Paying PCORI Fees—Corrections and Amendments

The Affordable Care Act (ACA) imposes fees to fund comparative effectiveness research on health insurance issuers and self-funded plan sponsors. These fees are widely known as Patient-Centered Outcomes Research Institute fees (PCORI fees), although they may also be called PCOR fees or comparative effectiveness research (CER) fees.

On Dec. 5, 2012, the Internal Revenue Service (IRS) issued final regulations on the PCORI fees. On May 28, 2013, the IRS released an updated Form 720 that includes a section where issuers and plan sponsors will report and pay the PCORI fee. The IRS also released updated instructions along with the revised form.

OVERVIEW OF THE PCORI FEES

The PCORI fees apply for plan years ending on or after Oct. 1, 2012, but do not apply for plan years ending on or after Oct. 1, 2019. For calendar year plans, the fees will be effective for the 2012 through 2018 plan years. Issuers and plan sponsors will be required to pay the PCORI fees annually on IRS Form 720 by July 31 of each year. It will generally cover plan years that end during the preceding calendar year. Thus, the deadline for filing Form 720 was July 31, 2014, for plan years ending in 2013.

For plan years ending before Oct. 1, 2013 (that is, 2012 for calendar year plans), the fee is $1 multiplied by the average number of lives covered under the plan. For plan years ending on or after Oct. 1, 2013, and before Oct. 1, 2014, the fee is $2 multiplied by the average number of covered lives. For plan years ending on or after Oct. 1, 2014, the fee amount will grow based on increases in the projected per-capita amount of National Health Expenditures.

On Sept. 18, 2014, the IRS published the adjusted PCORI fee amount for plan years ending on or after Oct. 1, 2014, and before Oct. 1, 2015, in Notice 2014-56. For plan years ending on or after Oct. 1, 2014, and before Oct. 1, 2015, the fee is $2.08 multiplied by the average number of lives covered under the plan. This amount was calculated based on the percentage increase in the projected per capita amount of the National Health Expenditures published by the U.S. Department of Health and Human Services on Sept. 3, 2014 (Table 3). In the future, the IRS intends to publish the adjusted PCORI fee amount for plan years ending on or after Oct. 1, 2015, and before Oct. 1, 2019.

CORRECTIONS AND AMENDMENTS

The final regulations did not explicitly address whether plan sponsors may correct or amend a previously filed Form 720 if certain errors are made (for example, miscalculations related to covered lives or fee amounts due). However, they did note that the penalties related to late filing of Form 720 or late payment of the fee may be waived or abated if the issuer or plan sponsor has reasonable cause and the failure was not due to willful neglect.

In addition, plan sponsors may use Form 720X, “Amended Quarterly Federal Excise Tax Return,” to adjust liabilities reported on a previously filed Form 720, including adjustments that result in an overpayment. Form 720X and the accompanying instructions do not specifically identify or refer to the PCORI fees. However, there is space to include an explanation of adjustments, which plan sponsors can use to identify the PCORI fee.

MORE INFORMATION

Please contact Clark & Associates of Nevada, Inc. for more information on PCORI fees.