

ESC

Important Reminder: PCORI Fees are due July 31, 2017

The following information is being provided to assist our clients in their understanding of PCORI fees and facilitate the calculating and filing of the fees. The fee is generally nominal but can be confusing as to how it is calculated and when it needs to be paid. This document is provided to help simplify your calculation and filing process.

As in prior years, the PCORI fee is filed utilizing IRS Form 720 (discussed within). As with any topic relating to the IRS, please consult with your tax advisor before making final decisions.

PCORI Fees

What is the Patient-Centered Outcomes Research Trust Fund fee? (PCORI)

The Patient-Centered Outcomes Research Trust Fund fee is a fee on issuers of specified health insurance policies and plan sponsors of applicable self-insured health plans that helps to fund the Patient-Centered Outcomes Research Institute (PCORI).

The fee was created by the Affordable Care Act to pay for research on the clinical effectiveness of medical procedures, assessed for each plan year ending after Sept. 30, 2012 and before Oct. 1, 2019. The amount of the fee is adjusted each year for inflation.

Who must pay PCORI fees?

Applicable PCORI fees are assessed on all employers offering self-insured group health plans, including self-insured MEC and Self-funded Minimum Value Major Medical Plan plans, and are the responsibility of the employer to calculate and make applicable PCORI fee payments directly to the IRS.

How do I calculate PCORI fees?

PCORI fees are calculated by multiplying the average number of participants covered (including spouses and/or dependents) under your plan by the applicable fee factor based on the plan's end date (see chart and example calculation next page).

You will be utilizing your year-end 1094/95 report found in the SF Folder of our [FTP portal](#) to determine your average participation using one of the approved IRS calculation methods.

Note: please consult your tax advisor to confirm which methodology should be used in your case.

There are three methods the IRS has outlined for determining the average number of participants in your plan:

- 1. Actual Count Method:** A plan sponsor may determine the average number of lives covered under a plan for a plan year by adding the totals of lives covered for each day of the plan year and dividing that total by the total number of days in the plan year;
- 2. Snapshot Method:** A plan sponsor may determine the average number of lives covered under an applicable self-insured health plan for a plan year based on the total number of lives covered on one date (or more dates if an equal number of dates is used in each quarter) during the first, second or third month of each quarter, and dividing that total by the number of dates on which a count was made; or
- 3. Form 5500 Method:** An eligible plan sponsor may determine the average number of lives covered under a plan for a plan year based on the number of participants reported on the Form 5500, Annual Return/Report of Employee Benefit Plan, or the Form 5500-SF, Short Form Annual Return/Report of Small Employee Benefit Plan.

Based on the information found on your year-end 1094/95 report, the simplest method will likely be the Snapshot Method. However, please consult your tax advisor for your optimal calculation method.

PCORI Fees

Example of PCORI Fee Calculation Using the Snapshot Method*:

STEP 1

Access your year-end 1094/95 report. Enrollment data can be accessed through our [secure FTP portal](#) using either a web browser or FTP client software. Navigate to the self-funded “SF” Folder and download your 1094/95 report for 2016. Detailed instructions for retrieving this document can be found [here](#).

STEP 2

To calculate your annual MEC participation using the Snapshot Method, reference your 1094/95 report. Any employee or dependent with a “Y” designation for the month is a participant. Tally the total number of plan participants, including spouses and dependents, from one month in each quarter of the year. The months chosen must fall in the same ordinal position in the quarter, for example, January is the first month of Q1, April is the first month of Q2, etc.

Note: the ESC 1094/95 report designates participation as of the last day of the given month.

January	43 Participants
April	52 Participants
July	45 Participants
October	36 Participants
Total	176 Participants

Fictional Example—for illustration only

STEP 3

Calculate average annual participation by dividing aggregate total (from step 2) by the number of quarters added (may be less than four depending on plan start date).

$$\begin{array}{ccc} \text{Total Participants} & \div & \text{Number of quarters} \\ 176 & & 4 \\ \hline & & \text{Average Annual Participation} \\ & & 44 \end{array}$$

STEP 4

Calculate PCORI fee by multiplying average annual participation (from step 3) by annual PCORI fee factor. For plan years ending before October 1st, 2016, the factor will be \$2.17. For plans ending after October 1st, 2016, the factor will be \$2.26.

$$\begin{array}{ccc} \text{Average Annual Participation} & \times & \text{Applicable Fee} \\ 44 & & \$2.26 \\ \hline & & \text{Total Fee Due to IRS} \\ & & \$99.44 \end{array}$$

PLAN YEAR ENDING	APPLICABLE FEE AMOUNT
10/01/2015 - 09/30/2016	\$2.17
10/01/2016 - 12/31/2016	\$2.26

Total Fee Due to IRS: \$99.44
(For illustration purposes only. Individual results will vary.)

*Typically, PCORI fees do not amount to a large sum. For this example, a staffing firm with 44 employees enrolled in a self-funded MEC or self-funded Minimum Value Major Medical Plan owes less than \$100.



PCORI Fees

What IRS form should be used to report and pay the PCORI fee?

Issuers of specified health insurance policies and plan sponsors/employers of applicable self-insured health plans will file annually Form 720, Quarterly Excise Tax Return, to report and pay their PCORI fee. Again, the form is due July 31st of the year following the last day of the policy year or plan year.

The IRS provides [FAQs](#) and [instructions](#) for detailed information about the filing requirements.

The Form 720 and detailed instructions are available on the IRS website:

<http://www.irs.gov/pub/irs-pdf/f720.pdf>

<http://www.irs.gov/pub/irs-pdf/i720.pdf>

Form 720 filing tips

Although the fee is paid annually, employers should indicate on the Payment Voucher (720-V) - located at the end of Form 720 - that the tax period for the fee is the 2nd Quarter. Failure to properly designate '2nd Quarter' on the voucher will result in the IRS's software generating a tardy filing notice.

If corrections need to be made to your Form 720 after you've filed the original form, write "Amended PCORI" at the top of the second filing.

Where do I send Form 720?

Department of the Treasury
Internal Revenue Service
Cincinnati, OH 45999-0009

Alternatively, the IRS accepts electronic payments.
Please consult your accounting and/or tax consultant for details.

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Who can I contact with additional questions?

For further assistance with PCORI fees or accessing your employer data, please contact your Market Service Representative or ESC Support at 877-372-2203.