



Subject: **Annual PCORI Fee and Filing**

Date: June 10, 2020

The IRS released the adjusted applicable dollar amount for the Patient Centered Outcome Research Institute (PCORI) fee. For policy and plan years ending between October 1, 2018 and September 30, 2019, the fee is \$2.45 per covered life. The fee increases to \$2.54 per covered life for policy and plan years ending between October 1, 2019 and before October 1, 2020, according to [IRS Notice 2020-44](#).

As background, the PCORI fee is assessed on the average number of lives covered under the policy or plan. While the PCORI fee was set to expire for policy/plan years ending on or after October 1, 2019, the [Further Consolidated Appropriations Act, 2020](#) enacted last December extends the PCORI fee obligations for ten years (see [Repeal and Extension of Certain ACA Taxes](#) in [CBIZ HRB 149](#)). The fee will continue to be assessed through 2029.

Virtually all health plans, whether insured or self-funded, are subject to the PCORI fees. With regard to reimbursement type plans, health reimbursement arrangements (HRA) and medical flexible spending account (FSA) plans are subject to these fees. However, FSA plans that qualify as HIPAA-excepted plans are not subject to these fees. The PCORI fee does not apply to stand alone dental or vision plans. The IRS provides a [chart](#) for determining the applicability of the PCORI fee to types of insurance coverage or arrangements and whether such coverage or arrangement is subject to the fee, and the person or entity responsible for paying the fee.

The PCORI fees are assessed on the insurer of an insured plan. For a self-funded plan, the plan sponsor is required to pay the fee on behalf of its plan. Because the law provides that the PCORI fees are to be paid by the plan sponsor, at least for plans subject to ERISA, the fees cannot be paid from plan assets.

The IRS indicates that affected entities may continue to use one of the four existing methods to calculate the average number of covered lives for purposes of the fee - actual count method, snapshot method, member months method, and state form method. In addition, entities may use any "reasonable method" for calculating the average number of covered lives for the policy or plan years ending on or after October 1, 2019, and before October 1, 2020. If using a reasonable method, it must be applied consistently for the duration of the year and used for all policies reported on Form 720 for that year.

As in prior years, the fee is required to be reported annually to the IRS on the second quarter Form 720, *Quarterly Federal Excise Tax Return*, and paid by its due date, July 31, 2020. As of the day of this writing, the IRS released an updated draft version of the Form 720 reflecting the PCORI fee

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adjustment discussed above. Once finalized, both the form and instructions will be available from the IRS webpage, [About the Form 720](#).

Additional information about the PCORI fee is available on the IRS' dedicated [PCORI webpage](#) and [Questions and Answers](#). The agency indicates that it is in the process of updating these webpages to reflect the extension of the fee, as well as the adjusted amount.

About the Author

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