

July 31 PCORI Fee Deadline for Self-Funded Plans

Plan sponsors with applicable self-funded arrangements, including most Health Reimbursement Arrangements (“HRAs”), must calculate and pay the Patient Centered Outcomes Research Trust Fund fee (“PCORI”) by July 31, 2016, for plan years that ended in 2015. The plan sponsor is required to submit the filing and may not utilize a third party in this regard. The IRS has updated Form 720 Quarterly Federal Excise Tax Return for 2016 that plan sponsors will use to file and pay the annual PCORI fee. Insurance carriers will be responsible to calculate and pay the fee for insured plans.

To calculate the PCORI fee, plan sponsors will multiply the PCORI rate based on the **date the 2015 plan year (or short plan year) ended**, by the average number of “lives covered” (employees and dependents) in the plan year that ended in 2015.

Date the 2015 Plan Year Ended	PCORI Rate
January 1, 2015 – September 30, 2015	\$2.08
October 1, 2015 – December 31, 2015	\$2.17

Highlights from the Internal Revenue Service’s (“IRS”) final PCORI regulations are noted below:

- “Lives covered” consists of individuals residing in the United States (including those on a temporary U.S. visa) and U.S. territories such as Puerto Rico. A resident is someone who has a place of abode in the U.S.
- State and local government plans as well as retiree-only plans are subject to the fee.
- The fee does not apply to “excepted benefits” such as stand-alone dental and vision plans and flexible spending accounts (“FSAs”) in which only participant salary reduction amounts are allowed (i.e., there are no employer flex credits or contributions to the FSA). Certain expatriate plans (for employees working and residing outside the U.S.)¹, stop-loss, hospital and fixed indemnity plans, as well as employee assistance plans, wellness or disease management programs that do not provide significant medical care benefits are also exempt.
- Multiple self-funded arrangements maintained by the same plan sponsor and with the same plan year are subject to a single fee (e.g., self-funded group health plan with an accompanying Health Reimbursement Account (“HRA”). Sponsors of group health plans that are comprised of self-funded and fully insured benefit options, such as a self-funded PPO and fully insured HMO, may disregard the lives covered under the insured option.
- A plan sponsor of a fully insured group health plan with an accompanying HRA and/or FSA (that is not an excepted benefit) will be responsible for calculating and paying the PCORI fee for those employees (not dependents) covered by the HRA and/or FSA.
- A plan sponsor may use any one of three alternative methods to determine the average number of lives covered that includes participants on COBRA or state continuation coverage. The **actual count method** averages actual employee and dependent enrollment each day during the plan year; the **snapshot method** is an average of plan enrollment each quarter; or the **Form 5500 method** averages the reported participant count at the beginning and end of the plan year. The final regulations will not allow a plan sponsor to use the **Form 5500 method** if the corresponding Annual Form 5500 is filed later than the July 31 for the PCORI fee.
- A plan sponsor who overpaid the PCORI fee in a prior year may only make a correction by filing Form 720X, generally within three years from the date of the filing. The correction may not be taken as a reduction to the current year fee.

More information may be found in the IRS Q&As.

¹ The Expatriate Health Coverage Clarification Act of 2014 helped identify which expatriate plans may be relieved of certain Affordable Care Act requirements including payment of PCORI fees; however, the provisions of this Act become effective for plans that are issued or renewed on and after July 1, 2015.

ADDITIONAL INFORMATION

Information contained in this Client Alert is not intended to render tax or legal advice. Employers should consult with qualified legal and/or tax counsel for guidance with respect to matters of law, tax and related regulation. Cherry Bekaert Benefits Consulting, LLC provides comprehensive consulting and administrative services with respect to all forms of employee benefits, risk management, qualified and non-qualified retirement plans, private client services, transaction services, and compensation and human resources.

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