

“PCOR” FEES

Patient-Centered Outcomes Research Fees

What are “PCOR” Fees?

The Patient Protection and Affordable Care Act (PPACA) instituted a fee on health insurers and the sponsors of certain self-insured group health plans. This fee is used to pay for research into the effectiveness of various medical procedures and treatments. The PCOR fees go into effect for plans in existence during 2012 and continue through 2018, at which time they are set to expire. This article discusses whether employers who have plans that are administered by Advantage Administrators are subject to paying PCOR fees and how the fee is to be calculated and paid. If you have any questions, please feel free to contact Advantage Administrators.

How much are the fees?

The fee for 2012 is \$1.00 for each “covered life”. The fee for 2013 will be \$2.00 for each “covered life”. Who must pay PCOR fees? - Employers who sponsor a “partially self-insured plan” (but only if the underlying major medical plan is an insured plan). A “partially self-insured plan” is a plan that pays a portion of the deductible, co-insurance and/or co pays that are not paid by the underlying major medical policy. - Employers who sponsor a “Health Reimbursement Account” plan. A “Health Reimbursement Account” plan is a plan where the employer funds an “account” for eligible employees who can draw from the “account” to pay for medical expenses.

Who does NOT pay PCOR fees?

Employers who sponsor the following plans administered by Advantage Administrators do NOT pay PCOR fees on these plans:

- Retirement Plans
- Dental or Vision Plans
- Plans that cover only Retired Employees
- Health Flexible Spending Accounts (i.e., Cafeteria Plans)
- Health Savings Accounts
- Partially self-insured plans if the underlying major medical plan is self-insured.

How are “covered lives” calculated for a Partially Self-Insured Plan?

The IRS provides several rather complicated alternative methods for calculating PCOR fees. However, we believe the simplest and least expensive method is, for each plan year quarter, to:

- (a) Total the number of employees who had selfonly coverage at the end of each quarter
- (b) Total the number of employees who had other than self-only coverage at the end of the quarter and multiply this total by 2.35.
- (c) Add together the results from (a) and (b) for each quarter and divide the total by 4. This is the number of “covered lives” for that quarter.

A list of employees with self-only coverage and employees with other coverage can be found on the reports that we provide to you each quarter.

How are “covered lives” calculated for a Health Reimbursement Account Plan?

Each employee who is a participant in the plan is counted as a “covered life”. Family members are not taken into account.

When are PCOR fees due?

Even though the number of “covered lives” are calculated by quarter, the PCOR fees are only paid once each year. PCOR fees for a plan year are due 7 months after the end of the plan year. Therefore, PCOR fees due for a plan year ending on December 31, 2012 are due July 31, 2013.

What IRS form is used to report PCOR fees?

PCOR fees are reported on (and paid with) IRS Form 720“Federal Quarterly Excise Tax Return”. However, the IRS has not yet revised this form to allow for the payment of PCOR fees. Therefore, it may be possible that the deadline for paying this fee may be extended until the IRS has issued the revised form.