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A TIMELY AND ESSENTIAL INDUSTRY ANNOUNCEMENT

June 16, 2017



ACA (PCORI) Fees Due July 31, 2017

The Affordable Care Act (ACA) requires health insurance issuers (Insurance Companies) and employers who sponsor self-insured health plans (**including HRAs**) to pay Patient-Centered Outcomes Research Institute fees (PCORI fees). The fees are reported and paid annually using [IRS Form 720](#) (Quarterly Federal Excise Tax Return).

PCORI fees are due by **July 31, 2017**, for plan years ending in 2016. The IRS provided [instructions](#) for filing form 720, which includes information on reporting and paying the PCORI fees. For any questions about IRS form 720, we encourage you to consult your Tax Advisor.

WHO MUST PAY THE PCORI FEES?

The entity that is responsible for paying the PCORI fees depends on whether the plan is fully insured or self-insured.

- For fully insured health plans, the **issuer (Insurance Company)** of the health insurance policy is required to pay the research fees. Thus, no action required for the employer, unless the employer has an integrated HRA (see below).
- For self-insured, or partially self-insured health plans (including certain HRAs) a PCORI fees is to be paid by the **plan sponsor (employer)**.

HRAs: Certain HRAs are subject to an Employer PCORI fee, the most common is known as a:

- **Integrated HRA** - Which operates in conjunction with a **fully-insured** group health plan to reimburse a portion of the health plans out of pocket expenses. **An Integrated HRA plan requires the employer to file and pay a PCORI fee.**

To summarize: If your health plan is fully insured and your company does not provide any type of reimbursement of deductibles or co-insurance to members, NO action is required by you.

HOW MUCH ARE THE PCORI FEES AND HOW TO CALCULATE THEM

For 2016, if your plan year ended before October 1, 2016 the fee is **\$2.17** multiplied by the average number of lives covered under the policy. For plan years that ended between October 1, 2016 and December 31, 2016 the fee is **\$2.26** multiplied by the average number of lives covered under the policy. IRS Form 720 outlines a number of alternatives for issuers and plan sponsors to determine the average number of covered lives.

Fully insured plans with an Integrated HRA - Included in the final regulations is a special IRS rule for employers with an Integrated HRA plan that simplifies the reporting. Under these special rules, if a plan sponsor does not establish or maintain an applicable self-insured health plan other than an HRA, the plan sponsor may treat each participant's HRA as covering a single life. Therefore, the plan sponsor is not required to include as covered lives any spouse, dependent or other beneficiary of the individual participant in the HRA.

WHAT SHOULD EMPLOYERS DO NOW?

The deadline for filing Form 720 is July 31, 2017, for plan years ending in 2016. Employers should take the following steps to assess their compliance obligations:

- Assess plan funding status (insured vs. self-insured) to determine whether the employer or a health policy issuer (Insurance Company) will be responsible for the fees; and
- For any self-insured plans (**including HRAs**), select an approach for calculating average covered lives (Refer to IRS form 720). In many cases your HRA Plan Administrator will be able to provide you the average number of lives calculation.

MORE INFORMATION

For a more detailed copy of the regulations and compliance requirements you may contact your Banyan Consulting Group Benefit Consultant. You may also contact your Tax Advisor for any additional tax advice and completion of the Form 720 if applicable.

Disclaimer: This document does not constitute legal or tax advice; rather, it serves simply to highlight certain regulatory developments and requirements. Confer with legal or tax counsel for specific guidance.

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