

Patient-Centered Outcomes Research Institute (PCORI) Fees—a New Requirement of Health Care Reform

WPS Health Insurance Explains What You Need to Know

Every day, patients and their caregivers face critical health care choices without the benefit of key information that would help them make better care decisions. That's why the Patient Protection and Affordable Care Act (PPACA) established the PCORI—a nonprofit, nongovernmental organization tasked with researching the effectiveness of medical treatments, along with associated risks and benefits.

PCORI's research is intended to improve health care delivery and outcomes by giving patients a better understanding of the prevention, treatment, and care options available, as well as the science that supports those options.

PCORI listed its top five national priorities for patient-centered clinical effectiveness research in a Jan. 23, 2012 agenda as:

- Comparative assessments of prevention, diagnosis, and treatment options to identify which options work best for different populations.
- Improving the health care systems, such as improved coordination of care.
- Communication and dissemination regarding providing information to patients so that they can be better decision-makers.
- Addressing disparities among patient populations.
- Accelerating patient-centered and methodological research, including research involving patients and caregivers that is efficient, safe, and timely.

Research findings made by PCORI, by law, should be available to clinicians, patients, and the general public to help everyone make better health care decisions.

PCORI fees

The PCORI organization is supported by a trust fund financed in part by fees from health plan issuers (for fully insured plans) and plan sponsors (for self-funded plans). These fees, sometimes referred to as comparative effectiveness research—or CER—fees, will be collected for plan years and policy years that end after September 30, 2012 and before October 1, 2019.

Fee amounts are based on the average number of lives covered by accident and illness insurance during the year. The fees apply only to policies of accident and health insurance for U.S. residents. The fee also applies to retiree-only plans. However, policies and plans are not subject to the fees if they cover only excepted benefits as defined under HIPAA. Employee assistance programs (EAPs), disease management programs, and

wellness programs are also exempt if they do not provide significant benefits in the nature of medical care or treatment.

The fee amount changes over time. For plan/policy years ending October 1, 2012 through September 30, 2013, the fee is \$1 multiplied by the average number of covered lives per year. For plan/policy years ending October 1, 2013 through September 30, 2014, the fee is \$2 multiplied by the average number of covered lives. For plan/policy years ending on or after October 1, 2014 through September 30, 2019, the fee is increased based on increases in the projected per capita amount of National Health Expenditures.

Under the April 17, 2012 proposed rule, PCORI fees are to be reported and paid once a year, by issuers and plan sponsors, even though they are reported on IRS Form 720 (Quarterly Federal Excise Tax Return). Reports and payment for policy/plan years that end in a calendar year are generally due by July 31 of the following year.

For purposes of minimum loss ratio calculation, Section 2718 of the Affordable Care Act requires premium revenue to be adjusted to exclude federal and state taxes, as well as licensing and regulatory fees. The PCORI fee qualifies as a “regulatory fee” for the purpose of minimum loss ratio rebate calculations. It should be deducted from premium revenue to appropriately calculate the minimum loss ratio.

Fully insured plans

WPS will pay the PCORI fee on behalf of our fully insured members. The fee will not be listed separately on the bill for the plan, but will be included in the total renewal amount.

ASO and self-funded plans

The PCORI fee is a tax and WPS does not manage tax payments for ASO customers. Therefore, we will not be paying the PCORI fees on behalf of our ASO clients. However, we will be happy to provide membership information to ASO customers, if needed, to help them calculate the fee.

Section 4376 of the Affordable Care Act states the responsibility of paying the fee under PCORI lies with the plan sponsor, defined as:

- Plan established or maintained by a single employer: the employer
- Plan established or maintained by an employee organization: the employee organization
- Plan established or maintained by two or more employers or jointly by employers and employee organizations—such as MEWAs (multiple employer welfare arrangements) or VEBAs (voluntary employee beneficiary associations): the association, committee, joint board of trustees or other similar group of representatives of the parties who establish or maintain the plan
- Plan established or maintained by a cooperative or association: the cooperative or association

While the responsibility for payment of the PCORI fee belongs to the plan sponsors for ASO and self-funded plans, we will provide membership information to our ASO and self-funded members, if requested, that will help these members calculate their fees and make their appropriate filings and payments.

Mixed plans

If a group has a mix of fully insured and ASO plans, WPS will pay the fee for the fully insured plan. The group, however, is responsible for the fees related to the ASO plan.

Other plans

State and local government plans have to pay PCORI fees, with a few exceptions. The law exempts certain governmental programs from the plan fees. Exemptions include only:

- Medicare, Medicare supplement, Medicare Advantage, Medicare Part D
- Medicaid
- State Children's Health Insurance Program
- Veterans Administration
- Indian Health Service

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