HR SERVICE Inc.

PCORI Fees Breakdown

2022

PCORI OVERVIEW

"PCORI" stands for Patient-Centered Outcomes Research Institute. The **PCORI fee (which** is also sometimes called the Comparative Effectiveness Research Fee, or CERF) is charged to health insurers and to employers offering self-insured plans, in order to fund the PCORI Trust Fund, a part of the Affordable Care Act. The **purpose of the Institute is to** conduct empirical research designed to improve the quality and relevance of evidence-based medicine. The PCORI fee was implemented in 2012 and is set to sunset in October 2029.

PCORI FEE DUE DATE

The PCORI fee is due by July 31 of the year following the end of the ERISA plan year. If the ERISA plan year and the renewal date differ, the ERISA date is the one to use.

PCORI FEE RATES

This amount is multiplied by the average number of insured participants (including dependents) during the overall plan year.

Plan years ending **on** or after...	but ending before:	Rate for each covered **person**
October 1, 2021	October 1, 2022	$2.79
October 1, 2020	October 1, 2021	$2.66
October 1, 2019	October 1, 2020	$2.54
October 1, 2018	October 1, 2019	$2.45
October 1, 2017	October 1, 2018	$2.39
October 1, 2016	October 1, 2017	$2.26
October 1, 2015	October **1,** 2016	$2.17

METHODS FOR CALCULATION – FULLY-INSURED PLANS

There are four accepted methods for calculating the number of participants covered by a fully-insured plan:

Member Months: Plan sponsors are permitted to calculate the average number of persons covered under the plan for the entire year and divide that number by 12.

State Form: Identical to Member Months method, but only applicable to those insured persons within a given state.

Snapshot: Plan sponsors may take a “snapshot” of the number of persons covered on any one day in a fiscal quarter, use the same day and month of each of the other quarters, and then average the four numbers together to determine a reporting result. For example, the sponsor may take the total coverage on the third Friday of the second month of each quarter (or the second Monday of the third month, or first Thursday, etc.), and use that same day/month calculation point for the other three quarters, and average these four numbers together.

Actual Count: Plan sponsors may take the total persons covered for each day of the plan year and then divide that amount by the number of days in the plan year to obtain an average.

It is permissible to change the method of calculation from one plan year to the next.

METHODS FOR CALCULATION – SELF-INSURED PLANS (INCLUDING HRA & FSA PLANS)

There are three accepted methods for calculating the number of participants covered by a self-insured plan:

Form 5500: Plan sponsors are permitted to use the data submitted on their annual Form 5500 “Annual Return/Report of Employee Benefit Plan” or Form 5500-SF “Short Form Annual Return/Report of Employee Benefit Plan for Small Employers”.

Snapshot: Plan sponsors may take a “snapshot” of the number of persons covered on any one day in a fiscal quarter, use the same day and month of each of the other quarters, and then average the four numbers together to determine a reporting result. For example, the sponsor may take the total coverage on the third Friday of the second month of each quarter (or the second Monday of the third month, or first Thursday, etc.), use that same day/month calculation point for the other three quarters, and average these four numbers together.

Actual Count: Plan sponsors may take the total persons covered for each day of the plan year and then divide that amount by the number of days in the plan year to obtain an average.

If the plan covers the fees for the HRA or FSA programs, the fee is just paid once and is paid only for the employee, not for dependent spouses or children. This also holds true for COBRA participants and retirees who participate in an HRA or FSA plan.

If an employee participates in both a fully-funded plan as well as in the HRA or FSA, a separate payment is required for both plans. However, if the employer contributes less than $500 to any employee FSA accounts and also offers a fully-funded group health plan, the FSA is exempted from PCORI fee requirements.

It is permissible to change the method of calculation from one plan year to the next.

PLANS REQUIRED TO SUBMIT PCORI REPORTS:

The IRS requires the following types of plans to prepare and submit annual PCORI reporting and the fees associated with it:

- Health insurers – single plan
- Health insurers – multiple plans
- COBRA and mini-COBRA coverage
- State / local plans
- Self-insured plans – single plan
- Self-insured plans – multiple plans
- Retiree coverage
- Health Reimbursement Arrangements (HRA)*
- Flexible Spending Arrangement (FSA)*

*only if the HRA or FSA provider is different than the insurer

EXEMPTIONS FROM PCORI REPORTING

PCORI fees are not assessed on Employee Assistance Plans, wellness programs, or disease management programs, provided that these programs do not provide substantial medical care or treatment.

The exemption is also granted to stand-alone dental or vision plans, Health Savings Arrangements (HSA), Archer Medical Savings Accounts (MSA), Medicare and Medicaid along with supplemental plans, Children's Health Insurance Program (CHIP), disability income, worker's compensation income, plans offered through the branches of the United States Armed Forces, or certain Native American tribal plans.

HOW TO REPORT PCORI FEES

PCORI fees are payable using the Form 720 "Quarterly Federal Excise Tax Return" for the second quarter of each year. PCORI fees are reported in Part II of Form 720. The Form 720 is due by July 31 of each year. NOTE: Although Form 720 itself is a quarterly filing, payment of PCORI fees is only due annually with the filing for the second quarter.

Payments are to be made using the Electronic Federal Tax Payment System.

HOW TO REPORT CORRECTIONS TO FORM 720

Corrections or revisions to Forms 720 which have previously been filed are to be made using the Form 720-X. This would include late filings as well as any adjustments which result in an overpayment. Adjustments are to be filed within three years from the date the original return was filed or was due. Late payments may be subject to additional IRS penalties. Penalties related to late filing of Form 720 or late payment of the fee *may* be waived or abated, if the plan sponsor has reasonable cause and can show that the failure was not due to willful neglect.

If you or any of your team have questions about this material, or if you'd like a more in-depth review of your own situation, please contact HR Service Inc. at (801) 685-8400. We'd be happy to help!