



Health Care Reform

LEGISLATIVE BRIEF

Brought to you by The Robbins Group

IRS Updated Form 720 for PCORI Fees

The Affordable Care Act (ACA) created the Patient-Centered Outcomes Research Institute (Institute) to help patients, clinicians, payers and the public make informed health decisions by advancing comparative effectiveness research. The Institute's research is to be funded, in part, by fees paid by health insurance issuers and sponsors of self-insured health plans. These fees are widely known as Patient-Centered Outcomes Research Institute fees (**PCORI fees**), although they may also be called PCOR fees or comparative effectiveness research (CER) fees.

Issuers and plan sponsors will be required to pay the PCORI fees once a year on IRS Form 720 (Quarterly Federal Excise Tax Return). Form 720 and full payment of the research fees will be due by July 31 of each year. It will generally cover plan years that end during the preceding calendar year. Thus, the first possible deadline for filing Form 720 is July 31, 2013.

On May 28, 2013, the IRS released an [updated Form 720](#) that includes a section where issuers and plan sponsors will report and pay the PCORI fee. The IRS also released [updated instructions](#) along with the revised form.

The PCORI fees apply for **plan years ending on or after Oct. 1, 2012**, but do *not* apply for plan years ending on or after **Oct. 1, 2019**. For calendar year plans, the fees will be effective for the 2012 through 2018 plan years.

REPORTING PCORI FEES ON FORM 720

Issuers and plan sponsors will file Form 720 annually to report and pay the PCORI fee no later than July 31 of the calendar year following the policy or plan year to which the fee applies. The PCORI fee applies separately to "specified health insurance policies" and "applicable self-insured health plans" and is based on the **average number of lives covered** under the plan or policy.

Using Part II, Number 133 of Form 720, issuers and plan sponsors will be required to report the average number of lives covered under the plan **separately** for specified health insurance policies and applicable self-insured health plans. That number is then multiplied by the applicable rate for that tax year, as follows:

- **\$1** for plan years ending before Oct. 1, 2013 (that is, 2012 for calendar year plans).
- **\$2** for plan years ending on or after Oct. 1, 2013 and before Oct. 1, 2014.
- For plan years ending on or after Oct. 1, 2014, the rate will increase for inflation.

The fees for specified health insurance policies and applicable self-insured health plans are then combined to equal the total tax owed.

Issuers or plan sponsors that file Form 720 only to report the PCORI fee will not need to file Form 720 for the first, third or fourth quarter of the year. Issuers or plan sponsors that file Form 720 to report quarterly excise tax liability for the first, third or fourth quarter of the year (for example, to report the foreign insurance tax) should not make an entry on the line for the PCORI tax on those filings.

Source: Internal Revenue Service

This Legislative Brief is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel for legal advice. Design © 2013 Zywave, Inc. All rights reserved. BK 6/13