

EMPLOYEE BENEFIT ALERT



JANUARY 4, 2022

IRS Releases Updated PCORI Fees

In Notice 2022-4, the IRS provided the adjusted PCORI fees for plan years ending in October 2021 through September 2022. Employers who sponsored self-funded medical plans that ended sometime during 2021 are required to report and pay the ACA Patient-Centered Outcomes Research Institute (PCORI) fees no later than July 31, 2022.

BACKGROUND

General summary information regarding PCORI fees can be found at <https://www.irs.gov/newsroom/patient-centered-outcomes-research-institute-fee>.

Health insurance carriers pay the fee directly in the case of fully-insured plans, so employers offering only fully-insured group health plans do not have to do anything. However, employers are responsible for reporting and paying the fee for any self-funded group health plans, including HRAs. The PCORI fee applies to most group health plans, but not to excepted benefits. The IRS published a chart that describes the different types of plans subject to the fee here - <https://www.irs.gov/newsroom/application-of-the-patient-centered-outcomes-research-trust-fund-fee-to-common-types-of-health-coverage-or-arrangements>.

The fee is paid using quarterly excise tax Form 720, Line 133, and must generally be paid no later than July 31st of the year following the last day of the plan year. If any corrections need to be made for prior years, use Form 720X.

FEE AMOUNT

Payment amounts due in 2022 will differ based on the employer's plan year. The fees due in July 2022 are as follows:

- \$2.66 per covered life for plan years ending in January– September 2021
- \$2.79 per covered life for plan years ending October 2021 – December 2021

The IRS put together a chart showing applicable fee amounts depending on the plan year end date at <https://www.irs.gov/affordable-care-act/patient-centered-outreach-research-institute-filing-due-dates-and-applicable-rates>. NOTE - this chart has not yet been updated to include the applicable rates for filings due in 2022.

CALCULATING THE AVERAGE COVERED LIVES

Self-funded plans may use one of three methods to determine the average covered lives used for reporting and paying the PCORI fee: (i) the actual count method; (ii) the snapshot method; or (iii) the Form 5500 method. There are special rules that apply for employers offering multiple self-funded plans or an HRA integrated with a fully-insured plan.

- **Multiple Self-Funded Plans** – If one plan sponsor maintains more than one self-funded health plan with the same plan year, the arrangements can be treated as a single plan for purposes of the fee.

continued >

COMMERCIAL INSURANCE

EMPLOYEE BENEFITS

PERSONAL INSURANCE

RISK MANAGEMENT

SURETY



- **HRA**s – An employer who sponsors an HRA integrated with a fully-insured medical plan is required to pay the fee only with respect to each HRA participant/employee (not required to count dependents or beneficiaries).

For more details on the PCORI fees, see our summary found here - <https://www.benefitcomply.com/resources/2021/05/27/pcori-fee-summary/>

Notice 2022-4 may be found here: <https://www.irs.gov/pub/irs-drop/n-22-04.pdf>

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