

BDO KNOWS: COMPENSATION AND BENEFITS



SUBJECT

REMINDER TO SELF-INSURED PLAN SPONSORS FORM 720 TO PAY PCORI FEES DUE JULY 31ST

BACKGROUND

In addition to the much publicized provisions of The Patient Protection and Affordable Care Act ("PPACA") enacted in 2010 it also created a private, non-profit corporation called the Patient-Centered Outcomes Research Institute ("PCORI") to conduct research and to evaluate health outcomes, clinical effectiveness, risks and benefits of medical treatments, etc. The PPACA requires that the Institute will be funded in part by a fee collected from health plan providers. For insured health plans the fee is paid by the health insurance issuer. However, for self-insured health plans¹, including health reimbursement accounts, the fee is paid by the plan sponsor on a Form 720 for the second quarter that is due by July 31st each year.

DETERMINING THE PCORI FEE

The amount of the PCORI fee applicable for plan years ending after October 1, 2014 and before October 1, 2015 is \$2.08 for each "covered person". Covered person for this purpose includes the employee, spouses and dependents that are covered under the plan.

¹ The PCORI fee generally will apply to major medical benefits, while many other benefits such as dental plans, vision plans and health flexible spending arrangements are usually accepted.

CONTACT

JOAN VINES
Sr. Director, National Tax
Compensation & Benefits
jvines@bdo.com / 703-770-4444

IRA B. MIRSKY
Sr. Director, National Tax
Compensation & Benefits
imirsky@bdo.com / 301-634-4959

KIMBERLY FLETT
Sr. Director, Global Employer Services
Compensation & Benefits
kflett@bdo.com / 234-466-4068

LINDA BAKER
Sr. Manager, Global Employer Services
Compensation and Benefits
lbaker@bdo.com / 412-315-2385

The number of covered lives is determined after the end of the plan year, under one of three methods provided in the regulations to determine the average number of covered lives.

1. **Actual count methods** - sum the actual number of covered lives on each day of the year and divide by 365 days.
2. **Snapshot method** - pick a day or days from each calendar quarter and sum the actual number of covered lives on each of those days, then divide by the number of days selection as the snapshot.
3. **The Form 5500 method** - use the number of participants (this number does not include spouses and dependents) reported on the Form 5500. If the plan offers coverage only for the employee (i.e. self only coverage) the number is the beginning of the year participant count plus the end of the year participant count divided by two. If the plan offers dependent coverage the number is the beginning of the year participant count plus the end of the year participant count (do not divide by two).

Employers may use the Form 5500 method only if the Form 5500 was filed no later than July 31 of the year following the last day of the plan year. Therefore, plan sponsors who are subject to this fee and extend the Form 5500 will need to determine the number of covered persons under the actual count method or the snapshot method.

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