

ACA COMPLIANCE BULLETIN



PCORI Fees Due July 31, 2020

The Affordable Care Act (ACA) requires health insurance issuers and self-insured plan sponsors to pay Patient-Centered Outcomes Research Institute fees (PCORI fees). The fees are reported and paid annually using [IRS Form 720](#) (Quarterly Federal Excise Tax Return). Issuers and plan sponsors are generally required to pay the PCORI fees annually by **July 31** of each year.

The PCORI fees were originally scheduled to expire for policy or 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**. These fees will continue to apply for the **2020-2029 fiscal years**.

On June 8, 2020, the Internal Revenue Service (IRS) issued [Notice 2020-44](#), which increases the PCORI fee amount for plan years ending on or after Oct. 1, 2019, and before Oct. 1, 2020, to **\$2.54** multiplied by the average number of lives covered under the plan. It also provides **transition relief** for calculating the average number of lives covered.

Action Steps

To assess their obligations, employers should:

- ☑ Determine which plans are subject to the PCORI fees;
- ☑ Assess plan funding status (insured vs. self-insured) to determine whether the issuer or the employer is responsible for the fees; and
- ☑ For self-insured plans, select an approach for calculating average covered lives.

Important Dates

Oct. 1, 2019

The PCORI fees were scheduled to expire for policy or plan years ending on or after Oct. 1, 2019.

July 31, 2020

The PCORI fees for plan years ending in 2019 are due.

2020-2029 Fiscal Years

PCORI fees now apply for the 2020-2029 fiscal years.

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Overview of PCORI Fees

Issuers and plan sponsors must pay PCORI fees annually on IRS [Form 720](#) by July 31 of each year. The fee generally covers plan years that end during the preceding calendar year. **For plans ending in 2019, PCORI fees are due by July 31, 2020.**

Reporting and Paying PCORI Fees on Form 720

In general, the PCORI fees are assessed, collected and enforced like taxes under the Internal Revenue Code. Issuers and plan sponsors must report and pay the research fees annually on [IRS Form 720](#) (Quarterly Federal Excise Tax Return). 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 (which has **not yet been updated** for plan years ending on or after Oct. 1, 2019), issuers and plan sponsors are 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](#)).

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.