, 2015, and before Oct. 1, 2016 (i.e., 2015 for calendar year plans), the PCORI fee amount is **\$2.17** (up from \$2.08) multiplied by the average number of covered lives for the plan year. **See the chart on pages 2 - 3 for the due date and fee applicable for your policy or plan year.** In the future, the IRS will publish the adjusted PCORI fee amount for plan years ending on or after Oct. 1, 2016, and before Oct. 1, 2019.

Overview of PCORI Fees

The PCORI fees apply for plan years ending on or after Oct. 1, 2012, but *do not apply* for plan years ending on or after Oct. 1, 2019. For example, for calendar year plans, the fees will be effective for the 2012 through 2018 plan years. Issuers and plan sponsors must pay PCORI fees annually on [IRS Form 720](#) by July 31 of each year. The IRS [instructions](#) for filing Form 720 includes information on reporting and paying the PCORI fees.

PCORI Fee Amount

PCORI fees are calculated by multiplying the **applicable rate** for each tax year by the average number of lives covered under the plan. The general rule requires a separate PCORI fee for each specified health insurance policy or applicable self-funded plan, and is based on the average number of lives covered under that plan or policy. The PCORI fee generally applies to all group health plans, but not to excepted benefits. See our prior [article](#) for information about the types of arrangements subject to the PCORI fee and exceptions to the general rule—e.g., there are special rules for multiple self-insured arrangements, health reimbursement accounts (HRAs) and health flexible spending accounts (health FSAs) .

Corrections and Amendments

Although the final regulations did not explicitly address whether plan sponsors may correct or amend a previously filed Form 720 if certain errors are made (e.g., miscalculations related to covered lives or fee amounts due), it did note that penalties related to late filings and/or payments of the fee may be waived or abated if the issuer or plan sponsor has reasonable cause and the failure was

not due to willful neglect. You may use [Form 720X](#), “Amended Quarterly Federal Excise Tax Return,” to adjust liabilities reported on a previously filed Form 720 (including any adjustments that result in an overpayment). While Form 720X and its instructions do not specifically identify or refer to the PCORI fees, there is space to include an explanation of adjustments, which plan sponsors can use to identify the PCORI fee. In the alternative, IRS informal guidance states that in the event corrections are needed after filing Form 720 for PCORI, write “Amended PCORI” at the top of the second filing.

PCORI FEE PERIODS AND PAYMENT SCHEDULE

Plan Year*	Annual Fee per covered life	When fee must be paid
November 1, 2011 through October 31, 2012	\$1	July 31, 2013
December 1, 2011 through November 30, 2012	\$1	July 31, 2013
January 1, 2012 through December 31, 2012	\$1	July 31, 2013
February 1, 2012 through January 31, 2013	\$1	July 31, 2014
March 1, 2012 through February 28, 2013	\$1	July 31, 2014
April 1, 2012 through March 31, 2013	\$1	July 31, 2014
May 1, 2012 through April 30, 2013	\$1	July 31, 2014
June 1, 2012 through May 31, 2013	\$1	July 31, 2014
July 1, 2012 through June 30, 2013	\$1	July 31, 2014
August 1, 2012 through July 31, 2013	\$1	July 31, 2014
September 1, 2012 through August 31, 2013	\$1	July 31, 2014
October 1, 2012 through September 30, 2013	\$1	July 31, 2014
November 1, 2012 through October 31, 2013	\$2	July 31, 2014
December 1, 2012 through November 30, 2013	\$2	July 31, 2014
January 1, 2013 through December 31, 2013	\$2	July 31, 2014
February 1, 2013 through January 31, 2014	\$2	July 31, 2015
March 1, 2013, through February 28, 2014	\$2	July 31, 2015
April 1, 2013 through March 31, 2014	\$2	July 31, 2015
May 1, 2013 through April 30, 2014	\$2	July 31, 2015
June 1, 2013 through May 31, 2014	\$2	July 31, 2015
July 1, 2013 through June 30, 2014	\$2	July 31, 2015
August 1, 2013 through July 31, 2014	\$2	July 31, 2015
September 1, 2013 through August 31, 2014	\$2	July 31, 2015
October 1, 2013 through September 30, 2014	\$2	July 31, 2015
November 1, 2013 through October 31, 2014	\$2.08	July 31, 2015
December 1, 2013 through November 30, 2014	\$2.08	July 31, 2015

January 1, 2014 through December 31, 2014	\$2.08	July 31, 2015
February 1, 2014 through January 31, 2015	\$2.08	July 31, 2016
March 1, 2014, through February 28, 2015	\$2.08	July 31, 2016
April 1, 2014 through March 31, 2015	\$2.08	July 31, 2016
May 1, 2014 through April 30, 2015	\$2.08	July 31, 2016
June 1, 2014 through May 31, 2015	\$2.08	July 31, 2016
July 1, 2014 through June 30, 2015	\$2.08	July 31, 2016
August 1, 2014 through July 31, 2015	\$2.08	July 31, 2016
September 1, 2014 through August 31, 2015	\$2.08	July 31, 2016
October 1, 2014 through September 30, 2015	\$2.08	July 31, 2016
November 1, 2014 through October 31, 2015	\$2.17	July 31, 2016
December 1, 2014 through November 30, 2015	\$2.17	July 31, 2016
January 1, 2015 through December 31, 2015	\$2.17	July 31, 2016
February 1, 2015 through January 31, 2016	\$2.17	July 31, 2017
March 1, 2015 through February 28, 2016	\$2.17	July 31, 2017
April 1, 2015 through March 31, 2016	\$2.17	July 31, 2017
May 1, 2015 through April 30, 2016	\$2.17	July 31, 2017
June 1, 2015 through May 31, 2016	\$2.17	July 31, 2017
July 1, 2015 through June 30, 2016	\$2.17	July 31, 2017
August 1, 2015 through July 31, 2016	\$2.17	July 31, 2017
September 1, 2015 through August 31, 2016	\$2.17	July 31, 2017
October 1, 2015 through September 30, 2016	\$2.17	July 31, 2017
November 1, 2015 through October 31, 2016	TBD	July 31, 2017
December 1, 2015 through November 30, 2016	TBD	July 31, 2017
January 1, 2016 through December 31, 2016	TBD	July 31, 2017

Fee continues each year, and expires for plans ending before 10/1/2019

The health care reform law—the Affordable Care Act (ACA)—has many complex requirements for employers and health plans. Please contact Kapnick Insurance Group with any questions about how you can prepare for any of the health care reform requirements. This Kapnick Insurance Group Update is not intended to be exhaustive nor should any discussion or opinions be construed as legal or tax advice. The information contained in this communication is intended to provide general information regarding health care reform and related topics, and is based on general information available at the time it was prepared. Readers should contact their tax and/or legal counsel for advice that is appropriate to their specific circumstances. This information cannot be used by any taxpayer to avoid tax penalties.

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