



PCORI Ten Year Extension Requires Filing This July 31st: Employers Self-Insured Health Plans Ending October 1 Through December 31, 2019 Take Note!

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The signing of the Further Consolidated Appropriations Act, 2020, H.R. 1865 (Act) at the close of 2019 unfortunately provided an extension of the Affordable Care Act's (ACA) Patient-Centered Outcomes Research Institute (PCORI) fees.

As you may recall, PCORI was established under the ACA to conduct research to evaluate and compare the clinical effectiveness, risks, and benefits of medical treatments, services, procedures, drugs or other items or strategies that treat, manage, diagnose or prevent illness or injury. The fees were assessed based on each participant in the medical plan, and they were originally effective for policy or plan years beginning with the policy or plan year ending after September 30, 2012. The fees were scheduled to end for policy or plan years ending after September 30, 2019. For calendar year plans, this meant that the fees would apply for plan years 2012 through 2018 only.

The PCORI fee was extended for 10 years under the Act (employers must continue to pay these fees through as late as July 31, 2030, depending on plan year-end). Originally, the PCORI fee was \$1.00 per participant, but the fee increased each year. Currently, the PCORI fee is \$2.45 per participant, and must be paid through the Internal Revenue Service's (IRS) Form 720. If the medical plan is self-insured, the employer/plan sponsor must file the IRS Form 720 and pay the fee to the IRS directly, if insured, the insurance carrier bears that burden.

Determining the amount of the PCORI fee can be challenging. The medical plan must first look to the participant amount, which is adjusted for inflation during each year. The medical plan must then determine the number of covered lives and to which medical plan(s) the per participant fee applies. Finally, the medical plan must file the Form 720 to pay the excise tax prior to the due date. The due date for filing the Form 720 is July 31st.

More information on the substantive requirements of the PCORI fees can be accessed [here](#).

Winston Take-Away

As of the date of this blog, the IRS has not updated its website and still reports the requirement as ending in 2019 for calendar year plans. Failure to file Form 720 and pay the PCORI excise tax can result in penalties for failure to file, failure to pay, and interest on the unpaid amounts. Reasonable cause for waiver of penalties does not include

unawareness of the requirement. Properly determining the number of participants for this fee can be challenging and therefore employers should begin this task promptly if they have not done so already.

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