

## Health Care Reform Update: July 31 Fee Deadline for Most Self-Insured Plans

By Mark C. Jones, Howard L. Clemons and Justin Krawitz

*The IRS has released a revised version of Form 720 “Quarterly Federal Excise Tax Return” for sponsors of self-insured health plans to pay annual fees imposed under the Affordable Care Act. The fee for 2013 is \$1 per covered life, which is due on July 31, 2013, for calendar-year plans.*

### Background

The Patient Protection and Affordable Care Act (“PPACA”) established the Patient-Centered Outcomes Research Institute (“PCORI”) to synthesize and disseminate research relating to the comparative clinical effectiveness of various medical treatments. PCORI is to be funded in part by fees (“PCORI fees”) assessed on sponsors of self-insured health plans and issuers of health insurance policies. PCORI fees are tied to the federal fiscal year, and they apply to plan years ending on or after October 1, 2012 and before October 1, 2019. The fee is equal to \$1 per “covered life” (covered employee or dependent) for the first year and \$2 per covered life for the second year. The fee will be indexed to increases in projected per capita national health expenditures for the third through seventh years.

### Plans Subject to the Fee

PCORI fees are generally imposed on all self-insured health plans and health insurance policies, including plans and policies providing coverage only to retirees and continuation coverage under COBRA. PCORI fees may also be imposed on certain health reimbursement arrangements and health flexible spending accounts if other group health coverage is not offered by the employer or the arrangement or account is funded primarily with employer contributions or flex credits. If more than one employer in a controlled group participates in the same plan, then the plan may be amended to designate one employer as the sponsor for this purpose. The amendment must be adopted prior to the due date of the fee.

### Payment and Reporting of Fees

Plan sponsors of self-insured calendar-year plans must report the number of covered lives and pay the PCORI fee on IRS Form 720 by July 31, 2013. On June 3, 2013, the IRS released a revised version of Form 720 that includes two new lines, marked “IRS No. 133,” for the PCORI fee (one line for sponsors of self-insured health plans and one line for health insurance issuers). Though Form 720 is used for quarterly excise taxes, filers should only complete line 133 when remitting the annual fee. Although the PCORI fee generally does not constitute an expense that may be paid from plan assets, the IRS Office of Chief

Counsel issued a Memorandum on June 7, 2013 advising that the fee is deductible as an ordinary and necessary business expense. The revised Form 720 is available at <http://www.irs.gov/pub/irs-pdf/f720.pdf>.

If you have any questions, please contact the Pillsbury attorney with whom you regularly work or one of the following members of the Executive Compensation & Benefits practice section.

### New York

Susan P. Serota (bio)  
+1.212.858.1125  
susan.serota@pillsburylaw.com

Peter J. Hunt (bio)  
+1.212.858.1139  
peter.hunt@pillsburylaw.com

Scott E. Landau (bio)  
+1.212.858.1598  
scott.landau@pillsburylaw.com

Kathleen D. Bardunias (bio)  
+1.212.858.1905  
kathleen.bardunis@pillsburylaw.com

James P. Klein (bio)  
+1.212.858.1447  
james.klein@pillsburylaw.com

Bradley A. Benedict (bio)  
+1.212.858.1523  
bradley.benedict@pillsburylaw.com

Matthew C. Ryan (bio)  
+1.212.858.1184  
matthew.ryan@pillsburylaw.com

### Washington, DC / Northern Virginia

Howard L. Clemons (bio)  
+1.703.770.7997  
howard.clemons@pillsburylaw.com

Justin Krawitz (bio)  
+1.703.770.7517  
justin.krawitz@pillsburylaw.com

### Los Angeles

Mark C. Jones (bio)  
+1.213.488.7337  
mark.jones@pillsburylaw.com

### San Francisco

Christine L. Richardson (bio)  
+1.415.983.1826  
crichardson@pillsburylaw.com

Marta K. Porwit (bio)  
+1.415.983.1808  
marta.porwit@pillsburylaw.com

### San Diego—North County

Jan H. Webster (bio)  
+1.858.509.4012  
jan.webster@pillsburylaw.com

Daniel N. Riesenber (bio)  
+1.858.847.4130  
daniel.riesenberg@pillsburylaw.com

Lori Partrick (bio)  
+1.858.509.4087  
lori.partrick@pillsburylaw.com

### Silicon Valley

Cindy V. Schlaefer (bio)  
+1.650.233.4023  
cindy.schlaefer@pillsburylaw.com

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