

ACA COMPLIANCE OVERVIEW



Reporting and Paying PCORI Fees

The Affordable Care Act (ACA) imposes a fee on health insurance issuers and plan sponsors of self-insured health plans to help fund the Patient-Centered Outcomes Research Institute. The fee, called the Patient-Centered Outcomes Research Institute (PCORI) fee, is calculated based on the average number of lives covered under the policy or plan.

PCORI fees are reported and paid annually using [IRS Form 720](#) (Quarterly Federal Excise Tax Return). These fees are due each year by July 31 of the year following the last day of the plan year. For plan years ending in 2021, the PCORI fees are due by Aug. 1, 2022 (since July 31, 2022, is a Sunday). The IRS [instructions](#) for filing form 720 include information on reporting and paying the PCORI fees.

This ACA Overview provides information on reporting and paying the PCORI fees. Please contact Beattie and Associates for more information.

PCORI Fees

- PCORI fees apply to health insurers and self-insured 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 fee originally applied to policy or plan years ending on or after Oct. 1, 2012, and before Oct. 1, 2019. **However, it was extended to apply through the 2029 fiscal year.**

Reporting & Paying the Fee

- The IRS' [instructions for filing Form 720](#) include information on reporting and paying PCORI fees.
- The payment, paid through the [Electronic Federal Tax Payment System](#) (EFTPS), should be applied to the second quarter (in EFTPS, select "Q2" for the Quarter under Tax Period on the "Business Tax Payment" page).

LINKS AND RESOURCES

Please see the following Internal Revenue Service (IRS) resources for more information on the ACA's PCORI fees:

- [Final regulations](#) on the PCORI fees
- [PCORI Fee Overview Page](#)
- [PCORI Fee: Questions and Answers](#)
- [IRS Form 720](#) and [instructions](#)
- [PCORI Fee Due Dates and Applicable Rates](#)
- A federal [spending bill](#) enacted at the end of 2019 extended the PCORI fees to apply for the 2020-2029 fiscal years.

Provided to you by **Beattie and Associates**



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Overview

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 were originally scheduled to apply for plan years ending on or after Oct. 1, 2012, but *not* for plan years ending on or after Oct. 1, 2019. However, a federal [spending bill](#) enacted at the end of 2019 **extended the PCORI fees for an additional 10 years**. As a result, these fees will continue to apply for the **2020-2029 fiscal years**.

Issuers and plan sponsors are required to pay the PCORI fees annually on IRS Form 720 by July 31 of each year. It generally covers plan years that end during the preceding calendar year. For plan years ending in 2021, the deadline for filing Form 720 is Aug. 1, 2022 (since July 31, 2022, is a Sunday).

Reporting the PCORI Fee 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.

Because of the anticipated termination of the PCORI fee prior to its extension, issuers and plan sponsors may not have anticipated the need to identify the number of covered lives for plan years ending on or after Oct. 1, 2019, and before Oct. 1, 2020. Thus, IRS [Notice 2020-44](#) provides that issuers and plan sponsors may use any reasonable method to make this calculation, so long as it is applied consistently for the duration of the plan year.

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.
- **\$2.08** for plan years ending on or after Oct. 1, 2014, and before Oct. 1, 2015 (see [Notice 2014-56](#)).
- **\$2.17** for plan years ending on or after Oct. 1, 2015, and before Oct. 1, 2016 (see [Notice 2015-60](#)).
- **\$2.26** for plan years ending on or after Oct. 1, 2016, and before Oct. 1, 2017 (see [Notice 2016-64](#)).
- **\$2.39** for plan years ending on or after Oct. 1, 2017, and before Oct. 1, 2018 (see [Notice 2017-61](#)).
- **\$2.45** for plan years ending on or after Oct. 1, 2018, and before Oct. 1, 2019 (see [Notice 2018-85](#)).
- **\$2.54** for plan years ending on or after Oct. 1, 2019, and before Oct. 1, 2020 (see [Notice 2020-44](#)).
- **\$2.66** for plan years ending on or after Oct. 1, 2020, and before Oct. 1, 2021 (see [Notice 2020-84](#)).

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- **\$2.79** for plan years ending on or after Oct. 1, 2021, and before Oct. 1, 2022 (see [Notice 2021-04](#)).

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.

Corrections and Amendments

The final regulations did not explicitly address whether plan sponsors may correct or amend a previously filed Form 720 if certain errors are made (for example, miscalculations related to covered lives or fee amounts due). However, they did note that the penalties related to late filing of Form 720 or late payment of the fee **may be waived or abated** if the issuer or plan sponsor has reasonable cause and the failure was not due to willful neglect.

In addition, plan sponsors may use [Form 720X](#), “*Amended Quarterly Federal Excise Tax Return*,” to adjust liabilities reported on a previously filed Form 720, including adjustments that result in an overpayment. Form 720X and the accompanying instructions do not specifically identify or refer to the PCORI fees. However, there is space to include an explanation of adjustments, which plan sponsors can use to identify the PCORI fee.

More Information

Please contact Beattie and Associates for more information on PCORI fees.