Gallagher

Compliance Directions

IRS Announces Indexed PCORI Fee

Gallagher

The Internal Revenue Service (IRS) announced the indexed dollar amount for the Patient Centered Outcomes Research Institute (PCORI) fee. For plan years that end on or after October 1, 2024 and before October 1, 2025, the fee is $3.47 per covered life. Issuers of specific health insurance policies and plan sponsors of applicable self-insured health plans are required to pay the PCORI fee.

Self-Insured Plans Subject to the Fee

The PCORI fee applies to self-insured plans providing accident and health coverage, including retiree-only plans. State and local governments sponsoring self-insured plans are also subject to the fee. The PCORI fee does not apply to self-insured plans that provide: 1) only excepted benefits (e.g., limited scope dental); 2) expatriate plans; 3) employee assistance programs; 4) disease specific management programs; or 5) wellness programs that do not provide significant medical treatment benefits.

PCORI fees may also apply to health reimbursement arrangements (HRAs) and health flexible spending accounts (health FSAs) that are considered self-insured health plans; however, these plans are subject to special rules. Archer Medical Savings Accounts and Health Savings Accounts (HSAs) are exempt from the fee.

Calculating and Paying the PCORI Fee Amount

Sponsors of self-insured plans must make annual PCORI payments by July 31 of the calendar year immediately following the last day of the applicable plan year. The PCORI fee is based on the average number of covered lives during the plan year.

Plan sponsors and insurers use IRS Form 720 for the second quarter to report the amount of their PCORI fee. Payments may be made through the IRS Electronic Federal Tax Payment System (EFTPS). For the most recent versions of Form 720 and associated instructions, please see the IRS Form 720 site.

Additional Resources

Gallagher has created several tools to assist plan sponsors in calculating and paying the PCORI fee including:

- Patient-Centered Outcomes Research Institute: The PCORI Fee, which describes which plans are subject to the requirement and how to calculate the fee.
- A timetable that shows the amount payable per covered person and the due date for payment by plan year.
- A worksheet to calculate the number of covered lives and the amount of the PCORI fee. The worksheet has three separate sections for calculations: one for use by plan sponsors using the actual count method, a second for those using the snapshot method, and a third for those using the Form 5500 method.
- A separate HRA worksheet designed for use by plan sponsors that have a fully insured high deductible health plan (HDHP) with a self-insured HRA. The insurer is responsible for the PCORI fee for the fully insured medical plan, but the plan sponsor is responsible for paying the fee for the HRA. In addition, it is important to note that the rules for counting covered lives under an HRA are different than the rules used for the fully insured medical plan.
- FAQs on PCORI and Other ACA Fees – questions 1 through 20 cover PCORI Fees.

The intent of this article is to provide general information on employee benefit issues. It should not be construed as legal advice and, as with any interpretation of law, plan sponsors should seek proper legal advice for application of these rules to their plans.