

ACA: A QUICK REFERENCE GUIDE TO THE PCOR FEE

The Affordable Care Act (ACA) initially required either health insurance companies or plan sponsors (typically the employer) to pay three fees and taxes: the Patient-Centered Outcomes Research Institute (PCOR) fee, the reinsurance fee and the health insurance tax (HIT). The reinsurance fee expired in 2016, and the HIT was permanently repealed for 2021 and beyond. The PCOR fee was originally set to expire in 2019; however, it was extended through 2029 as a result of end-of-2019 Congressional action. This Quick Reference Guide provides a summary overview of the PCOR fee. Appendix A, **PCOR Fee: Completing Form 720**, provides a step-by-step guide for self-insured employers to self-report PCOR fees with their quarterly federal excise tax return for the second quarter.

Employers will include the annual PCOR fee within their second quarterly Form 720 filing, due annually July 31.

Description	PCOR Fee
What and When	17-year annual fee on plans (2013 – 2029)
Purpose	Fund outcomes-based research for clinical effectiveness
Applicable Plans	Fully insured and self-insured
Who Pays	Fully insured plan: insurer Self-insured plan: employer
How Much	Plan years ending between 10/1/2020 and 9/30/2021: \$2.66 per covered life Plan years ending between 10/1/2021 and 9/30/2022: \$2.79 per covered life Plan years ending between 10/1/2022 and 9/30/2023: \$3.00 per covered life
How Paid	Self-insured employers self-report on IRS Form 720 by the 7/31 deadline for filing Form 720 for the second quarter
Types of Plans Subject to PCOR Fee	Major medical (US and possession of the US plans, including Puerto Rico) COBRA and state continuation medical Retiree-only medical HRA Non-excepted health FSA Prescription drug
Notable Plan Type Exclusions	Stand-alone dental Stand-alone vision Excepted health FSA HSA Stop-loss/indemnity Reinsurance
Tax Treatment	Tax deductible
ERISA Treatment	Employer may not use plan assets to pay



Self-insured employers must pay the PCOR fee directly to the government, as described in greater detail below. Fully insured employers typically pay the fee to the carrier (insurer) in the form of premium rate increases that correspond to the increased PCOR fees that the insurer pays to the government.

GUIDANCE FOR SELF-INSURED EMPLOYERS IN CALCULATING THE PCOR FEE

The PCOR fee is a per-covered-life fee that applies to the total number of covered lives under the self-insured medical plan. This includes enrolled employees, retirees and COBRA participants as well as any enrolled spouses, domestic partners and dependents. Employers may use any of the following four methods to calculate the number of covered lives:

Actual Count Method: Under the actual count method, the employer calculates the sum of the lives covered for each day of the plan year and divides that sum by the number of days in the plan year.

Snapshot Method: Under the snapshot method, the employer adds the total number of lives covered on one date (or on an equal number of dates) in each calendar quarter and then divides the total by the number of dates for which a count was made.

Snapshot Factor Method: The snapshot factor method works the same as the snapshot method, except that the employer counts the number of participants with self-only coverage on the designated date(s), plus the number of participants with coverage other than self-only coverage on the designated date(s), multiplied by 2.35.

Form 5500 Method: Under the Form 5500 method, the employer may use the number of participants reported on Form 5500 for that plan year. If the employer offers only single coverage, then the employer should add the participant count on the first and last day of the plan year (respectively lines 5 and 6d in Part II on Form 5500) and divide by two. If the employer offers family coverage (or any coverage other than single-only), then the employer should add the participant count on the first and last day of the plan year (but should not divide that sum by two). For further information about participant counts for Form 5500 reporting, see the NFP publication [Form 5500: A Guide for Employers](#).

SPECIAL RULES: HEALTH FSAs, HRAs AND MULTIPLE SELF-INSURED ARRANGEMENTS

Most health FSAs are considered ACA “excepted benefits” and are therefore exempt from the PCOR fee requirement. For purposes of maintaining ACA excepted benefit status, employer contributions to a health FSA cannot exceed the greater of \$500 or a dollar-for-dollar match of employee contributions. Also, the employer must offer major medical coverage to those who are eligible for the health FSA. Since most employers structure their health FSA to be excepted (to avoid additional ACA compliance obligations), most employers don’t need to pay the PCOR fee on a health FSA.

HRAs are generally considered self-insured plans that are subject to the PCOR fee. If there is a fully insured plan associated with the HRA, the carrier pays the fee for the fully insured plan and the employer pays the fee for the HRA. For HRAs (and any non-excepted FSAs), the employer simply counts one covered life per HRA or health FSA participant/employee; unlike the rule that applies for self-insured medical plans (see above), the count for HRAs (and non-excepted FSAs) should not include dependents. For further information about HRAs, see the NFP publication [HRAs and Other Employer Reimbursement Arrangements](#).

Note that “point solution” programs that provide significant benefits in the nature of medical care or treatment are likely considered self-insured plans that are subject to the PCOR fee. This is especially relevant for point solution programs that are structured as a reimbursement. The PCOR fee count for point solution programs follows the same rule as for HRAs: the employer simply counts one covered life per program, exclusive of spouses, domestic partners or dependents. For further information about point solution programs, see the NFP publication [Point Solution Programs: A Guide for Employers](#).

Finally, for employers that sponsor multiple self-insured arrangements with the same plan year (such as a self-insured medical plan combined with a self-insured prescription drug plan or HRA), the employer can treat the multiple arrangements as one plan (and therefore pay only one PCOR fee, calculating covered lives based on one of the above methods).

REPORTING AND PAYING THE PCOR FEE

Self-insured employers must report and pay the annual PCOR fee with their second quarterly filing of Form 720 (Quarterly Federal Excise Tax Return). The filing is due no later than July 31 of the calendar year immediately following the last day of the policy year or plan year to which the fee applies. If the Form 720 due date falls on a weekend or federal holiday, the due date is extended to the next business day. Employers that are not otherwise required to file a Form 720 are required to file a Form 720 only once a year according to the second

quarter filing deadline.

SUMMARY

Employers that sponsor group health plans should ensure that they are familiar with PCOR fee costs and reporting requirements. Self-insured employers, in particular, should be closely attentive to the compliance obligation to report and pay the annual PCOR fee with their Form 720 filing for the second quarter of the calendar year. To discuss your PCOR fee compliance considerations and other aspects of your employee benefits program, or for copies of NFP publications, contact your NFP benefits consultant. For further information regarding NFP's full range of consulting services, see [NFP.com](https://www.nfp.com).

RESOURCES

[IRS Form 720](#)

[IRS Form 720 Instructions](#)

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APPENDIX A

PCOR Fee: Completing Form 720

The following step-by-step instructions provide general information regarding the PCOR Fee component of Form 720. Please consult your tax or legal advisor for other information regarding Form 720.

See the Resources section for links to IRS Form 720 and IRS Form 720 Instructions.

- Step 1.** On page 1, enter your company name, address and EIN; indicate the quarter ending date June YYYY.
Note that the PCOR fee is always filed in the quarter ending in June of the filing year.

Form 720 (Rev. March 2022) Department of the Treasury Internal Revenue Service	Quarterly Federal Excise Tax Return ▶ See the Instructions for Form 720. ▶ Go to www.irs.gov/Form720 for instructions and the latest information.	OMB No. 1545-0023												
Check here if: <input type="checkbox"/> Final return <input type="checkbox"/> Address change	Name _____ Number, street, and room or suite no. (If you have a P.O. box, see the instructions.) _____ City or town, state or province, country, and ZIP or foreign postal code _____	FOR IRS USE ONLY <table border="1"> <tr><td>T</td><td></td></tr> <tr><td>FF</td><td></td></tr> <tr><td>FD</td><td></td></tr> <tr><td>FP</td><td></td></tr> <tr><td>I</td><td></td></tr> <tr><td>T</td><td></td></tr> </table>	T		FF		FD		FP		I		T	
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- Step 2.** On page 2, complete Part II, line 133 (c) or (d) depending on your ERISA plan year. Specifically, for plan years that began between 2/1/2020 and 10/1/2020, enter the applicable information on line 133 row (c); do not complete row (d). For plan years that began on 11/1/2020, 12/1/2020 and 1/1/2021 complete row 133 (d); do not complete row (c).

In column (a), enter the average number of covered lives. Multiply the number in column (a) by the applicable rate indicated in column (b) and enter the product in column (c). Indicate the column (c) amount in the Tax column.

1 Total. Add all amounts in Part I. Complete Schedule A unless one-time filing ▶ \$					
Part II					
IRS No.	Patient-Centered Outcomes Research Fee (see instructions)	(a) Avg. number of lives covered (see inst.)	(b) Rate for avg. covered life	(c) Fee (see instructions)	Tax
	Specified health insurance policies				
	(a) With a policy year ending before October 1, 2020		\$2.54		
	(b) With a policy year ending on or after October 1, 2020, and before October 1, 2021		\$2.66		
133	Applicable self-insured health plans				
	(c) With a plan year ending before October 1, 2020		\$2.54		
	(d) With a plan year ending on or after October 1, 2020, and before October 1, 2021		\$2.66		

For plan years that began between 2/1/2020 and 10/1/2020.

For plan years that began on 11/1/2020, 12/1/2020 and 1/1/2021.

- Step 3.** On the bottom of page 2 ("Total"), enter the sum of all amounts listed in the Tax column in Part II. Hint: If you are filing Form 720 exclusively to satisfy the PCOR Fee reporting requirement, the Total figure will be the same as the figure in the Tax column in Part II.

2 Total. Add all amounts in Part II ▶ \$

Step 4. On page 3, complete Part III, lines 3 and 10. Sign and date the form and provide other information as indicated in the "Sign Here" section at the bottom of page 3.

Form 720 (Rev. 3-2022)		Page 3	
Part III			
3	Total tax. Add Part I, line 1, and Part II, line 2	3	
4	Claims (see instructions; complete Schedule C)	4	
5	Deposits made for the quarter	5	
<input type="checkbox"/> Check here if you used the safe harbor rule to make your deposits.			
6	Overpayment from previous quarters	6	
7	Enter the amount from Form 720-X included on line 6, if any	7	
8	Add lines 5 and 6	8	
9	Add lines 4 and 8	9	
10	Balance Due. If line 3 is greater than line 9, enter the difference. Pay the full amount with the return (see instructions)	10	
11	Overpayment. If line 9 is greater than line 3, enter the difference. Check if you want the overpayment: <input type="checkbox"/> Applied to your next return, or <input type="checkbox"/> Refunded to you.	11	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS (see instructions)? <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No		
	Designee name	Phone no.	Personal identification number (PIN)
Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Signature	Date	Title
	Type or print name below signature.	Telephone number	
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date
	Firm's name	Firm's EIN	Check <input type="checkbox"/> if self-employed PTIN
	Firm's address	Phone no.	

Form **720** (Rev. 3-2022)

Step 5. Complete Form 720-V (Payment Voucher) if payment is remitted via check or money order. For item 3 (Tax Period), mark "2nd Quarter." Issue a check or money order payable to "United States Treasury." Indicate your EIN, "Form 720" and the tax period (2nd Quarter) on the check or money order.

Form 720-V		Form 720-V (3-2022)	
▼ Detach here and mail with your payment and Form 720. ▼			
Form 720-V Department of the Treasury Internal Revenue Service		Payment Voucher OMB No. 1545-0023 2022	
1 Enter your employer identification number (EIN). See instructions.		2 Enter the amount of your payment. ▶ Make your check or money order payable to "United States Treasury."	
3 Tax Period		Dollars Cents	
<input type="checkbox"/> 1st Quarter	<input type="checkbox"/> 3rd Quarter		
<input type="checkbox"/> 2nd Quarter	<input type="checkbox"/> 4th Quarter		
4 Enter your business name (individual name if sole proprietor).			
Enter your address.			
City or town, state or province, country, and ZIP or foreign postal code			

Step 6. Mail the completed Form 720 and payment voucher (Form 720-V) along with your check or money order to:
 Department of the Treasury
 Internal Revenue Service
 Ogden, UT 84201-0009