



Patient Centered Outcomes Research Institute (PCORI) Fee

IMPACT ON SELF-FUNDED EMPLOYERS

To What Plans Does PCORI Fee Apply?

The PCORI fee applies to most group health plans - insured and self-funded, whether grandfathered or not. It applies to government employee plans, church plans and retiree only plans. HRAs and FSAs are subject to the fee unless they are excepted benefits.

To What Plans Does the Fee Not Apply?

The fee does not apply to HSAs, stand-alone dental and vision plans, Medicare, Medicaid and SCHIP. The fee also does not apply to EAP, wellness or disease management programs as long as they don't provide significant medical care or treatment benefits.

Special Rules for Excepted Benefits:

Health policies that provide only "excepted benefits" are not subject to the fee. Some HRAs and FSAs provide only excepted benefits so *an employer should consult its benefits expert to determine whether it owes a fee for these plans.*

Specifically, benefits under a health FSA/HRA are excepted benefits if: (1) the maximum benefit payable for the employee under the health FSA for the year does not exceed two times the employee's salary reduction election under the health FSA for the year (or, if greater, the amount of the employee's salary reduction election under the health FSA for the year, plus \$500), (2) the employee has other medical coverage available under a group health plan of the employer for the year, and (3) the other coverage is not limited to benefits that are excepted benefits.

Who Pays the Fee?

Health Plans must pay the PCORI fee for all insured lives. As Plan Sponsors, self-funded employers must also pay the fee directly to the IRS. Employers may be responsible for paying the fee for medical benefit plans, HRAs and any other plans impacted. Employers with questions about the fee should consult their tax advisors as this is a federal tax filing.

How much is the fee?

\$1 per covered life – for plan years ending before 10/1/13

\$2 per covered life – for plan years ending on or between 10/1/13 – 9/30/14

For plan years ending on or after 10/1/14 (through 9/30/19) the fee is increased based on the projected per capita amount of National Health Expenditures (as published by the Secretary of Treasury)

No further fee is assessed for plan years beginning as of 10/1/19

How is the Fee Paid?

Insurers pay the fee to the IRS for all covered insured lives.

Self-funded plans are directly responsible for paying this fee to the IRS. Employers must submit [IRS Form 720](#) to the IRS along with any required fee.

A self-funded plan with an integrated HRA must pay the fee, but does not have to pay it twice (once for the medical coverage and once for the HRA). An insured plan that offers an HRA or FSA is responsible for paying the fee (unless it is an excepted benefit).

How is Tufts Health Plan calculating the number of covered lives for its fully insured plans?

Tufts Health Plan is responsible for paying the fees for our covered insured plans, and we are utilizing the Member Month's Method to calculate the fee:

The member months data and the data reported on state forms are based on the calendar year. To adjust for 2012, Tufts Health Plan will use a pro rata approach for calculating the average number of lives covered using the member months method or the state form method for 2012.

How Does a Self-Funded Employer Calculate Number of Covered Lives?

A self-funded plan may use any of the following methods to determine the average number of covered lives:

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

Snapshot Count Method: Count the total number of lives covered on a single day (or multiple dates) in each quarter 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.) The number of

lives covered on a date may be determined as equal to either the sum of the actual number of lives covered on those dates or 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: 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.

Employees on COBRA must be included in the calculation of number of covered lives.

Plan sponsors can choose any of the above calculation methods, but must then use the same method consistently for the duration of any year and the same method for all policies subject to the fee.

When Is the Fee Paid?

The first PCORI fees are due July 31, 2013.

Additional Information

Here is an IRS Q&A on the fee: [IRS PCORI Fee Q&A](#)

An IRS chart regarding application of the fee: [IRS Chart Application of PCORI Fee](#)

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