



# Health Care Reform

## LEGISLATIVE BRIEF

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## PCORI Fees Due July 31, 2014

The Affordable Care Act (ACA) requires health insurance issuers and sponsors of self-insured health plans to pay Patient-Centered Outcomes Research Institute fees (PCORI fees). The fees are reported and paid annually using [IRS Form 720](#) (Quarterly Federal Excise Tax Return).

PCORI fees are due by **July 31, 2014**, for plan years ending in 2013. The IRS provided [instructions](#) for filing form 720, which include information on reporting and paying the PCORI fees.

### OVERVIEW OF PCORI FEES

The ACA created the Patient-Centered Outcomes Research Institute to help patients, clinicians, payers and the public make informed health decisions by advancing comparative effectiveness research. The Institute's research is funded, in part, through fees paid by health insurance issuers and self-insured health plan sponsors. These fees are widely known as PCORI fees, although they may also be called PCOR fees or comparative effectiveness research (CER) 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 calendar year plans, the fees will be effective for the 2012 through 2018 plan years. Issuers and plan sponsors will be required to pay the PCORI fees annually on IRS Form 720 by July 31 of each year. It will generally cover plan years that end during the preceding calendar year. **Thus, the deadline for filing Form 720 is July 31, 2014, for plan years ending in 2013.**

### REPORTING PCORI FEES ON FORM 720

Issuers and plan sponsors will file Form 720 annually to report and pay the PCORI fee, no later than July 31 of the calendar year following the policy or plan year to which the fee applies. The PCORI fee applies separately to "specified health insurance policies" and "applicable self-insured health plans," and is based on the average number of lives covered under the plan or policy.

Using Part II, Number 133 of Form 720, issuers and plan sponsors will be required to report the average number of lives covered under the plan separately for specified health insurance policies and applicable self-insured health plans. That number is then multiplied by the applicable rate for that tax year, as follows:

- **\$1** for plan years ending before Oct. 1, 2013 (that is, 2012 for calendar year plans).
- **\$2** for plan years ending on or after Oct. 1, 2013, and before Oct. 1, 2014.
- For plan years ending on or after Oct. 1, 2014, the rate will increase for inflation.

The fees for specified health insurance policies and applicable self-insured health plans are then combined to equal the total tax owed.

Issuers or plan sponsors that file Form 720 only to report the PCORI fee will not need to file Form 720 for the first, third or fourth quarter of the year. Issuers or plan sponsors that file Form 720 to report quarterly excise tax liability for the first, third or fourth quarter of the year (for example, to report the foreign insurance tax) should not make an entry on the line for the PCORI tax on those filings.

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