

Legislative Alerts - June 2021

Important Summer Reminders for Employer Sponsored Group Health Insurance Plans

PCORI Tax - Due July 31st

What is the Patient-Centered Outcomes Research trust Fund Fee?

As part of the Affordable Care Act (ACA), the fee was implemented that applies to group health plans. The fee is called PCORI (Patient Centered Outcome Research Trust Fund) and the purpose of the fee is to fund research that provides patients and providers with information to assist with making informed health care decisions. HRAs are defined as a form of health insurance; therefore, they are subject to the PCORI fee.

Who pays the PCORI Fee?

- The plan sponsor is responsible for paying the fee. For HRAs the plan sponsor is the employer.
- If the HRA is integrated with a fully-insured group health plan, the HRA and the health plan are both subject to the fee. The plan sponsor of the HRA (employer) and the fully-insured group health plan pay the fee separately - even if the persons covered under both are the same.
- If the HRA is integrated with a self-insured group health plan and both plans are maintained by the same plan sponsor, the plan sponsor pays a single fee for both plans.
- If the HRA is a retiree only plan, the plan sponsor is responsible for paying the fee.
- If the HRA is a stand-alone dental or vision plan, the PCORI fee does not apply.

How much is the PCORI Fee?

PCORI Fees for group health insurance plans are based on number of covered lives, however, for HRAs they are based on number of covered employees.

For plan years ending on or after October 1, 2020 and before October 1, 2021: You pay **\$2.66** per average number of covered employees.

For plan years ending before October 1 st , 2020, please see the following fee schedule

<https://www.irs.gov/affordable-care-act/patient-centered-outcomes-research-trust-fund-fee-questions-and-answers>

How is the Average Number of Covered Employees Determined/Calculated?

Listed below are two methods that can be used to calculate the average number of covered employees. Plan sponsors can change the calculation method used for different plan years, but must use the same method within the same plan year.

1. **Actual Count Method:** Takes the total number of covered employees on each day of the plan year and divides by the number of days in the plan year.
2. **Snapshot Method:** Takes the total number of covered employees on one date in each quarter or an equal number of dates in each quarter and divides by 4 quarters or the number of dates used within each quarter.

What form will be used to report and pay the PCORI Fee?

PCORI fees must be paid annually by July 31 of the calendar year immediately following the last day of the plan year. For example, a calendar-year plan ending 12/31/2020 will have their return and annual payment due by 07/31/2021.

Third Party Administrators (TPAs) are not allowed to act for plan sponsors by filing the return or paying the fees. However, in order to prepare the return and pay the fees, plan sponsors may need to obtain information about the number of covered lives from their TPA.

Issuers and plan sponsors who are required to pay the PCORI fee but are not required to report any other liabilities on a Form 720 will be required to file a Form 720 only once a year. They will not be required to file a Form 720 for the other quarters of the year.

Issuers and plan sponsors who are required to pay the PCORI fee as well as other liabilities on a Form 720 will use their Form 720 for the 2nd quarter to report and pay the PCORI fee that is due July 31. Only one Form 720 should be filed for each quarter.

[Form 720](#) was revised to provide for the reporting and payment of the PCORI fee.

Read more... <https://www.irs.gov/affordable-care-act/patient-centered-outcomes-research-trust-fund-fee-questions-and-answers>

Form 5500's - Due Soon!

The IRS, Department of Labor and Pension Benefit Guaranty Corporation, jointly developed the Form 5500-series returns for employee benefit plans to satisfy annual reporting requirements under ERISA and the Internal Revenue Code.

Plan sponsors must generally file the return on the last day of the seventh month after their plan year ends. For employers with a calendar plan year, January 1st – December 31st, filing is due July 31st which is right around the corner!

The Form 5500 Series is an important compliance, research, and disclosure tool for the Department of Labor, a disclosure document for plan participants and beneficiaries, and a source of information and data for use by other Federal agencies, Congress, and the private sector in assessing employee benefit, tax, and economic trends and policies. The Form 5500 Series is part of ERISA's overall reporting and disclosure framework, which is intended to assure that employee benefit plans are operated and managed in accordance with certain prescribed standards and that participants and beneficiaries, as well as regulators, are provided or have access to sufficient information to protect the rights and benefits of participants and beneficiaries under employee benefit plans.

Read more... <https://www.irs.gov/retirement-plans/form-5500-corner>