



## Health Care Reform Update



### **IMPORTANT NOTICE REGARDING HEALTHCARE REFORM** **Update #17** **June, 2013**

#### **The IRS Revised Form 720 and Instructions for PCORI Fees**

The IRS released a revised Form 720 (Quarterly Federal Excise Tax Return) that includes the ability to report and pay the Patient-Centered Outcomes Research Institute (PCORI) fees.

Health care reform imposed PCORI fees on health insurers and self-insured health plan sponsors for policy or plan years ending on or after October 1, 2012 and before October 1, 2019. Although Form 720 is filed quarterly for other federal excise taxes, PCORI fee reporting and payment are only required annually, on the second-quarter filing. The annual deadline is July 31 of the year following the calendar year in which the applicable policy or plan year ended. For example, the Form 720 that reports the liability for the fee imposed for a plan year ending on December 31, 2012 must be filed by July 31, 2013.

The insurer or plan sponsor filing Form 720 must report the average number of covered lives under the health insurance policies and self-insured health plans subject to the PCORI fee. The instructions briefly explain the alternative methods for calculating the average number of covered lives, which include special transition rules for first-year reporting.

The average number of covered lives is multiplied by the rate per covered life, i.e., \$1.00 for a policy or plan year ending before October 1, 2013; \$2.00 as adjusted periodically thereafter. If the health insurer or plan sponsor files Form 720 only to report PCORI fees, the instructions clarify that a Form 720 should not be filed for the first, third, or fourth quarter. The instructions also note that deposits are not required for PCORI fees (the fees are paid when the Form 720 is filed), so insurers and plan sponsors are not required to use the IRS's electronic tax payment service to pay these fees.

The first PCOR fee deadline is July 31, 2013, for the reporting and payment of PCOR fees for policy and plan years ending between October 1 and December 31, 2012. Health insurers will pay the fee for insured plans. Self-insured health plan sponsors will want to study the form, instructions, and final regulations carefully to ensure they accurately report the average covered lives and pay the fees by the deadline

To obtain a copy of the form 720 and the instructions, please follow the links below:

[Form 720](#)

[Instructions](#)

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