Under Section 6301 of the Patient Protection and Affordable Care Act (PPACA), health insurance issuers and sponsors of self-funded group health plans will be assessed an annual fee to fund patient-centered outcomes research. The fee is imposed for a limited number of years, beginning in 2012 and ending in 2019. The IRS recently issued guidance in Federal Register Vol. 77, No 74 on Tuesday, April 17, 2012. This guidance is pending issuance of final regulations.

What is the Patient-Centered Outcomes Research Trust Fund?
The trust funds the Patient-Centered Outcomes Research Institute. The Institute was created “to assist patients, clinicians, purchasers, and policy-makers in making informed health decisions by advancing the quality and relevance of evidence concerning the manner in which diseases, disorders, and other health conditions can effectively and appropriately be prevented, diagnosed, treated, monitored, and managed.”

The Institute is a non-profit corporation that will have a 21-member Board of Governors. Duties of the Institute include identifying research priorities and establishing and carrying out a research project agenda.

What is the assessment?
The amount of the assessment is $1 times the average number of covered lives under the plan for policy years or plan years ending on or after October 1, 2012 (i.e., October 1, 2012, through September 30, 2013). The assessment is $2 times the average number of covered lives for plans ending after September 30, 2013, and then is subject to adjustment for projected increases in National Health Expenditures – an amount CMS has projected will increase 6.6% - 7.0% per year for the years 2014 - 2019.

What is the definition of “covered lives”?
For purposes of the calculation, the term “covered lives” includes all participants and beneficiaries (i.e. members) that are residents of the United States and its possessions (e.g., Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa and the Northern Marianas Islands).

Do any exclusions apply?
The fee does not apply to lives covered by exempt governmental programs including Medicare parts A, B, C and D, Medicaid and SCHIP programs and federal programs covering members of the Armed Forces and members of Indian Tribes.

The fee also does not apply to lives covered by excepted benefits.

Who is responsible for paying the assessment?
For self-funded plans, the plan sponsors are responsible. For insured plans, the health insurance issuers are responsible.
How is the fee paid?
The fee will be due annually using Tax Form 720. It must be reported and paid by July 31 of the calendar year immediately following the end of the plan or policy year.

For self-funded plans, will Paramount file the return and pay the fee on the plan sponsors behalf?
No, the IRS regulations do NOT provide for any system of third-party reporting on the plan sponsor’s behalf. It will be the plan sponsor’s responsibility to calculate and file Tax Form 720 annually. Any funds previously collected by Paramount from a plan sponsor for the purpose of paying the PCORI tax will be returned to the plan sponsor via a credit to their July premium bill.

How should a self-funded plan sponsor calculate the liability?
Self-funded plans may select from three calculation methodologies:

1. Actual count method – Total number of lives covered for each day of the plan year divided by the total number of days in the plan year.
2. Snapshot method – Total number of lives covered on one or more dates in each quarter, divided by the total number of dates on which the count was made.
3. Form 5500 method – Derived from the number of total participants reported on the Form 5500.

Paramount will provide assistance in the calculation upon request, but it is ultimately the responsibility of the plan sponsor to ensure the appropriate calculation and payment of the tax.

The Summary and FAQs included in this document are provided for informational purposes only. They should not be considered legal advice or relied upon as such. You should consult your legal counsel and the underlying laws and regulations in order to gain a full understanding of the law.