Significa℠
BENEFIT SERVICES

FINAL REGULATIONS ISSUED ON THE PATIENT-CENTERED OUTCOMES RESEARCH TRUST FUND FEE

Provisions in the Affordable Care Act established the Patient-Centered Outcomes Research Institute (PCORI). PCORI is an independent, nonprofit organization created to assist patients, clinicians, and policymakers in making informed health care decisions. PCORI will commission research projects that provide relevant evidence on how diseases and health conditions can be effectively diagnosed, prevented, treated, and managed.

PCORI is funded through the Patient-Centered Outcomes Research Trust Fund (PCORTF). For policy and plan years that end after September 30, 2012, health insurance issuers and sponsors of self-funded health plans providing grandfathered or non-grandfathered accident or health coverage will be assessed an annual PCORI fee (sometimes called the comparative effectiveness research fee or CER fee). For fully insured group and individual policies, the issuer calculates and pays the fee. For self-funded plans, the plan sponsor calculates and pays the fee.

On December 6, 2012, the IRS and Treasury Department published final regulations clarifying the methods and timing for payment of the fee The final regulations are effective immediately.

The fee is equal to two dollars (one dollar in the case of policy/plan years ending before October 1, 2013) multiplied by the average number of lives (employees and dependents) covered under the plan. Federal and state continuation coverage (e.g., COBRA) beneficiaries must be taken into account in determining the fee. In the third assessment year, the fee is indexed according to the increase in per capita national health expenditures as determined by the U. S. Department of Health and Human Services. The fee does not apply to policy/plan years ending after September 30, 2019.

The issuer or plan sponsor must pay the fee annually with the ñQuarterly Federal Excise Tax Returnò(Form 720). Third parties may not pay the fee or file the required Form 720 on behalf of a self-funded plan sponsor. Payment is generally due by July 31 of the calendar year immediately following the last day of the policy/plan year (e.g., for a plan year ending January 31, 2013, Form 720 must be filed and the fee paid by July 31, 2014).

Major medical and prescription drug plans; health reimbursement arrangements (HRAs); health flexible spending arrangements (HFSAs) that are not excepted under HIPAA; dental and vision plans that are not excepted under HIPAA; retiree only coverage; and employee assistance programs, disease management programs, and wellness programs that provide significant medical benefits are subject to the fee. Health Savings Accounts (HSAs); Archer Medical Savings Accounts (MSAs); and plans designed specifically to cover primarily employees who are working and residing outside of the United States are not subject to the fee.

Multiple self-funded arrangements established and maintained by the same plan sponsor with the same plan year are subject to a single fee. However, separate fees will be assessed on the plan sponsor and insurer when a self-funded HRA is integrated with a fully insured medical plan. The regulations contain a special rule for counting covered lives for an HRA or non-excepted HFSA that is the only self-funded plan maintained by the plan sponsor.

For any self-funded plan year that ends on or after October 1, 2012 and begins before July 11, 2012, the plan sponsor may use any reasonable method for determining the average number of covered lives for the plan year. For subsequent plan years, a self-funded plan sponsor may use any of the following methods to determine the average number of covered lives. The method chosen must be used consistently for the entire plan year, but a different method may be used from one plan year to the next.

Actual count method ï A plan sponsor may determine the average number of covered lives under the plan for the plan year by adding the number of lives covered for each day of the plan year and dividing by the number of days in the plan year.

Snapshot method ï A plan sponsor may determine the average number of covered lives under the plan for the plan year by adding the totals of lives covered on a date during the first, second, or third month of each quarter of the plan year (or more dates in each quarter if an equal number of dates is used in each quarter) and dividing by the number of dates on which a count was made. The dates used in the second, third, and fourth quarters must fall within three days of the date used for the first quarter (in order to account for weekends and holidays). The 30th and 31st days of the month are both treated as the last day of the month when determining the corresponding snapshot day in a month that has fewer than 31 days. All dates must fall within the same plan year.

To count the number of covered lives, one of two methods may be used, as follows:

Count method - calculate the actual number of lives covered on each date, or

Factor method - calculate the number of participants with self-only coverage, plus the number of participants with other than self-only coverage multiplied by 2.35.

Form 5500 method ï A plan sponsor may determine the average number of covered lives under a plan for the plan year based on the number of participants reported on the Form 5500, provided that the Form 5500 is filed no later than the due date for the PCORI fee. For a plan offering only self-only coverage, treat the average number of covered lives under the plan for a plan year as the sum of the total participants at the beginning and the end of the plan year, as reported on the Form 5500, divided by two. For a plan offering coverage that is not limited to self-only coverage, add the number of participants reported for the beginning of the plan year to the number reported for the end of the plan year.

While the self-funded plan sponsor must file Form 720 directly with the IRS, SBS can provide valuable assistance with determining the number of covered lives. We are finalizing reporting that will assist our impacted clients with making the calculations necessary to determine the applicable PCORI fee.