



IRS Releases PCORI Fee For Plan Years Ending Before October 1, 2021

The IRS has released [Notice 2020-84](#), which sets the applicable PCORI fee for plan years ending between October 1, 2020 and September 30, 2021 at **\$2.66** per covered life.

As a reminder, the PCORI was established as part of the Affordable Care Act (ACA) to conduct research to evaluate the effectiveness of medical treatments, procedures and strategies that treat, manage, diagnose or prevent illness or injury. Under the ACA, most employer sponsors and insurers were required to pay PCORI fees until 2019 or 2020, as it only applied to plan years ending on or before September 30, 2019. However, the PCORI fee was extended to plan years ending on or before September 30, 2029 as part of the Further Consolidated Appropriations Act, 2020.

The amount of PCORI fees due by employer sponsors and insurers is based upon the number of covered lives under each “applicable self-insured health plan” and “specified health insurance policy” (as defined by regulations) and the plan or policy year end date. The fee must be paid on or before July 31st each year. The fees due by July 31, 2021 are for plan years ending in 2020 and are as follows:

- For plan years ending between January 1, 2020 and September 30, 2020, the fee is \$2.54 per covered life.
- For plan years ending between October 1, 2020 and December 31, 2020, the fee is \$2.66 per covered life.

Employers that sponsor self-insured group health plans must report and pay PCORI fees using the **second quarter** IRS Form 720, Quarterly Federal Excise Tax Return.

The average number of covered lives for the plan year is generally calculated using the snapshot, snapshot factor, actual count, or Form 5500 method. These counting methods will be described in more detail in a future alert as we approach the 2021 filing deadline. Additionally, prior IRS guidance provided transition relief for employers who may not have anticipated that the PCORI fee would continue to apply after 2019. For plan years ending between October 1, 2019, and September 30, 2020, employers may use any reasonable method for calculating the average number of covered lives so long as they apply that method throughout the year.

Insurance carriers are responsible for calculating and paying the PCORI fee for fully insured plans. The employer is responsible for paying the fee on behalf of a self-insured plan, including an HRA. In general, health FSAs are not subject to the PCORI fee.

Also note that because the PCORI fee is assessed on the plan sponsor of a self-insured plan, it generally should not be included in the premium equivalent rate that is developed for self-insured plans if the plan includes employee contributions. However, an employer's payment of PCORI fees is tax deductible as an ordinary and necessary business expense.

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