

Reminder: PCOR Fees due to IRS by July 31

This is a reminder to employers sponsoring self-funded medical plans, MERPs, PFAs, and HRA plans to pay your annual PCOR Fee to the IRS by July 31, 2022.

As you may recall, funds raised by the Patient-Centered Outcomes Research Institute (PCOR) fees are used to fund research at the Patient-Centered Outcomes Research Institute to evaluate and compare health outcomes, clinical effectiveness, and the risks and benefits of treatments. PCOR fees were originally intended to sunset in 2019, but legislation passed in December 2019 reinstated the PCOR provision and continued the fee requirements through plan years ending before October 1, 2029.

What plans are covered by the fee?

Group health plans subject to PCOR fees include medical plans (both fully insured and self-funded), Health Reimbursement Arrangements (HRA's), Medical Expense Reimbursement Plans (MERPs), Preferred Funding Arrangements (PFAs) and some Flexible Spending Accounts (generally those that include employer contributions over \$500).

When is the fee paid?

The fee is due annually on July 31 of the calendar year immediately following the last day of the plan year. For example, the form must be filed and the fee paid by July 31, 2022 for a plan year ending in 2021 on or before December 31.

Who pays the fee?

Self-funded plans: Employers that sponsor self-funded medical plans must calculate, report, and pay the PCOR fee applicable to their self-funded plans medical plans. Third Party Administrators are not permitted to pay the PCORI fee on behalf of plan sponsors. However, the TPA may assist in calculating the amount due. The employer pays the fee using [IRS Form 720](#). Complete Part II, line 133, applicable self-insured health plans, using line 133(c) or line 133(d), depending on when the plan year ended.

MERPs, PFAs, HRAs: A separate PCOR Fee payment is required when a self-funded arrangement is coupled with a fully insured high deductible medical plan. In this arrangement, the health insurer pays the fee for the fully insured medical plan but the Employer/sponsor still needs to pay the fee for the MERP, PFA or HRA. The employer pays the fee using [IRS Form 720](#). Complete Part II, line 133, applicable self-insured health plans, using line 133(c) or line 133(d), depending on when the plan year ended. See below for the special rule for calculating the fee for an HRA plan.

Fully insured plans: Health insurance carriers pay the fee on behalf of their fully insured accounts. No action is required by employers with respect to their fully insured medical plans. The amount of the fee paid by the insurer will show as a line item on the health insurance premium invoice.

Health Flexible Spending Account (FSA's): Most FSA's are excepted benefits and exempt from the PCOR fee. However, the fee is payable by the employer if the FSA is not an excepted benefit. Non-excepted FSA plans include FSA's where the employer contributes *more* than \$500 to plan participants. Please contact EBS or your FSA administrator if you need clarification on the excepted benefit status of a Health FSA plan.

How is the fee paid?

The fee is paid using Form 720 (Quarterly Federal Excise Tax Return form). This is a quarterly tax form, but the PCOR fee is only paid once per year. The applicable quarter for the filing is the second quarter, which ends on June 30. The due date for the filing for the second quarter is July 31.

You will need to enter the end date of quarter on the Form 720. Be sure to enter **June 30, 2022** in the “quarter ending” field, even though you are reporting for a plan year that ended in 2021.

You will not be invoiced for the PCOR Fee. Payment must be submitted with the form 720.

Calculating the Fee

Generally, the fee is yearly fee rate (i.e., \$2.66 or \$2.79, see below) multiplied by the average number of lives, *including spouses and dependents*, covered by the plan in the preceding plan year.

There are 3 safe harbor methods for counting the number of covered lives. Some assistance may be needed from the plan’s TPA:

Actual Count Method: add the total number of lives covered for each day of the plan year and divide the sum by the number of days in the plan year.

Snapshot Method: This is the most commonly used method. Count the total number of lives covered on a specified date during the first, second, or third month of each quarter of the plan year. Add the numbers for each quarter together and divide by 4.

Form 5500 Method for plans that cover employees and dependents: Add the total number of subscribers on the first day of the plan year to the number of subscribers on the last day of the plan year. Do *not* divide by 2. Note this method may only be used if the form 5500 is filed on or before the PCOR July 31 due date.

Special counting rule for HRA’s

A special counting rule applies to HRA plans that are integrated with high deductible medical plans. For the integrated HRA, the average number of lives covered is based only on the number of *subscribers* -- not covered spouses or dependents.

What is the Rate per Life?

The rate per life is set annually by the IRS. The rate changes on October 1 each year.

The rate to use is the rate that was in effect at plan year end:

\$2.66 per covered life for plan years ending before October 1, 2021.

\$2.79 per covered life for plan years ending from October 1, 2021, through September 30, 2022 (this is the rate applicable to 2021 calendar year plans).

Action item

Employers that sponsor self-funded plans, including employers that sponsor a MERP, PFA, or HRA integrated with an insured medical plan, should gather the information needed to support calculation of the fee, determine their counting method, and arrange payment of the fee by the July 31, 2022 deadline.

If you have any questions, please feel free to contact your EBS representative.

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