

## A PCORI FEE REFRESHER – It’s That Time Again!

With July 31 around the corner, it’s time to start thinking about PCORI and what you’re required to pay or do under the ACA. As you may know, the Affordable Care Act (ACA), imposes an annual fee per enrollee on most insured and self-insured group health plans through 2019 in order to support clinical effectiveness research. The PCORI fee is due by July 31 of the calendar year following the close of the plan year. For plan years ending in 2013, the fee is due by July 31, 2014.

PCORI fees are required to be reported annually on Form 720, *Quarterly Federal Excise Tax Return*, for the second quarter of the calendar year. The due date of the return is July 31. Although Form 720 is a quarterly return, for PCORI, Form 720 is filed **annually only**, by July 31. The PCORI fee is assessed based on the number of participants that are covered by the plan. For plan years ending before Oct. 1, 2013, the fee is \$1 per covered life, and \$2 per covered life thereafter. Per the IRS, the fee is tax-deductible as a business expense.

Given the due date of when the fee is to be paid, the information below provides a summary of the rules related to the PCORI Fees, as well as a quick reference guide for calendar and non-calendar year plans. If you have any questions, please contact your local account management team.

### When is PCORI Fee Due?

PCORI Fee Reporting and Payment Timetable			
Plan Year	Form 5500 Due Date	Amount Due	PCORI Fee Due Date (Form 720)
2/1/2012 - 1/31/2013	08/30/13	<b>\$1 per number of covered lives per year</b>	<b>July 31, 2014</b>
3/1/2012 - 2/28/2013	09/30/13		
4/1/2012 - 3/31/2013	10/31/13		
5/1/2012 - 4/30/2013	11/30/13		
6/1/2012 - 5/31/2013	12/31/13		
7/1/2012 - 6/30/2013	01/31/14		
8/1/2012 - 7/31/2013	02/28/14		
9/1/2012 - 8/31/2013	03/31/14		
10/1/2012 - 9/30/2013	04/30/14		
11/1/2012 - 10/31/2013	05/31/14		
12/1/2012 - 11/30/2013	06/30/14		
1/1/2013 - 12/31/2013	07/31/14		
2/1/2013 - 1/31/2014	08/31/14	<b>\$2 per number of covered lives per year</b>	
3/1/2013 - 2/28/2014	09/30/14		
4/1/2013 - 3/31/2014	10/31/14		
5/1/2013 - 4/30/2014	11/30/14		
6/1/2013 - 5/31/2014	12/31/14		
7/1/2013 - 6/30/2014	01/31/15		
8/1/2013 - 7/31/2014	02/28/15		
9/1/2013 - 8/31/2014	03/31/15		
10/1/2013 - 9/30/2014	04/30/15		
11/1/2013 - 10/31/2014	05/31/15		<b>\$2 (indexed) per number of covered lives per year</b>
12/1/2013 - 11/30/2014	06/30/15		
1/1/2014 - 12/31/2014	07/31/15		

**Review of PCORI Application to Health Plans and More**

<p><b>Who does the PCORI Fee apply to?</b></p>	<ul style="list-style-type: none"> <li>• employer group health plans (insured and self-insured plans)</li> <li>• grandfathered and non-grandfathered plans</li> <li>• group health plans of private sector employers and governmental employers</li> <li>• plans offered by for-profit and nonprofit employers,</li> <li>• church plans</li> <li>• COBRA plans</li> <li>• Standalone HRAs</li> <li>• Retiree plans</li> </ul>
<p><b>What about “excepted benefits”, such as EAPs or dental and visions plans that are separately insured?</b></p>	<p>The PCORI fee will not be assessed in connection with these benefits that are “excepted benefits” under HIPAA.</p> <p>Disease management and wellness benefits, federal governmental programs, such as Medicare, Medicaid, CHIP, Medicare Advantage, (but a Medicare supplemental self-insured plan would have to pay) are also not included.</p>
<p><b>What about self-insured dental and vision plans?</b></p>	<p>Self-insured dental and visions benefits are exempt if limited scope benefits. These benefits may constitute limited-scope excepted benefits if:</p> <ul style="list-style-type: none"> <li>• The benefits are offered under a separate insurance policy, certificate, or contract of insurance. (This is an option for insured plans only); or</li> <li>• The benefits are "not an integral part of the plan." (This is an option for both insured and self-insured plans.) Benefits are not an integral part of the plan if:             <ul style="list-style-type: none"> <li>○ Participants have the right to elect not to receive coverage for the benefits; and</li> <li>○ Participants that do elect to receive coverage for the benefits must pay an additional premium or contribution.</li> </ul> </li> </ul>
<p><b>Who pays the fee?</b></p>	<p>Health insurers/carriers will pay the fee on behalf of the fully insured plan.</p> <p>The plan sponsor will pay the fee for self-insured plans. For plans governed by ERISA, the plan sponsor is the employer, the union or for multiemployer plans, the board of trustees. For VEBA’s, the plan sponsor is the trustee.</p>
<p><b>How is it filed or paid or plan sponsors?</b></p>	<p>Plan sponsors are required to file annually a Form 720 “Quarterly Federal Excise tax Return” stating their liability for the PCORI fee.</p>
<p><b>When is the fee due?</b></p>	<p>The fees are due annually by July 31 of the calendar year immediately following the last day of the plan year.</p>

<b>How much is the fee?</b>	For the first year, the fee will be \$1 per member per year, and increase to \$2 for plan years ending after Sept. 30, 2013 (with future years adjusted accordingly till 2019).
<b>Does the fee apply to employee lives or all members on the plan?</b>	The fees are calculated based on the average number of covered lives (members or belly-buttons, which includes dependents).
<b>Will the PCORI Fee expire?</b>	Yes, in 2019 (as of today).

### How To Determine Number of Members

One of the issues surrounding the fees is how to determine the plan’s membership. Below is a summary of the different methods one may use, depending on what type of funding arrangement you are in (fully-insured/self-insured).

	<b>FULLY INSURED PLANS</b>	<b>SELF-INSURED PLANS</b>
1.	<b>Actual Count</b> Count the total number of covered lives for each day of the plan year and divide by the number of days in a year.	
2.	<b>Snapshot Method</b> Count the number of employees on a single day (or days if consistent for each quarter) during a quarter and divide the total by the number of dates on which a count was made. The date used for each quarter must be the same (i.e., the first day, the last day)	<b>Snapshot Dates</b> Count the total number of covered lives on a single day in a quarter (or more than one day) and divide the total by the number of dates on which a count was made. The date or dates must be consistent for each quarter.  <b>Snapshot Factor</b> – In the case of self-only coverage, determine the sum of: (1) the number of participants with self-only coverage, and (2) the number of participants with other than self-only coverage multiplied by 2.35.
3.	<b>NAIC Member Months Method</b> The issuer determines the average number of covered lives based on member months reported to the National Association of Insurance Commissioners (NAIC) on the Supplemental Health Care Exhibit for the calendar year. The average number of lives in effect for the calendar year equals member months divided by 12.	<b>Form 5500 Method</b> For self-only coverage, determine the average number of participants by combining the total number of participants at the beginning of the plan year with the total number of participants at the end of the plan year as reported on the Form 5500 and divide by 2. In the case of plans with self-only and other coverage, the average number of total lives is the sum of total participants covered at the beginning and the end of the plan year, as reported on the Form 5500.

4.	<p><b>State Form Method</b></p> <p>This method is for issuers that are not required to file the NAIC Exhibit. These issuers may determine the number of covered lives using a form that is filed with the issuer's state of domicile, if the form reports the number of covered lives in the same manner as the NAIC Supplemental Exhibit.</p>	N/A
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**HRA and FSAs Interplay with PCOR Fees**

With respect to the treatment of HRAs and FSAs with respect to fully insured plans and self-insured plans, a plan sponsor will not be required to pay a separate PCOR Fee for an HRA (or health FSA) that is not an excepted benefit if the plan sponsor also maintains an applicable self-insured health plan which has the same plan year. However, this is not the case if the plan sponsor only maintains a full-insured plan. Although there are additional examples to illustrate these rules in the final regulations, the chart below provides an overview on the different types of integration of HRAs and FSAs with fully-insured and self-insured health plans and the associated PCORI Fee, if applicable:

<p><b>Integrated with insured coverage</b></p>	<ul style="list-style-type: none"> <li>• If other health coverage plan is fully insured,</li> <li>• then PCORI fee which is based on the average number of lives covered by the HRA/FSA (i.e. one life per participant) must be paid by the sponsor (or employer),</li> <li>• <u>IN ADDITION TO</u> the PCORI fees that will be paid by the insurer for the insured plan.</li> </ul> <p>Please NOTE that even though the health FSA or HRA may be used to reimburse expenses incurred by spouses or dependents, it does not have to be counted in determining the fee</p>
<p><b>Integrated with self-funded coverage</b></p>	<ul style="list-style-type: none"> <li>• If an applicable self-insured health plan</li> <li>• With the same plan year,</li> <li>• Then PCORI fee will be based on the lives determined under the self-insured plan,</li> <li>• <u>PLUS</u> anyone who is under the HRA/FSA but not also covered under the other plan (generally, this method should not count an individual twice).</li> </ul> <p>Please NOTE that even though the health FSA or HRA may be used to reimburse expenses incurred by spouses or dependents, it does not have to be counted in determining the fee</p>

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