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PCORI Fees—Special Rules for HRAs

To cover the cost of some of its reforms, the Affordable Care Act (ACA) imposes **Patient-Centered Outcomes Research Institute fees** (PCORI fees) on health insurance issuers and sponsors of self-insured health plans.

These fees are calculated based on the average number of covered lives under the plan. For employers that maintain multiple self-insured arrangements, such as a health reimbursement arrangement (HRA) in addition to major medical coverage, this could have resulted in having to pay the fees twice for each covered life, effectively doubling the amount of these fees. To avoid this result, the Internal Revenue Service (IRS) developed special rules for applying PCORI fees to HRAs.

This ACA Overview summarizes the special rules for applying the PCORI fees to HRA coverage.

LINKS AND RESOURCES

Please see the following IRS resources for more information on the ACA's PCORI fees:

- Final regulations on how PCORI fees apply to HRAs (Dec. 5, 2012)
- PCORI Fee Overview Page
- PCORI Fee: Questions and Answers
- IRS Form 720 and instructions
- PCORI Fee Due Dates and Applicable Rates

HIGHLIGHTS

PCORI FEES

- PCORI fees apply to health insurers and self-insured plan sponsors.
- These fees are widely known as PCORI fees, although they may also be called PCOR fees or comparative effectiveness research (CER) fees.
- The fee applies to policy or plan years ending on or after **Oct. 1, 2012, and before Oct. 1, 2019**.

APPLICATION TO HRAS

- The PCORI fee final regulations do not provide an overall exemption for HRAs.
- However, they outline two special rules for plan sponsors that provide an HRA.

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OVERVIEW

The ACA established a private, nonprofit corporation called the Patient-Centered Outcomes Research Institute to conduct comparative clinical effectiveness research. The ACA requires health insurance issuers and sponsors of self-insured health plans to pay fees to help finance the Institute's research. These fees are widely known as **PCORI fees**, although they may also be called PCOR fees or comparative effectiveness research (CER) fees.

PCORI fees apply for plan years ending on or after **Oct. 1, 2012,** and before **Oct. 1, 2019**. For calendar year plans, the research fees will be effective for the 2012 through 2018 plan years.

PLAN YEAR	FEE AMOUNT
Plan years ending before Oct. 1, 2013	$1 per covered life
Plan years ending on or after Oct. 1, 2013, and before Oct. 1, 2014	$2 per covered life
Plan years ending on or after Oct. 1, 2014, and before Oct. 1, 2015	$2.08 per covered life
Plan years ending on or after Oct. 1, 2015, and before Oct. 1, 2016	$2.17 per covered life
Plan years ending on or after Oct. 1, 2016, and before Oct. 1, 2017	$2.26 per covered life
Plan years ending on or after Oct. 1, 2017, and before Oct. 1, 2018	$2.39 per covered life
Plan years ending on or after Oct. 1, 2018, and before Oct. 1, 2019	Adjusted for increases in the projected per capita amount of National Health Expenditures

PCORI FEES FOR HRAS

HRAs are employer-funded arrangements that reimburse employees for certain medical care expenses on a tax-free basis, up to a maximum dollar amount for a coverage period. In the PCORI fee final regulations, the IRS did not provide an overall exemption for HRAs. However, they outline two special rules for plan sponsors that provide an HRA. Under these special rules:

- First, if a plan sponsor does not establish or maintain an applicable self-insured health plan other than an HRA, the plan sponsor may treat each participant's HRA as covering a single life. Therefore, the plan sponsor is not required to include as covered lives any spouse, dependent or other beneficiary of the individual participant in the HRA.
- In addition, an HRA is *not* subject to a separate PCORI fee if the plan sponsor also maintains another **self-insured plan** providing major medical coverage, as long as the HRA and the plan have the same plan year. This allows the plan sponsor to treat the HRA and the major medical plan as

one applicable self-insured health plan for purposes of calculating the PCORI fee. This special rule applies *only if* the HRA and the self-insured plan: (1) are established and maintained the **same plan sponsor**; and (2) have the **same plan year**. In this case, the plan sponsor will be required to pay the PCORI fee only once with respect to each life covered under the HRA and the other plan, because the same life covered under each arrangement would count as only one covered life under the plan for purposes of calculating the fee.

However, a plan sponsor may not treat an HRA and a **fully-insured group health plan** as a single plan for purposes of calculating the PCORI fee. In this case, the plan sponsor of the HRA and the issuer of the insured plan will *both be subject to the PCORI fees*, even though the HRA and insured group health plan are maintained by the same plan sponsor. Thus, there may be two fee payments for the same lives.

TYPE OF HRA	SPECIAL RULE
Stand-alone HRA*	If the plan sponsor has no other applicable self-insured health plans, the sponsor must pay the PCORI fee based on the average number of lives covered by the HRA, counting only one life per participant.
HRA offered with insured coverage	If a plan sponsor has other fully insured coverage, the plan sponsor generally must pay the PCORI fee for the average number of lives covered by the HRA—counting only one life per participant—in addition to the PCORI fees that will be paid for the insured plan by the insurer. However, the plan sponsor may disregard the lives covered solely under the fully insured option when counting the number of lives for HRA purposes.
HRA offered with self-insured coverage	If the same plan sponsor has another applicable self-insured health plan with the same plan year, then each person covered by both plans is only counted once. The individuals covered by both plans are counted using the counting method for the other plan (so the one life per participant rule does not apply to them). If the HRA covers anyone who is not also covered under the other plan, the sponsor must pay the fee for those individuals, using the one life per participant rule.

*Note that the ACA includes market reforms that limit the availability of HRAs, beginning in 2014. Under these reforms, most stand-alone HRAs have been prohibited. A stand-alone HRA is an HRA that is not offered in conjunction with a group health plan.

EXCEPTED BENEFITS

Coverage that consists solely of "excepted benefits" under HIPAA is not subject to the PCORI fees. This includes, for example, stand-alone dental and vision plans, accident-only coverage, disability income coverage, liability insurance, workers' compensation coverage, credit-only insurance or coverage for on-site medical clinics. Thus, plan sponsors of HRAs will not be required to pay PCORI fees if substantially all of the coverage is considered excepted benefits.

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QUALIFIED SMALL EMPLOYER HRA (QSEHRA)

Effective for plan years beginning on or after Jan. 1, 2017, small employers that do not maintain group health plans may establish stand-alone health reimbursement arrangements (HRAs). This type of HRA is called a “qualified small employer HRA” (QSEHRA). Plan sponsors of applicable self-insured health plans must file Form 720 annually to report and pay the PCORI fee; a QSEHRA is an applicable self-insured health plan for this purpose.

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