

IRS RELEASES MUCH REQUESTED PCORI FEE UPDATE

June 8, 2020

The Internal Revenue Service (IRS) has released Notice 2020-44 (Notice) under which it has announced the Patient-Centered Outcomes Research Institute (PCORI) fee rate that applies to plan years that end on or after October 1, 2019, and before October 1, 2020. The notice also describes transition relief for calculating the average number of covered lives (as part of calculating the applicable fee) for plan years that end within this timeframe.

Applicable PCORI Fee Rate

The Notice provides that the applicable PCORI fee rate for plan years ending between October 1, 2019, and September 30, 2020 is \$2.54 per covered life.

As background, PCORI fees were initially scheduled to terminate for plan years ending on or after October 1, 2019. The Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) extended the PCORI fee for an additional 10 years. Prior to the Notice's release, details of the PCORI fee rate for plan years ending after October 1, 2019, were unknown.

Transition Relief

The Notice explains that prior to the SECURE Act's passage, plan sponsors of self-insured plans with plan years ending on or after October 1, 2019, may not have anticipated the need to identify the number of covered lives for that plan year. Plan sponsors are permitted to continue to use any of existing three methods to count the number of covered lives. In addition, the Notice also provides that specifically for plan years ending on or after October 1, 2019, and before October 1, 2020, plan sponsors may use any reasonable method for calculating the average number of covered lives. Employers using a reasonable method in lieu of other permissible options must apply the reasonable method consistently for the duration of the plan year.

Form 720

The IRS has not yet updated Form 720 or its instructions. On its PCORI [website](#), the IRS notes that specific rules associated with the PCORI rate updates and filing requirements are currently being worked on and will be updated soon. It is not clear if the IRS will update Form 720 before the July 31

SPECIAL COMPLIANCE ALERT



deadline or if it intends to provide a later due date for plans with plan years ending between October 1, 2019, and December 31, 2019.

Conclusion

Employers with self-insured health plans, whose policy or plan years end after October 1, 2019, should begin gathering the data necessary to calculate their PCORI fee amounts. Employers are permitted to apply any of the existing methods to calculate the number of covered lives, and for plans with plan years ending between October 1, 2019, and October 1, 2020, employers may also adopt any other reasonable method, so long as the method is used consistently for the duration of the plan year. The IRS is expected to publish additional updates, and we will alert you of any significant developments as those details emerge.

For a general overview of the PCORI fee rules, see this [article](#) for more information.

EPIC Employee Benefits Compliance Services

For further information on this or any other topics, please contact your EPIC benefits consulting team.

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