



## **Patient-Centered Outcomes Research Institute**

### **Summary**

The Patient Protection and Affordable Care Act imposes a new Patient-Centered Outcomes Research Institute (PCORI) fee, formerly known as the comparative effectiveness research fee, on plan sponsors and issuers of individual and group policies. During the first year the fee is \$1 per covered life per year, the second year the fee increases to \$2 per covered life and then it's indexed to national health expenditures thereafter until 2019.

### **Timing**

The fee begins in 2012 and phases out in 2019. For policy or plan years ending after September 30, 2012, issuers and employers sponsoring certain group health plans must pay a fee of \$1 per covered life. The fee increases to \$2 per covered life for policy or plan years ending October 1, 2013, through September 30, 2014. For policy or plan years ending after September 30, 2014 and later, the dollar amount in effect for such policy or plan year shall be adjusted by the Secretary of Treasury based on the percentage increase in the projected per capita amount of national health expenditures. The fee will not apply to policy or plan years ending after September 30, 2019.

### **Who Pays the Fee?**

Under the IRS final rule, issuers and plan sponsors are responsible for paying the fee to the IRS. IRS Form 720 must be filed by July 31 of the year following the last day of the plan year. For example, the fee will be paid by July 31, 2013 for plan years ending after September 30, 2012 through December 31, 2012. And the fee will be paid by July 31, 2014 for plan years ending January 1, 2013 through December 31, 2013. As the issuer of specified health insurance policies, Blue Cross Blue Shield of Wyoming is responsible for filing Form 720 and paying the required PCORI fee for its **fully insured subscribers**. As the plan sponsor, self-funded employer groups must complete Form 720 and pay the fee directly to the IRS. Self-funded employer groups with questions about the filing of excise tax returns should consult with their tax advisor.

### **The PCORI Fee and HRAs**

As the sponsor of a self-funded HRA, employer groups are responsible for paying the PCORI fee on behalf of the self-funded HRA. Most HRA's administered by Blue Cross Blue Shield of Wyoming are self funded HRAs. Therefore, the employer is considered the plan sponsor and responsible for paying the fee.

### **Calculating the Fee**

The fee is equal to the average number of covered lives for the policy year times the applicable dollar amount.

- For policy years ending on or after October 1, 2012, and before October 1, 2013 - the applicable dollar amount is \$1.
- For policy years ending on or after October 1, 2013, and before October 1, 2014 - the applicable dollar amount is \$2.
- For policy years ending in any fiscal year beginning on or after October 1, 2014 - the applicable dollar amount is the prior fiscal year's dollar amount plus an adjustment for medical inflation.

The information provided in this document is not intended to advise you on how to comply with any provisions of the referenced legislation or related legislation or regulations, nor is it otherwise intended to impart any legal advice. If you have any questions about how to comply with this or any other law or regulation, we recommend that you consult with your legal counsel.

## **Determining Average Number of Lives**

### **Self-funded (employer groups) Plans**

Self-funded plans may determine the average number of covered lives by using any of the following methods:

1. **Actual Count** – Count the total covered lives for each day of the plan year and divide by the number of days in the plan year.
2. **Snapshot dates** – 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; within 3 days of each chosen date.
3. **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 dependent 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. This method can only be used if Form 5500 is filed by July 31.

Plan sponsors must use the same method consistently for the duration of any year and the same method for all policies subject to the fee. Self-funded Employer groups with questions about the filing of excise tax returns should consult with their tax advisor.

Under the final rule, if the plan sponsor of a self-funded plan has more than one self-funded plan (e.g., one for medical, another for pharmacy) it may treat them as a single self-funded plan for purposes of this fee to avoid double counting of the members.

For the first year of the fee, plan years beginning before July 11, 2012, and ending on or after October 1, 2012, a plan sponsor may determine the average number of covered lives using any reasonable method.

### **Special Rule for Health FSAs and HRAs**

- If a plan sponsor only maintains a flexible spending account or a health reimbursement arrangement, then the plan sponsor may treat each participant's account as covering a single life. (The plan sponsor is not required to count spouses or other dependents.)
- If the FSA/HRA is sponsored by a plan sponsor that also has an applicable self-funded health plan (that is not a FSA or HRA), the two arrangements may be treated as one plan, as long as the plan year for both plans ends on the same date.

### **Plans or Policies Impacted**

The fee applies to certain "specified health insurance" policies and includes medical policies, retiree-only policies, any accident or health insurance policy (including a policy under a group health benefit plan) issued to individuals residing in the United States. Please refer to 9832 for programs that are excluded from the fee.

### **For More Information**

Consult with your tax advisor or go to <http://www.irs.gov/pub/irs-irbs/irb12-52.pdf> and for instructions to Form 720 go to <http://www.irs.gov/pub/irs-pdf/i720.pdf> and for Form 720 go to <http://www.irs.gov/pub/irs-pdf/f720.pdf>.

The information provided in this document is not intended to advise you on how to comply with any provisions of the referenced legislation or related legislation or regulations, nor is it otherwise intended to impart any legal advice. If you have any questions about how to comply with this or any other law or regulation, we recommend that you consult with your legal counsel.