

Update on New PCOR Fee for HRA Plans

The Affordable Care Act created a new nonprofit entity, the Patient-Centered Outcome Research Institute, to support research and grants for clinical effectiveness studies. The entity will be funded by fees (“PCOR fees” or “CER fees”) paid by health insurers for fully insured medical plans and by employers as sponsors of self-funded health plans. Since the fee applies to HRA plans in addition to major medical plans, this update includes details of the fee and action items for HRA plan sponsors.

The Rule:

HRAs of all sizes and plan designs are subject to the PCOR fee, whether or not linked to a major medical plan. The initial fee is \$1 per covered participant per year, applicable to plan years ending prior to 10/1/13. The fee increases to \$2 per year for plans that renew 10/1/13 or later. Unlike major medical plans, which must pay the fee based on all covered members, for HRA plans there is a “one covered life per participant” rule such that the fee may be calculated on the number of employee participants only.

The fee is paid as an excise tax with IRS Form 720, due by 7/31 of the year following the end of the plan year. A summary of deadlines is listed below based on specific plan years. The fees will be paid for plan years from 2012-2019.

Summary of Deadlines & Fee Amounts:

Plan years ending prior to 10/1/12:	No fee
Plan years ending 10/1/12 – 12/31/12:	\$1 fee per participant due by 7/31/13
Plan years ending 1/1/13 – 9/30/13:	\$1 fee per participant due by 7/31/14
Plan years ending 10/1/13 – 12/31/13:	\$2 fee per participant due by 7/31/14
Plan years ending 1/1/14 – 9/30/19:	\$2 fee (<i>indexed</i>) per participant due by 7/31 of following year

Our Plan To Help You Comply:

- For HRA plans administered by ProBenefits, we will contact you 30-45 days prior to the annual filing deadline to confirm filing deadline and details. We will provide a pre-populated IRS Form 720 (including the amount to be paid) and filing instructions.
- PCOR rules allow employers to use one of three methods to count participants in determining the annual fee. For 7/31/13 filings, we will utilize the “actual count” method. This will be based on our admin records for your plan for the applicable plan year.

Note Regarding Dental, Vision, and Health FSA plans: The PCOR fee does not apply to benefits that are HIPAA excepted benefits or that are otherwise exempt. These include stand-alone dental and vision plans and most Health FSAs. If you are unsure whether your dental, vision, or Health FSA plan is an excepted benefit under HIPAA, contact your plan advisor or us for assistance.

If you have questions, contact us. In addition to compliance requirements regarding your plans, we will continue to provide updates and webinars on key Health Care Reform items affecting your company.