



Patient Centered Outcomes Research Institute (PCORI) Fees

Broker Partner,

Benefit Strategies is providing the below PCORI fee notification to our Partners and Clients on May 20, 2014 at 2:00 pm. The notice is based on our translation of the IRS regulations. We will be sending this to all of our HRA clients. If you do not want this notification to go to your clients, please respond and let us know by Monday, May 19, 2014.

Reminder: PCORI Fee Due July 31, 2014

May 16, 2014 Update:

The Patient Protection and Affordable Care Act (PPACA) contains a fee assessment for PCORI (Patient Centered Outcomes Research Institute). PCORI, also known as the CER fee, is in place to support clinical effectiveness research. The research institute, funded in part by the PCORI fees, will evaluate and compare health outcomes and the clinical effectiveness, risks, and benefits of two or more medical treatments and/or services.

Group health plans subject to PCORI fees include fully insured and self-insured plans, Health Reimbursement Arrangements (HRA's), and some Flexible Spending Accounts (FSA's) which are not excepted benefits.

Effective Date:

The fee affects plans which have a plan year end date on, or after, October 1, 2012 and prior to October 1, 2019.

Fee Amounts for Plan Years:

- Ending October 1, 2012 - September 30, 2013, the fee is \$1 per covered life
- Ending October 1, 2013 - September 30, 2014, the fee is \$2 per covered life
- Ending October 1, 2014 - September 30, 2019, fee yet to be determined
- On or after October 1, 2019, the fee no longer applies

The fee is paid using Tax Form 720 and is due annually on July 31 of the calendar year immediately following the last day of the plan year. For example, for a plan year ending on or before December 31, 2013, the form must be filed (and the fee paid) by July 31, 2014.

Who Pays the Fees:

Major Medical -

The PCORI fees for fully insured major medical coverage will be paid by the insurance carrier. The PCORI fees for self-funded major medical coverage will be paid by the employer.

HRA or FSA with a Fully Insured Medical Plan -

If the Employer has other medical healthcare plans and that coverage is fully insured, covered lives that were already counted with the medical healthcare plan will need to be counted and paid again for the HRA or non-exempt FSA plan. The insured carrier will pay the fees for the medical healthcare plan and the Employer will pay the fees for the HRA or non-exempt FSA plan. When calculating the HRA or FSA PCORI fee (if applicable) the employer can treat each participant in the HRA or FSA as covering a single life for purposes of the PCORI fee. No fee is required for the participant's spouse or dependent children.

HRA or FSA with a Self-Funded Medical Plan -

If the Employer has other medical healthcare plans that are self-funded and on the same plan year as the HRA or nonexempt FSA, then any covered life that was already counted for the medical healthcare plan will not need to be counted and paid again for the HRA or non-exempt FSA plan. If the Employer has other medical healthcare plans that are self-funded and NOT on the same plan year as the HRA or FSA, then any covered life that was already counted for the medical healthcare plan will need to be counted and paid again for the HRA or non-exempt FSA plan.

Stand-alone HRA -

If the Employer has no other medical healthcare plan with the HRA, then the fee will be paid by the Employer on the number of covered lives under the HRA. The Employer can treat each participant in the HRA as covering a single life for purposes of the PCORI fee. No fee is required for the participant's spouse or dependent children.

FSA Plan -

Flexible Spending Accounts (FSAs) that meet the definition of an excepted benefit are exempt from PCORI fees; however, if the FSA does not meet the definition of an excepted benefit the fee is payable by the Employer. The Employer can treat each participant in the FSA as covering a single life for purposes of the PCORI fee. No fee is required for the participant's spouse or dependent children.

Your FSA plan may be subject to PCORI fees if you have an Employer contribution exceeding \$500 or you do not offer other group health coverage in conjunction with the FSA. Please contact Benefit Strategies, LLC if you would like information specific to your account.

Remitting the PCORI Fee:

You will not be invoiced for the PCORI Fee. You are required to file federal excise tax return Form 720; please click [HERE](#) for instructions for Form 720 on how to fill out the form and calculate the fee. Payment must be submitted with the form by July 31 of the calendar year immediately following the last day of the plan year.

Third-party administrators are prohibited under the health reform law from remitting the fee on your behalf.

How to Calculate:

The IRS allows several different methods for determining the average number of covered lives. If you require assistance in calculating this for your HRA or FSA, please log into the employer portal on our website as you have access to all of your past reports. Account Balance Reports are available on the first of each month, simply select the one you need. You will find at the bottom of each report the total number of total participants. We recommend for the HRA or FSA fee calculation to use the Snapshot Count Method (#1).

Snapshot Count Method: Count the total number of covered lives on a specific date each quarter. Add the numbers for each quarter together and then divide that number by 4. Note that the date selected must be the same for each quarter (i.e., 1/1, 4/1, 7/1 & 10/1) or within 3 days of the first date used each following quarter.

Contact Us:

Please contact your dedicated account manager if you have questions on how to access your employer account. Click [HERE](#) for additional information.

Please Note: The above information is Benefit Strategies' translation of the IRS regulations. You may also want to consult your tax professional to discuss which method is best for your organization.

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