

Comparative Effectiveness Research Fee Part of Affordable Care Act – Revised October 2017

The Comparative Effectiveness Research Fee (CER Fee), also referred to as the Patient Centered Outcomes Research Institute (PCORI) Fee, is required by the Affordable Care Act and is due by July 31 of each year. Below is an overview of the requirement.

What is the Comparative Effectiveness Research Fee?	The Comparative Effectiveness Research Fee (CERF) is mandated by the Affordable Care Act, or ACA. The CERF is used to fund the Patient-Centered Outcomes Research Institute (PCORI) that was created by the ACA. The PCORI is a non-profit, non-governmental institution that focuses on researching, evaluating and comparing health outcomes and the clinical effectiveness, risks, and benefits of various medical treatments and services.
Effective Date	The fees apply to policy or plan years ending on or after October 1, 2012 and before October 1, 2019. The last year the fee is required to be paid is for the plan year ending on or before 9/30/2019.
Who does this law apply to?	This law applies to: <ul style="list-style-type: none"> • Health insurance carriers (for fully-insured plans) • Self-insured plan sponsors • HRA plans that are issued with fully-insured health plans. The employer will be responsible for paying this fee and filing the form. When an employer has an HRA plan as part of the self-funded medical plan, the employer does not owe a separate fee for the HRA plan – the employer will pay the fee for the self-funded medical plan only.
Who does the law not apply to?	This law does not apply to: <ul style="list-style-type: none"> • EAP programs • Disease management programs • Wellness programs • Plans that cover primarily employees living outside the United States • Excepted benefits (for example, standalone dental and vision plans, HSA plans) as described in Internal Revenue Code 9832(c) • Certain governmental plans – Medicare, Medicaid, State Children’s Health Insurance Programs, V.A., and Indian Health Service plans
How much is the fee?	<p>For plan/policy years ending October 1, 2017 and before October 1, 2018 the annual fee is \$2.39 multiplied by the average number of covered lives.</p> <p>For plan/policy years ending October 1, 2016 and before October 1, 2017 the annual fee is \$2.26 multiplied by the average number of covered lives.</p> <p>For plan/policy years ending October 1, 2015 and before October 1, 2016 the annual fee is \$2.17 multiplied by the average number of covered lives.</p>

<p>Who pays the fee and when is it due?</p>	<p>For <u>fully insured plans</u>, the fee is paid by the carrier.</p> <p>For <u>self-funded plans</u>, the fee is paid by the Plan Sponsor.</p> <p>For multiemployer plans, Multiple Employer Welfare Arrangements (MEWAs), or VEBAs, the fee must be paid by the committee, board of trustees, or other similar group responsible for establishing or maintaining the plan.</p> <p>For HRA Plans offered with fully insured plans, the employer or plan sponsor is responsible for paying the fee associated with the HRA plan. (Note: Administrators of HRA plans are likely able to support their clients with meeting this requirement.)</p> <p>The fee is due annually via IRS Form 720. Plan sponsors will be required to report and pay the PCORI fee for a plan year no later than July 31 of the calendar year immediately following the last day of each plan year.</p> <p>See Part II of IRS form 720 which can be found at the following link. Since HRA plans are considered self-insured health plans, complete the line that lists “Applicable self-insured plans”:</p> <p>http://www.irs.gov/pub/irs-pdf/f720.pdf</p> <p>The form is only necessary when a fee is required. For example, if an employer has a fully-insured medical plan without an HRA plan, the employer does not need to pay the fee and also does not need to file the form.</p>
<p>How is the fee calculated?</p>	<p>The fee is calculated based on the average number of lives, including dependents and retirees, covered under the policy that year:</p> <p>For <u>fully-insured medical plans</u>, carriers will determine and pay the fee.</p> <p>For <u>self-funded plans</u>, there are three methods to count the number of lives (including dependents, retirees and COBRA participants):</p> <ol style="list-style-type: none"> 1. An actual count of total lives covered on each day of the plan year, divided by the number of days in the policy year; 2. Snapshot method – Add the total number of lives on one date in each quarter of the policy year and divide by the number of dates on which a count was made. The date for the 2nd, 3rd and 4th quarters must be within 3 days of the date in that quarter that corresponds to the date used in the 1st quarter. So, for example, if the date used in the first quarter is the last day of the second month in the quarter, the last day of the second month must also be used in the 2nd, 3rd, and 4th quarters. All dates must be within the same plan year 3. Form 5550 Method – based on the number of participants as of the beginning and end of the plan year as reported on the Form 5500. <p>For HRA Plans offered with fully-insured plans, the employer will be responsible for determining the fee. The administrator of your HRA plan may be able to assist in counting the number of lives. The number of participants (Employees, retirees, etc) will be counted for determining the fee for HRA plans only. Spouses and Dependents will not be counted for calculating the fee. Similar to the above, you may follow the above approaches but include participants (employees, retirees, etc.)</p>

	only - do not include spouses and dependent children. See example below.
Where do I go for more information?	https://www.irs.gov/uac/patient-centered-outcomes-research-trust-fund-fee-questions-and-answers

Examples:

HRA Plans. Employer A offers a fully insured PPO plan and an HRA plan valued at \$600 annually. Employer A has 150 employees enrolled in the HRA plan. The insurance company will pay the CERF fee for the fully insured plan. Employer A is responsible for paying the CERF fee for the HRA plan. The fee for the first year will be $\$2.39 \times 150 \text{ employees} = \358.50 , and then will increase as described above. The fee is due by July 31 of the calendar year following the end of the plan year, as described below.

Timing of when to pay the fee

The requirement begins for policy or plan years ending after October 1, 2012 and before October 1, 2019. The fee is due July 31 of the calendar year following the end of the plan year. So, for example, if your plan is on a calendar year basis, the first payment is due on July 31, 2017, for the plan year ending December 31, 2016. If your plan runs on a plan or contract year basis and the plan year ends August 31, your payment will be due on July 31, 2017, for the plan year ending August 31, 2016.

As always, please note that EBS is sharing this information to assist you with your compliance planning. We recommend that you contact your legal counsel and/or accounting resource with specific questions relating to this law.

October 2017