

Patient Centered Outcome Research Institute Fee (PCORI)

Presented by

Corbin Granger, Senior Vice President

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 TOWNE BENEFITS



Disclaimer

The information contained in this presentation is subject to change by regulatory clarification from the IRS, DOL, HHS, or law changes. Technical corrections and future guidance may vary the information from what is discussed in this presentation.

The information herein should not be construed as legal or tax advice in any way. This content is provided for informational purposes only. You should seek the advice of your attorney or tax consultant for additional or specific information before remitting the PCORI Fee to the IRS.



What is the PCORI Fee?

- The PCORI Fee applies under the Affordable Care Act to fund the PCORI Institute in Washington, D.C. (pcori.org)
- This Institute's goal is to develop and implement clinical effectiveness research in the hopes of better patient outcomes in medical care.
- The fee applies to for plan years before October 1, 2029.
- PCORI fees are due annually on Form 720 (Quarterly Excise Tax Return) for plan years ending in the prior calendar year.
 - The PCORI fees for plan years ending in 2021 are due by August 1, 2022 as July 31, 2022 is a Sunday.



Employer Plans Subject to PCORI Fee

- A Self-insured Health Plan
- An Integrated Health Reimbursement Arrangement (HRA) with
 - a fully insured health plan or;
 - or self-insured health plan
- A stand-alone Health Reimbursement Arrangement
 - Qualified Small Employer Health Reimbursement Arrangement (QSEHRA)
 - Individual Coverage Health Reimbursement Arrangement (HRA)
- PCORI fees are due annually on Form 720 (Quarterly Excise Tax Return) for plan years ending in the prior calendar year
 - The PCORI fees for plan years ending in 2021 are due by August 1, 2022 as July 31, 2022 is a Sunday.



How Much is the PCORI Fee?

- The total PCORI fee for a plan is based upon the average number of covered lives multiplied by the PCORI fee for that year.

- The PCORI fee is adjusted each year for medical inflation by the Secretary of Health and Human Services.

- For plan years ending in 2021:
 - \$2.66 per covered life for a plan year ending before October 1, 2021
 - \$2.79 per covered life for a plan year ending after October 1 - December 31, 2021

Counting Average Number of Covered Lives

Self-Insured Health Plans



Counting Average Number of Covered Lives

➤ The IRS has provided four different methods to calculate the average number of covered lives under an applicable *self-insured health plan*.

➤ ***Actual Count Method***

The actual count method adds the actual covered lives on each day during the plan year and divides that sum by the total number of days in the plan year.

➤ ***Snapshot Count Method***

The snapshot count method adds the actual covered lives on at least one day per quarter and divides by the number of days used.

Sponsors must use the same number of dates in each quarter (1 day or more).

The dates must be within three days of the date in the other quarters. (example is to choose the first or last day to count).

Jan/April/July/Oct (1st month each quarter)

Feb/May/Aug/Nov (2nd month each quarter)

Mar/June/Sept/Dec (3rd month each quarter)



Counting Average Number of Covered Lives

➤ *Snapshot Factor Method*

Under the snapshot factor method, the number of lives covered on a date is equal to the sum of (1) the number of participants with self-only coverage on that date; plus (2) the number of participants with coverage other than self-only coverage on the date multiplied by 2.35.

➤ *Form 5500 Method*

Sponsors who offer only individual coverage take the number of participants reported at the beginning of the plan year, plus the number reported at the end of the plan year and divide by two. Plan sponsors who offer coverage other than individual coverage must take the number of participants reported at the beginning of the plan year, plus the number reported at the end of the plan year. Sponsors wanting to use this method should be sure the relevant Form 5500 will be filed by July 31 – extensions are not permitted.

*Special Rules for Counting Health
Reimbursement Arrangements*



Special Counting Rules for HRAs

HRA integrated with fully insured health coverage

- If an employer has an HRA with health coverage that is fully-insured, the employer must pay the fee for the average number of lives covered by the HRA.
- The employer uses the one life per participant rule (count each employee enrolled in coverage and exclude spouses and dependents).



Special Rules for Counting HRAs

HRA integrated with self-funded health coverage

- If a plan sponsor has a self-insured health plan and an HRA with the same plan year, then the employer counts the average number of covered lives using one of the methods that applies to the self-insured health plan.
- This way the plan sponsor pays one fee for the self-insured health plan and the HRA.



Special Rules for Counting HRAs

Stand-alone HRA

- A Qualified Small Employer HRA
 - An Individual Coverage HRA
- If an employer does not have a health plan, the employer must pay the fee based on the average number of lives covered by the HRA, counting only one life per participant (exclude spouses and dependents).



Completing Form 720

- The Form 720 is an 8-page quarterly excise tax return, but an employer filing the PCORI fee only files for the second quarter of the year following the end of the plan year:
 - Page 1, Taxpayer information
 - Page 2, PCORI fee section
 - Page 3, Calculate the final tax
 - The payment voucher



Page 1, Form 720

- 1) Employer Name
- 2) Quarter ending in current year
- 3) Street Address
- 4) Employer
- 5) Identification Number
- 6) City/State/ Zip Code
- 7) Then go to Part II,
- 8) line 133, on Page 2

<p>Form 720 (Rev. June 2022) Department of the Treasury Internal Revenue Service</p>	<h2>Quarterly Federal Excise Tax Return</h2> <p>▶ See the Instructions for Form 720. ▶ Go to www.irs.gov/Form720 for instructions and the latest information.</p>	<p>OMB No. 1545-0023</p>																		
<p>Check here if:</p> <p><input type="checkbox"/> Final return</p> <p><input type="checkbox"/> Address change</p>	<table style="width: 100%;"><tr><td style="width: 60%;">Name [Redacted]</td><td style="width: 40%;">Quarter ending [Redacted]</td></tr><tr><td>Number, street, and room or suite no. (If you have a P.O. box, see the instructions.) [Redacted]</td><td>Employer identification number [Redacted]</td></tr><tr><td colspan="2">City or town, state or province, country, and ZIP or foreign postal code [Redacted]</td></tr></table>	Name [Redacted]	Quarter ending [Redacted]	Number, street, and room or suite no. (If you have a P.O. box, see the instructions.) [Redacted]	Employer identification number [Redacted]	City or town, state or province, country, and ZIP or foreign postal code [Redacted]		<p>FOR IRS USE ONLY</p> <table border="1" style="width: 100%;"><tr><td style="width: 50%;">T</td><td style="width: 50%;"></td></tr><tr><td>FF</td><td></td></tr><tr><td>FD</td><td></td></tr><tr><td>FP</td><td></td></tr><tr><td>I</td><td></td></tr><tr><td>T</td><td></td></tr></table>	T		FF		FD		FP		I		T	
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Page 2, Form 720

- 1) Under the “Applicable self-insured health plans” section, enter the plan year’s average covered lives in column (a). Plan year ending before October 1, 2021 on line (c) and plan year ending after October 1, 2021 on line (d)
- 2) Multiply the average covered lives by the amount shown in the “Rate” column (b) for that plan year.
- 3) Enter this amount into the “Fee” column (c).
- 4) Carry this amount over to the “Tax” column.
- 5) Total tax at bottom of page 2

Part II						
IRS No.	Patient-Centered Outcomes Research Fee (see instructions)	(a) Avg. number of lives covered (see inst.)	(b) Rate for avg. covered life	(c) Fee (see instructions)	Tax	IRS No.
	Specified health insurance policies					
	(a) With a policy year ending before October 1, 2021		\$2.66			
	(b) With a policy year ending on or after October 1, 2021, and before October 1, 2022		\$2.79			
133	Applicable self-insured health plans					133
	(c) With a plan year ending before October 1, 2021		\$2.66			
	(d) With a plan year ending on or after October 1, 2021, and before October 1, 2022		\$2.79			



Page 3, Form 720

- 1) Carryover total tax from Part II
- 2) Complete 5- 9
- 3) List if amount from Form 720-X is included
- 4) Complete line 10 “Balance Due”
- 5) Review by your CPA prior to submission
- 6) Signature of Authorized Party or Paid Preparer

Form 720 (Rev. 6-2022) Page **3**

Part III

3	Total tax. Add Part I, line 1, and Part II, line 2								3
4	Claims (see instructions; complete Schedule C)								
5	Deposits made for the quarter	5							
	<input type="checkbox"/> Check here if you used the safe harbor rule to make your deposits.								
6	Overpayment from previous quarters	6							
7	Enter the amount from Form 720-X included on line 6, if any	7							
8	Add lines 5 and 6	8							
9	Add lines 4 and 8								9
10	Balance Due. If line 3 is greater than line 9, enter the difference. Pay the full amount with the return (see instructions) ▶								10
11	Overpayment. If line 9 is greater than line 3, enter the difference. Check if you want the overpayment: <input type="checkbox"/> Applied to your next return, or <input type="checkbox"/> Refunded to you.								11

Third Party Designee Do you want to allow another person to discuss this return with the IRS (see instructions)? **Yes.** Complete the following. **No**

Designee name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature ▶ Date ▶ Title ▶

Type or print name below signature. ▶ Telephone number ▶

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name ▶	Firm's EIN ▶			
Firm's address ▶	Phone no.			

Form 720 (Rev. 6-2022)



Payment Voucher

- 1) Enter amount of payment
- 2) Indicate for second quarter
- 3) Mail into the IRS (or use the Electronic Tax Payment System for second quarter)

Form **720-V** (2022)

▼ Detach here and mail with your payment and Form 720. ▼

Form 720-V Department of the Treasury Internal Revenue Service		Payment Voucher		OMB No. 1545-0023	
		▶ Don't staple or attach this voucher to your payment.		2022	
1 Enter your employer identification number (EIN). See instructions. <input type="text"/>		2 Enter the amount of your payment. ▶ Make your check or money order payable to "United States Treasury."		Dollars	Cents
3 Tax Period		4 Enter your business name (individual name if sole proprietor). <input type="text"/>			
<input type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter	<input type="text"/>			
<input checked="" type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter	<input type="text"/>			
		Enter your address. <input type="text"/>			
		<input type="text"/>			
		City or town, state or province, country, and ZIP or foreign postal code <input type="text"/>			
		<input type="text"/>			



Review with CPA or Tax Specialist

You should always consult with your legal or tax specialist for information related to your specific situation and applicable PCORI Fee filings.

Your CPA or tax specialist should always review your forms prior to submission.



Thank you for attending!

Have questions?
Corbin Granger
Senior Vice President of Compliance
corbingranger@townebenefits.com
757-227-6167

