Employer Compliance Resource: PCORI Fees & Filing Requirements

*Presented by **IBT Consulting – Innovative Benefits***

What Is the PCORI Fee?

The **Patient-Centered Outcomes Research Institute (PCORI) fee** is a federally required fee that helps fund clinical effectiveness research comparing medical treatments and outcomes.

The PCORI fee applies to certain **employer-sponsored health plans** and is reported and paid annually to the **Internal Revenue Service (IRS)**.

For applicable employers, PCORI compliance is **mandatory**, even though it is often overlooked.

Why the PCORI Fee Is Required

The PCORI fee was established under the **Affordable Care Act (ACA)** and codified in federal law to fund the Patient-Centered Outcomes Research Institute.

Employers subject to the fee must:

- Calculate the applicable PCORI fee
- File **IRS Form 720** annually
- Pay the fee by the required deadline

Failure to file or pay may result in **IRS penalties and interest**.

Which Employers Must Pay the PCORI Fee

PCORI fees generally apply to employers who sponsor:

- **Self-funded health plans**
- **Level-funded health plans**
- **Health Reimbursement Arrangements (HRAs)**

Common Exemptions

PCORI fees **do not apply** to:

- Fully insured health plans (the carrier pays the fee)
- Dental-only or vision-only plans (if excepted benefits)
- Health FSAs meeting excepted benefit rules

Employers are responsible for PCORI compliance **even when using third-party administrators**.

How the PCORI Fee Is Calculated

The PCORI fee is based on the **average number of covered lives** (employees and dependents) during the plan year.

The IRS permits several calculation methods, including:

- Actual count method
- Snapshot method
- Snapshot factor method
- Form 5500 method (if applicable)

The applicable dollar amount **changes annually** and is indexed for inflation.

Filing and Payment Requirements

Employers must:

- File **IRS Form 720** (Quarterly Federal Excise Tax Return)
- Report the PCORI fee in the **second quarter filing only**

Filing Deadline

- **July 31** following the end of the applicable plan year

This deadline applies **regardless of the employer's tax year**.

Penalties for Non-Compliance

Failure to properly file Form 720 or pay PCORI fees may result in:

- IRS late filing penalties
- Interest on unpaid amounts
- Potential audit exposure

Because PCORI filing is infrequent (once per year), it is commonly missed.

Relationship Between PCORI and Other Compliance Obligations

PCORI compliance often intersects with:

- Form 5500 filing
- ERISA wrap document structure
- Health plan funding classification

Accurate plan documentation helps ensure the **correct party** files and pays the fee.

Documented Regulatory Sources

Employers may reference the following authoritative sources:

- **IRS – PCORI Fee Overview**
  https://www.irs.gov/affordable-care-act/patient-centered-outcomes-research-trust-fund-fee

- **Internal Revenue Code §4375 & §4376** – PCORI Fee Authority
  https://www.law.cornell.edu/uscode/text/26/4375

- **IRS Form 720 Instructions**
  https://www.irs.gov/instructions/i720

These sources govern applicability, calculation methods, filing, and payment requirements.

How IBT Consulting Supports Employers

IBT Consulting supports employers by:

- Determining PCORI applicability
- Confirming plan funding status
- Coordinating PCORI calculations

- Aligning PCORI filing with Form 5500 and ERISA documentation
- Supporting audit readiness and compliance governance

Our role is to help employers **understand their obligations and reduce compliance risk**.

Final Thoughts for Employers

PCORI fees are a **technical but mandatory** compliance requirement for many employers.

When combined with proper plan documentation and reporting coordination, PCORI compliance can be managed efficiently and defensibly.

Contact IBT Consulting

IBT Consulting – Innovative Benefits
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