

# *The Affordable Care Act:* PCORI



BlueCross BlueShield  
of Illinois

## **Patient-Centered Outcomes Research Institute (PCORI) Trust Fund Fee**

Beginning in 2012 and ending in 2019 for calendar year plans, the Affordable Care Act requires sponsors of applicable self-funded group health plans and insurers that offer health insurance coverage to pay an annual fee known as the Patient-Centered Outcomes Research Institute (PCORI) fee, to fund patient-centered outcomes (also referred to as comparative clinical effectiveness) research.

**Comparative Clinical Effectiveness Research:** The Affordable Care Act defines comparative clinical effectiveness research as research evaluating and comparing health outcomes and the clinical effectiveness, risks and benefits of two or more of the following medical treatments, services, and items: health care interventions, protocols for treatment, care management and delivery, procedures, medical devices, diagnostic tools, pharmaceuticals (including drugs and biological), integrative health practices, and any other strategies or items being used in the treatment, management and diagnosis of, or prevention of illness or injury in individuals.

**Fee Reporting and Submission:** For specified fully insured health policies (including HMO and Cost Plus HMO policies), the fee will be reported and remitted to the IRS by the issuer of the policy (e.g., Blue Cross and Blue Shield of Illinois (BCBSIL)).

For applicable self-insured health policies including ASO health plans, the plan sponsor (generally the employer) will be responsible for paying the fee.

*This information is a high-level summary and for general informational purposes only. The information is not comprehensive and does not constitute legal, tax, compliance or other advice or guidance.*



Under the PCORI rule, health insurers and plan sponsors are required to annually file a federal excise tax return (Form 720), which will report liability and remit payment, no later than July 31 of the year following the last day of the policy or plan year. See the PCORI Fee Reporting Schedule on page 3 for more information on filing dates by plan or policy year.

Plans with multiple arrangements involving different issuers or different plan sponsors are required to treat each plan separately.

Specified health insurance policies administered by BCBSIL	Form 720 filed and fee paid by
Fully Insured	BCBSIL
Self-Insured	Plan Sponsor (Employer)

**Fee Amount:** The fee amount is \$1 times the average number of covered lives under the plan or policy for plan or policy years ending on or after Oct. 1, 2012, and before Oct. 1, 2013. For plan or policy years ending on or after Oct. 1, 2013, and before Oct. 1, 2014, the fee amount is \$2 times the average number of covered lives under the policy or plan. For policy or plan years beginning on or after Oct. 1, 2014, the fee amount is subject to certain adjustments including the percentage increases in the projected per capita amount of the National Health Expenditures. Accordingly, if the policy year were the calendar year, the fee would apply to calendar policy years 2012 – 2018.

Plan or Policy Year	Fee Amount
Ending on or after 10/1/2012 and before 10/1/2013	\$1 times the average number of covered lives
Ending on or after 10/1/2013 and before 10/1/2014	\$2 times the average number of covered lives
Beginning on or after 10/1/2014	Fee amount is subject to certain adjustments including the percentage increases in the projected per capita amount of the National Health Expenditures
Ending on or after 10/1/2019	Fee does not apply

**Calculating the Fee:** The PCORI rule describes several methods for calculating the average number of covered lives, which include 1) the actual count method; 2) the snapshot method; or 3) the Form 5500 method. In addition, health insurers are permitted to use the 4) state form method and the 5) member months method.

For the first year the fee is in effect, sponsors of self-insured plans may determine the average number of lives covered under the plan for a plan year using “any reasonable method.”

For applicable fully insured health policies, BCBSIL will calculate, report and remit the fee.

For applicable self-insured health policies, the plan sponsor, generally the employer, is responsible for calculating, reporting and remitting the fee.



**Exclusions:** The PCORI fee applies to certain “specified health insurance policies,” which are accident or health insurance policies issued with respect to individuals residing in the U.S. (including certain prepaid health coverage arrangements).

The PCORI fee does not apply to:

- “Excepted benefits,” such as stand-alone vision or dental
- Employee Assistance Program, (EAP), disease management program, or wellness program if the program does not provide significant medical care or treatment benefits. Expatriate policies issued to an employer if designed and issued to cover employees working and residing outside the U.S.
- Federal programs providing medical care (other than through insurance policies) to members of Indian tribes
- Indemnity reinsurance policies
- Medicare
- Medicaid
- SCHIP
- Stop loss policies
- Federal programs providing medical care (other than through insurance policies) to members (spouses and dependents) of the U.S. Armed Forces or veterans

**Health FSA and HRA:** An HRA is not subject to a separate fee if the plan sponsor also maintains a separate applicable self-insured health plan with a calendar year. However the regulations do not permit a plan sponsor to treat an HRA and a fully insured plan as a single plan for the purposes of the PCORI fee.

**Multiple Arrangements:** Two or more arrangements maintained by the same plan sponsor that provide for accident and health coverage with the same plan year, may be treated as a single applicable self-insured health plan for the purposes of the PCORI fee.

In the case of multiple arrangements, BCBSIL is responsible for PCORI fee on the fully insured arrangement and the plan sponsor (generally the employer) is responsible for the self-funded arrangement.

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**Markets Affected\*:**

Fully insured group market  
Self insured group market  
Individual market  
COBRA  
Retiree-only plans  
Cost Plus HMO Plans

\*May not represent all market segments and/or exceptions



## Patient-Centered Outcomes Research Institute (PCORI) Fee Reporting Schedule

The PCORI fee must be reported and paid on the Form 720, “Quarterly Federal Excise Tax Return” and is payable on July 31 of the calendar year following the plan year end date. Under the current rules, the PCORI fee ceases to apply after the end of the last policy and plan year ending before Oct. 1, 2019, with a fee due date of July 31, 2020.

Policy or Plan Year	Fee per average covered life	When the fee is paid
Nov. 1, 2011 – Oct. 31, 2012	\$1	July 31, 2013
Dec. 1, 2011 – Nov. 30, 2012	\$1	July 31, 2013
Jan. 1, 2012 – Dec. 31, 2012	\$1	July 31, 2013
Feb. 1, 2012 – Jan. 31, 2013	\$1	July 31, 2014
Mar. 1, 2012 – Feb. 28, 2013	\$1	July 31, 2014
Apr. 1, 2012 – Mar. 31, 2013	\$1	July 31, 2014
May 1, 2012 – Apr. 30, 2013	\$1	July 31, 2014
June 1, 2012 – May 31, 2013	\$1	July 31, 2014
July 1, 2012 – June 30, 2013	\$1	July 31, 2014
Aug. 1, 2012 – July 31, 2013	\$1	July 31, 2014
Sept. 1, 2012 – Aug. 31, 2013	\$1	July 31, 2014
Oct. 1, 2012 – Sept. 30, 2013	\$1	July 31, 2014
Nov. 1, 2012 – Oct. 31, 2013	\$2	July 31, 2014
Dec. 1, 2012 – Nov. 30, 2013	\$2	July 31, 2014
Jan. 1, 2013 – Dec. 31, 2013	\$2	July 31, 2014
Feb. 1, 2013 – Jan. 31, 2014	\$2	July 31, 2015
Mar. 1, 2013 – Feb. 28, 2014	\$2	July 31, 2015
Apr. 1, 2013 – Mar. 31, 2014	\$2	July 31, 2015
May 1, 2013 – Apr. 30, 2014	\$2	July 31, 2015
June 1, 2013 – May 31, 2014	\$2	July 31, 2015
July 1, 2013 – June 30, 2014	\$2	July 31, 2015
Aug. 1, 2013 – July 31, 2014	\$2	July 31, 2015
Sept. 1, 2013 – Aug. 31, 2014	\$2	July 31, 2015
Oct. 1, 2013 – Sept. 30, 2014	\$2	July 31, 2015
After September 30, 2014	To be adjusted by the U.S. Secretary of Treasury, based on medical inflation	
After September 30, 2019	\$0 (Fee will be phased out)	

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