

The Affordable Care Act (ACA) established the Patient-Centered Outcomes Research Institute (PCORI) to explore the effectiveness of medical treatments. An associated fee is charged to health insurers/health plans to finance a portion of a trust fund in support of this non-profit institute. The PCORI fee is paid by health plan issuers for fully insured plans, and by employers/plan sponsors for self-funded plans. Excepted benefit plans, such as most Health Flexible Spending Accounts (FSAs), are not subject to the PCORI fee.

The Quarterly Federal Excise Tax Return, [Form 720](#), used to report PCORI information to the Internal Revenue Service (IRS) must be filed by 7/31/2018. Although Form 720 is a quarterly return, it is filed annually for PCORI fee purposes, by July 31 of the year following the last day of policy/plan year.

The fee for policy/plan years ending October 1, 2016, through September 30, 2017, remains at the applicable rate of \$2.26, multiplied by the average number of lives covered under the policy/plan.

The fee for policy/plan years ending October 1, 2017, through September 30, 2018, is the applicable rate of \$2.39, multiplied by the average number of lives covered under the policy/plan. *Note: if there is no change to the current law, the PCORI fee will expire for policy/plan years beginning on October 1, 2019.*

The PCORI fee is paid through the IRS's [Electronic Federal Tax Payment System \(EFTPS\)](#).

### Who Files?

For **fully insured plans**, the PCORI fee is paid by the health insurer, not the employer. Therefore the employer does not have to take action or file Form 720.

For **self-insured plans**, the employer/plan sponsor pays this fee. Therefore, IRS guidance states the PCORI fee is tax deductible for the employer/plan sponsor of self-insured plans as an ordinary and necessary business expense.

For detailed information on the PCORI fee, please review the [IRS Patient-Centered Outcomes Research Trust Fund Questions and Answers](#).

For information on the types of insurance coverage or arrangements subject to the PCORI fee, please review [Application of the Patient-Centered Outcomes Research Trust Fund Fee to Common Types of Health Coverage or Arrangements](#).

***An employer is responsible for the fee if it sponsors self-insured coverage or a health Flexible Spending Arrangement (Health FSA) that is not treated as an "excepted" benefit.***

### Exclusions

An excepted-benefit Health FSA is defined in the Internal Revenue Code, Section 106(c)(2), as meeting the following two conditions:

1. Participants eligible for the Health FSA must also be eligible for coverage under another non-excepted benefit group health plan, such as an ACA-compliant Group Medical Health Plan.

2. The employer contributes between \$0 and \$500 in a flat contribution scenario into the employee's FSA, or the employer contributes on a dollar-for-dollar match basis, equivalent to the participant's election.

Almost all compliant Health FSAs meet the "excepted benefit" definition.

If an employer offers a Health FSA and is not 100% confident its plan is an excepted benefit, the employer should contact its FSA administrator to confirm.