PCORI Fee

Fee amounts collected from plan sponsors help fund the Patient-Centered Outcomes Research Institute (PCORI), which supports clinical research to help patients and providers make informed healthcare decisions.

Applicability

- **Employers:** Applies to all private sector employers, non-profits, churches, nonfederal government plans, and MEWAs, regardless of size.
    - **Controlled Group Rules Apply:** Employers that are part of a controlled group that participate under a single plan must have each participating member file on behalf of its own employees, unless a single plan sponsor is designated in the plan documents. If multiple plans exist for each member of the controlled group, a separate filing and fee must be paid for each plan.
- **Group Health Plans:** Applies to fully insured, level-funded, and self-funded group medical plans, including MEC plans, retiree only plans, prescription drug benefits, HRAs, ICHRAs, and QSHRAs.
    - **Exceptions:** Excepted benefits (e.g., limited scope dental and vision), HSAs, EBHRAs, and expatriate plans.

Reporting and Payment Responsibility

- **Fully Insured Plans:** Carriers are responsible for paying and reporting the fee.
- **Self-Funded and Level Funded Plans:** Employers are responsible for paying and reporting the fee.
    - When both a fully insured option and a self-insured option are offered, the carrier is responsible for the fully insured option and the employer is responsible for the self-insured option (e.g., self-funded HRA integrated with a fully insured medical plan).
    - When participants are covered under multiple self-insured plans, the employer can treat the plans as a single plan to avoid double counting, provided the plans share the same plan year and plan sponsor (e.g., an HRA integrated with a self-funded medical plan that run the same plan year).
- **Fee Amount** is based on the number of covered lives and is adjusted annually. See here for applicable amount.
- **Deadline:** Employers will report during the **second quarter** on Form 720 by July 31 of the year following the end of the plan year.
    - For example, plan years that ended in 2025 will file and pay the fee by July 31, 2026.

Calculation Methods for Self-Insured Plans to Determine Covered Lives

- All covered lives (e.g., employees, spouses, dependents, retirees, employees on leave, COBRA participants, etc.) are included to determine the fee amount. To assist with counting the average number of covered lives, the IRS has provided the following methods:
    - **Actual Count Method** – Count all covered lives on each day of the plan year and divide by the number of days in the plan year.
    - **Snapshot Method** – Count all covered lives on one date in each quarter (or on an equal number of dates for each quarter) divided by the total number of dates on which the count was made. Dates used must fall within the same plan year.
        - **Snapshot Factor:** Employers can use a factor of 2.35 to determine the average number of covered lives, rather than performing actual counts, by adding the number of individuals enrolled in self-only and other than self-only coverage and multiplying by 2.35 divided by the total number of dates used.
    - **Form 5500** – Employers that file a Form 5500 can use the number of enrolled on the Form 5500 that is filed by July 31 of the year the PCORI fee is due, by adding the number of enrolled on the first and last day of the plan year. If coverage is offered to employees only, divide sum by a factor of 2.

Employer Considerations

- Different counting rules apply to HRAs and FSAs.
- Fee applies to short plan years.
    - Some employers may have to pay two PCORI fees on one Form 720 (or have different per covered life fee amount for each plan year depending on when the plan year ends).
    - Calculation methods may be limited.
- Employers can use different methods from plan year to year.
- Third parties are not permitted to complete Form 720 or pay the fee on behalf of a self-insured plan, but may be able to assist with calculating the number of covered lives.
- IRS PCORI Resources