IRS Notice 2020-44 was issued this week as a reminder that Patient-Centered Outcomes Research Institute (PCORI) fees were extended under the Further Consolidated Appropriations Act of 2020 and are now not scheduled to expire until plan years ending after September 30, 2029. Annual PCORI fees will still need to be paid by insurers for employers with fully insured group health plans (and will remain to be included in annual premiums) and by plan sponsors of self-insured plans through the continued filing and payment of assessed fees on IRS Forms 720, which must be filed by July 31 each year.

The IRS Notice also clarifies there is still a filing obligation owed for all such group health plan filings for plan years ending on or after October 1, 2019, and before October 1, 2020, with the PCORI Fee amount being $2.54 (up from $2.45 for the previous PCORI fee period). However, the guidance recognizes that insurers and self-funded plan sponsors may not have been accurately tracking the number of covered lives to be reported and paid for the plan year periods from October 1, 2019, through October 1, 2020, because the previous PCORI fee assessments under the
Affordable Care Act were scheduled to end after September 30, 2019. To allow for ease in current reporting of covered lives information, the Notice clarifies that in addition to the other statutory methods of reporting covered lives, for the PCORI reporting periods for plan years ending from October 1, 2019, through October 1, 2020, the IRS will allow insurers and plan sponsors to use a “reasonable” method to calculate the average number of covered lives for this period.

**Impact on Employers**

Employers with fully insured health plan coverage provided by an insurance carrier may see a slight increase in future insurance premiums to account for this recent update from the IRS. Self-funded health plan sponsors need to ensure they timely file their annual Form 720 by July 31, 2020, using the appropriate PCORI fee amount (i.e., $2.45 per covered life for plan years ending on or before September 30, 2019, or $2.54 per covered life for plan years ending on or after October 1, 2019), based on the calculated covered lives formula alternatives (e.g., actual count method, snapshot method, Form 5500 method, or for the October 1, 2019, through October 1, 2020, periods, a “reasonable” method for average covered lives).

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