



## Maine Municipal Employees Health Trust

60 COMMUNITY DRIVE, AUGUSTA, MAINE 04330-9486

(207) 621-2645 [www.mmeht.org](http://www.mmeht.org)

To: Health Trust Participating Employers  
From: Anne Wright, Assistant Director, MMEHT  
Date: July 29, 2013  
Re: The Affordable Care Act and Health Care Reform –  
PCORI Fee

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The Affordable Care Act imposes a fee upon issuers of specified health insurance policies, and on sponsors of self-insured health insurance plans. This fee, which was formerly referred to as the Comparative Effectiveness Research Fee (CERF), is now most frequently called the PCORI fee, since it will be used to fund the Patient-Centered Outcomes Research Institute (PCORI).

The PCORI is a non-profit, non-governmental institution that will focus on research, evaluating and comparing health outcomes and the clinical effectiveness, risks, and benefits of various medical treatments and services. Through its research, the institute will assist patients, clinicians, purchasers, and policy-makers in making informed health decisions by advancing the quality and relevance of evidence-based medicine.

PCORI fees apply for all policy or plan years ending on or after October 1, 2012, and before October 1, 2019. The fee is due no later than July 31 of the calendar year following the end of the policy or plan year. The amount of the fee is based on the average number of covered lives under the health insurance policy for the policy or plan year. If your plan runs on a calendar year basis, then, the first PCORI fee is due this week, by July 31, 2013.

For policy and plan years ending after September 30, 2012 and before October 1, 2013, the amount of the fee will be \$1 times the average number of lives covered under the plan during the year. For policy and plan years ending after September 30, 2013 and before October 1, 2014, the amount of the fee will be \$2 times the average number of lives covered under the plan during the year. For policy and plan years after that, the amount of the fee may be adjusted to reflect inflation, as determined by the Secretary of Health and Human Services.

**The Maine Municipal Employees Health Trust will pay the PCORI fee on behalf of all employers that are insured under one of the Trust's health insurance plans.** Standalone dental and/or vision plans are not subject to the PCORI fee. Nor are Health Savings Accounts (HSAs) or Flexible Spending Accounts (FSAs) that are funded exclusively by employee salary reduction elections. **However, employers that provide**

**a Health Reimbursement Arrangement (HRA) or Medical Expense Reimbursement Plan (MERP) to their employees through an outside vendor will be required to pay the PCORI fee.** The only exception to this would be if the HRA and the health plan have both the same plan sponsor and the same plan year; for example, if a very large employer self-insures both its own health insurance and its own HRA.

There are several ways to calculate the PCORI fee for an HRA or MERP. The one that is most frequently recommended for an HRA or MERP is the “snapshot method”, as described below.

Add the total number of participants (i.e., employees) covered under the HRA or MERP on a particular date in each quarter of the policy year, and divide by the number of dates on which a count was made. The date for the 2nd, 3rd and 4th quarters must be within 3 days of the date in that quarter that corresponds to the date used in the 1st quarter. So, for example, if the date used in the first quarter is the last day of the first month in the quarter, the last day of the first month must also be used in the 2nd, 3rd, and 4th quarters. All dates must be within the same plan year.

So, if your HRA operates on a calendar year basis, and you choose the last day of the first month of each quarter on which to base your snapshot, the calculation could look like this:

January 31 – 57 employees  
April 30 – 60 employees  
July 31 – 58 employees  
October 31 – 61 employees

Add the number of employees on each date ( $57+60+58+61 = 236$ ). Divide that total by the number of dates chosen ( $236$  divided by  $4 = 59$ ). Since the amount of the PCORI fee for this first year is equal to \$1 times the number of employees, the amount of the PCORI fee for your HRA this year equals \$59.

Plan sponsors must pay the fee by filing IRS Form 720, the Quarterly Federal Excise Tax Return. The Form 720 will be due on July 31 of the year following the last day of the policy year or plan year. Electronic filing is available but not required. Payment will be due at the time the Form 720 is due. Deposits are not required for the PCORI fee.

For more information and a detailed Q&A about the PCORI fee, please visit the IRS’s website, at <http://www.irs.gov/uac/Patient-Centered-Outcomes-Research-Trust-Fund-Fee:-Questions-and-Answers>.

*Please note that the Maine Municipal Association and the Maine Municipal Employees Health Trust are sharing this information to assist you with your compliance planning. We recommend that you contact your legal counsel with specific questions relating to this law.*