



How Employers Should Handle PCORI Fees

PLAN YEARS ENDING IN 2024

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June 18, 2025

Disclaimer

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The information herein should not be construed as legal or tax advice in any way. This content is provided for informational purposes only. You should seek the advice of your attorney or tax consultant for additional or specific information before remitting the PCORI Fee to the IRS.

What is the PCORI Fee?



The PCORI Fee is a fee imposed on all health plans. The fee is set to expire for plan years ending on or after October 2029.



The fee is used to fund the Patient Centered Outcome Research Institute (PCORI) which conducts research aimed at improving healthcare outcomes.



The fee applies for plan years before October 1, 2029.



PCORI fees are due annually on Form 720 (Quarterly Excise Tax Return) for plan years ending in the prior calendar year.

The PCORI fees for plan years ending in 2024 are due by July 31, 2025.

Employer Plans Subject to the PCORI Fee

- A Self-insured Health Plan
 - Includes Minimum Essential Coverage (MEC) Plans
- An Integrated Health Reimbursement Arrangement (HRA) with
 - a fully insured health plan or;
 - or self-insured health plan (only file for the self-insured health plan if the same plan year as the HRA)
- A stand-alone Health Reimbursement Arrangement
 - Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)
 - Individual Coverage Health Reimbursement Arrangement (ICHRA)

How are PCORI Fees Calculated?

- The total PCORI fee for a plan is based upon the average number of covered lives multiplied by the PCORI fee for that year.
- The PCORI fee is adjusted each year for medical inflation by the Secretary of Health and Human Services.
- For plan years ending in 2024:
 - \$3.22 per covered life for a plan year ending before October 1, 2024
 - \$3.47 per covered life for a plan year ending on/after October 1 - December 31, 2024

Calculating the Average Number of Covered Lives for a Self-Insured Health Plan

THERE ARE FOUR METHODS

Counting Average Number of Covered Lives: First Method

- *1) Actual Count Method*

The actual count method adds the actual covered lives each day during the plan year and divides that sum by the total number of days in the plan year.

Requires the employer to count every covered employee and dependent for every day of the plan year.

This method is very cumbersome to use as employers generally receive monthly funding statements or bills, not a daily count.

Counting Average Number of Covered Lives: Second Method

- *Snapshot Count Method*

The snapshot count method adds the actual covered lives on at least one day per quarter and divides them by the number of days used.

Sponsors must use the same number of dates in each quarter (1 day or more).

The dates must be within three days of the date in the other quarters. (an example is to choose the first or last day to count).

All dates must fall within the same policy or plan year.

Jan/April/July/Oct (1st month each quarter)

Feb/May/Aug/Nov (2nd month each quarter)

Mar/June/Sept/Dec (3rd month each quarter)

Example of Snapshot Count Method for a Calendar Year Plan

Quarter 1	50 lives	January 1, 2024*
Quarter 2	60 lives	April 1, 2024*
Quarter 3	55 lives	July 1, 2024*
Quarter 4	55 lives	October 1, 2024*

Add all four quarters together equals 220 lives, and divide by 4

The answer is the average number of covered lives: 55

The fee in this example is $\$3.47 \times 55 = \190.85 as the plan year ends December 31, 2024.

Counting Average Number of Covered Lives: Third Method

- *Snapshot Factor Method*

Under the snapshot factor method, the number of lives covered on a date is equal to the *sum of (1) the number of participants with self-only coverage on that date; plus (2) the number of participants with coverage other than self-only coverage on the date multiplied by 2.35.*

Sponsors must use the same number of dates in each quarter (1 day or more).

The dates must be within three days of the date in the other quarters, and all dates must fall within the policy or plan year.

Assume each of the four quarters has:

12 employees with self-only coverage and 10 employees with dependent coverage:

12 employees plus 10 employees \times 2.35 = 23.50 plus 12 = 35.50 each month

$35.50 \times 4 \text{ quarters} = 142.00$

$142/4 = 35.50$ **average number of covered lives**

The fee in this example is $\$3.47 \times 35.50 = \123.19 as the plan year ends December 31, 2024.

Example of Snapshot Factor Method for a Calendar Year Plan

Counting Average Number of Covered Lives: Fourth Method

- ***Form 5500 Method***

Sponsors who offer only individual coverage take the number of participants reported at the beginning of the plan year, plus the number reported at the end of the plan year, and divide by two.

Plan sponsors who offer coverage other than individual coverage must take the number of participants reported at the beginning of the plan year, plus the number reported at the end of the plan year.

Sponsors wanting to use this method should be sure the relevant Form 5500 will be filed by July 31 – extensions are not permitted.

Special Rules for Counting Health Reimbursement Arrangements

INCLUDES QUALIFIED SMALL EMPLOYER HRA

INDIVIDUAL COVERAGE HRA

HRA Integrated with Fully Insured Plan

- If an employer has an HRA with health coverage that is fully-insured, the employer must pay the fee for the average number of lives covered by the HRA.
- The employer uses the one life per participant rule (count each employee enrolled in coverage only).
- *You do not count dependents.*

Stand-Alone HRA

Stand-alone HRA

- A Qualified Small Employer HRA (QSEHRA)
 - An Individual Coverage HRA (ICHRA)
-
- If an employer has a stand-alone HRA as above the employer counts only one life per participant.
 - *You do not count dependents.*

Completing Form 720

Completing Form 720

- The Form 720 is an 8-page quarterly excise tax return, but an employer filing the PCORI fee only files for the second quarter of the year:
 - Page 1, Taxpayer information
 - Page 2, PCORI fee section
 - Page 3, Calculate the final tax
 - The payment voucher

Quarterly Federal Excise Tax Return

See the Instructions for Form 720.

Go to www.irs.gov/Form720 for instructions and the latest information.

OMB No. 1545-0023

Check here if:

☐ Final return

☐ Address change

Name

Quarter ending

Number, street, and room or suite no.
(If you have a P.O. box, see the instructions.)

Employer identification number

City or town, state or province, country, and ZIP or foreign postal code

FOR IRS USE ONLY

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The Quarter Ending is the Current Year
June 30, 2025

Page 2, Form 720

- 1) Under the “Applicable self-insured health plans” section, enter the plan year’s average covered lives in column (a).
 - Plan year ending before October 1, 2024, on line (c)
 - Plan year ending after October 1, 2024, on line (d)
- 2) Multiply the average covered lives by the amount shown in the “Rate” column (b) for that plan year.
- 3) Enter this amount into the “Fee” column (c).
- 4) Carry this amount over to the “Tax” column.
- 5) Total tax at the bottom of page 2

Part II						
IRS No.	Patient-Centered Outcomes Research Fee (see instructions)	(a) Avg. number of lives covered (see inst.)	(b) Rate for avg. covered life	(c) Fee (see instructions)	Tax	IRS No.
	Specified health insurance policies					
	(a) With a policy year ending before October 1, 2024		\$3.22			
	(b) With a policy year ending on or after October 1, 2024, and before October 1, 2025		\$3.47			
133	Applicable self-insured health plans					133
	(c) With a plan year ending before October 1, 2024		\$3.22			
	(d) With a plan year ending on or after October 1, 2024, and before October 1, 2025		\$3.47			

Payment Voucher

- 1) Enter amount of payment
- 2) Indicate for second quarter
- 3) Mail into the IRS (or use the Electronic Tax Payment System for second quarter)

Form **720-V** (2025)

----- Detach here and mail with your payment and Form 720. -----

Form 720-V Department of the Treasury Internal Revenue Service		Payment Voucher Don't staple or attach this voucher to your payment.		OMB No. 1545-0023 2025	
1 Enter your employer identification number (EIN). See instructions.		2 Enter the amount of your payment. Make your check or money order payable to "United States Treasury."		Dollars	Cents
3 Tax period		4 Enter your business name (individual name if sole proprietor).			
<input type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter	Enter your address.			
<input checked="" type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter	Enter your city or town, state or province, country, and ZIP or foreign postal code.			

Where to File

- Where To File (page 2 of IRS instructions) paper
 - Send Form 720 to:
 - Department of the Treasury
 - Internal Revenue Service
 - Ogden, UT 84201-0009
- Electronic filing

You can electronically file Form 720 through any electronic return originator (ERO), transmitter, and/or intermediate service provider (ISP) participating in the IRS *e-file* program for excise taxes. For more information on *e-file*, go to *Excise Tax e-File & Compliance (ETEC) Programs - Forms 720, 2290, and 8849*

Review with CPA or Tax Specialist

You should always consult with your legal or tax specialist for information related to your specific situation and applicable PCORI Fee filings.

Your CPA or tax specialist should always review your forms prior to submission.



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Have questions?
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