

The Patient-Centered Outcomes Research Fee

Step-by-Step Guide for Self-Funded Plan Sponsors

The Patient-Centered Outcomes Research Fee

The Affordable Care Act (ACA) created a new fee called the Patient-Centered Outcomes Research (PCOR) Fee, which must be paid by group health plans. For fully insured plans, this fee is collected and paid by the insurance carrier. **Employers who sponsor fully insured plans do not have to file forms or make payments to meet this obligation.** However, the obligation to complete the required federal tax filing (IRS Form 720) and pay the fee is required of employers who sponsor self-funded health plans. This guide is intended for those self-funded employers and for the fee that is due by July 31, 2020.

As a reminder this fee was set to expire for plan years ending after October 1, 2019, however the fee was extended through 2030. All self-funded plans must continue to file and fully insured plans will continue to pay the fee via insured premiums.

Which self-funded plans are subject to the PCOR fee requirement?

Self-funded plans that are subject to this requirement include:

- All self-funded group health plans, including Health Reimbursement Accounts (HRAs)
 - An HRA that is offered as part of a self-funded group health plan is considered part of the plan, requiring only one filing and PCOR fee payment.
 - An HRA that is offered as part of a fully insured group health plan must report and pay the fee as a separate self-funded plan. This is true even though the insurance carrier is paying the fee on the underlying fully insured coverage.
 - A standalone HRA (not integrated with any other health plan coverage) must report and pay the fee as a separate self-funded plan.
- Retiree-only group health plans, even though these plans are exempt from most ACA requirements
- Employee Assistance Programs (EAPs), but only if they provide significant medical benefits
 - To reach this threshold, EAPs must provide medically-based counseling services that are more robust than a limited number of counseling sessions targeted toward problem identification and referrals.
 - Based on current IRS guidelines, we believe that the vast majority of EAPs offered by our employer clients do not provide medical benefits significant enough to meet this threshold and are exempt from paying the PCOR fee.

Are any plans exempt from the fee?

There are a few exemptions from the PCOR fee obligation. Plans and programs that are **exempt** from reporting and paying the PCOR fee include:

- EAPs, unless providing significant medical benefits, as outlined above
- Individual Health Savings Accounts (HSAs)

- Health Flexible Spending Accounts (FSAs)
- Standalone dental plans
- Standalone vision plans
- On-site medical clinics

How to Count Enrollees and Calculate the PCOR Fee

The fee is calculated based on the average number of enrollees for the plan year. Each covered life that is enrolled—employees, spouses, domestic partners, and dependent children—must be counted. You must also count COBRA and retiree participants. The fee is **\$2.45** for plan years ending from January 31, 2019 to September 30, 2019, and **\$2.54** for plan years ending October 31, 2019, November 30, 2019, or December 31, 2019.

There are three available methods for calculating the average number of enrollees for a plan year to determine the applicable fee:

The Form 5500 Method

We believe this is the simplest method for most plan sponsors who are subject to the Form 5500 filing requirement. For this method, use the most recent 5500 filed by July 31, 2020. Add the number of participants at the beginning of the plan year (Part II, line 5 of Form 5500) to the total at the end (Part II, line 6d). Multiply the sum by the appropriate payment amount for the plan year being reported (See “PCOR Fees Chart” supplement). Please note, you may only use the Form 5500 method if your 5500 was filed by its due date (no extensions) and before the applicable PCOR fee filing deadline (July 31). For plan years that end October 31, 2019, November 30, 2019, or December 31, 2019, your Form 5500 must be filed timely and before July 31, 2020 to use this method.

The Actual Count Method

The Actual Count Method uses the total number of lives covered for each day of the plan year divided by the number of days in the plan year. This method is an actual count of your plan enrollment, averaged over the plan year. We believe it is the most difficult method to utilize because of the need to collect specific enrollment data for each day in a plan year.

The Snapshot Method

The Snapshot Method relies on the average enrollment on a quarterly basis. To use this method, you must add the total number of lives covered on one or more dates in each quarter of the plan year, and then divide the sum by 4. Each of the dates used in the second, third, and fourth quarters must be within 3 days of the corresponding date in the first quarter.

If you use the Snapshot Method and counting the actual number of lives on a date in each quarter is not feasible, your alternative is to (1) count the number of participants with self-only coverage on the date **in the quarter**. Then, (2) count the number of employee

participants with more than self-only coverage on the same date and multiply that number by 2.35. Add the two counts. Take the 4 quarterly numbers and divide by 4.

How to Complete Form 720 for Fees due July 31, 2020

Form 720, as revised April 2020, can be found online at www.irs.gov/pub/irs-pdf/f720.pdf. You can fill out the form online or complete by hand. In either case, the form must be printed and mailed; it is not filed electronically. We have gone through the instructions and simplified them below, so that you don't have to. However, the instructions can be found here: www.irs.gov/pub/irs-pdf/i720.pdf

Complete the top section on the first page with the name, address, and EIN of the employer. The quarter ending is the second quarter, which is June 2020.

Jump to Part II, and the line identified as 133 Applicable self-insured health plans. Enter your average number of lives covered for applicable self-insured health plans in column (a)*. Multiply your count by \$2.45 or \$2.54, depending on the amount identified in the "PCOR Fees Chart" supplement. Enter that amount in column (c). The same amount will be entered as the tax. Enter the amount at the bottom of part II, line 2 for the "Total."

For Part III, complete line 3 with the tax amount. Enter a "0" on line 9. Put in the tax amount in line 10 as Balance Due.

Sign and date the form at the bottom of Page 3.

At the end of the form, on page 8, you will find 720-V Payment Voucher, which should be completed and sent with the payment. Darken the 2nd Quarter Tax Period circle in line 3.

** If you are reporting for more than one self-funded plan with the same plan year, you may combine the plan counts to report on a single Form 720.*

Paying the Fee

The fee does NOT have to be paid using EFTPS. Instead, send a check made out to the "US Treasury" with the completed and signed Form 720 and the completed Form 720-V Payment Voucher to:

Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0009

If you use a private delivery service, only FedEx, UPS, and DHL are accepted by the IRS. Private delivery service mailings are sent to a different mailing address. The address is:

IRS Processing Center
1973 Rulon White Blvd
Ogden, UT 84201