

PCOR FEES: A GUIDE FOR EMPLOYERS

The ACA initially required either health insurance companies or plan sponsors (typically the employer) to pay three fees and taxes: the Patient-Centered Outcomes Research Institute (PCOR) fee, the reinsurance fee, and the health insurance tax (HIT). The reinsurance fee expired in 2016, and the HIT was permanently repealed for 2021 and beyond. The PCOR fee was originally set to expire in 2019; however, it was extended through 2029 (i.e., for plan years ending before October 1, 2029) as a result of end-of-2019 Congressional action.

This publication provides an overview of the PCOR fee. Appendix A, **PCOR Fee: Completing Form 720**, provides a step-by-step guide for employers with self-insured medical plans, including level-funded plans, HRAs, and many point solution programs, to remit PCOR fees with their second quarterly filing of Form 720 (Quarterly Federal Excise Tax Return), due annually by each July 31. Appendix B, **Chart of PCOR Fees**, shows the PCOR fee due per covered life for recent and near future reporting years.

Employers with self-insured medical plans, including level-funded plans, HRAs, and many point solution programs, must pay the PCOR fee with their second quarterly Form 720 filing, due annually by each July 31.

PCOR Fee Summary Information

Category	PCOR Fee Information
What and When	<ul style="list-style-type: none"> Annual fee for plan years ending 9/30/2012 through 9/30/2029; reported annually by each July 31
Purpose	<ul style="list-style-type: none"> Fund outcomes-based research for clinical effectiveness
Applicable Plans	<ul style="list-style-type: none"> Self-insured and fully insured
Who Pays	<ul style="list-style-type: none"> Self-insured plan: Employer Fully insured plan: Insurer
How Much	<ul style="list-style-type: none"> Plan years ending between 10/1/2024 and 9/30/2025: \$3.84 per covered life Plan years ending between 10/1/2025 and 9/30/2026: \$3.84 per covered life
How Paid	<ul style="list-style-type: none"> Self-insured plan: Employer remits payment directly to IRS annually on Form 720 for second quarter Fully insured plan: Fees are a component of fully insured premium
Types of Plans Subject to PCOR Fee	<ul style="list-style-type: none"> Major medical (US and possession of the US plans, including Puerto Rico) COBRA and state continuation medical plans Retiree-only medical plans HRAs (including ICHRAs and QSEHRAs) Non-excepted health FSAs Point solution programs that constitute medical plans Prescription drug plans
Notable Plan Type Exclusions	<ul style="list-style-type: none"> Stand-alone dental plans Stand-alone vision plans Excepted health FSAs HSAs Stop-loss/indemnity Reinsurance
Tax Treatment	<ul style="list-style-type: none"> Tax deductible
ERISA Treatment	<ul style="list-style-type: none"> Employer may not use plan assets to pay

Employers with self-insured (including level-funded) plans must pay the PCOR fee directly to the IRS, as described in greater detail below. Employers with fully insured plans typically pay the fee to the carrier (insurer) indirectly in the form of premium rate increases that correspond to the increased PCOR fees that the insurer then pays to the IRS.

PCOR FEE CALCULATION METHODS FOR EMPLOYERS WITH SELF-INSURED PLANS

The PCOR fee is a per-covered-life fee that applies to the total number of covered lives under the self-insured medical plan(s), including level-funded plans, HRAs, and many point solution programs. Covered lives include enrolled employees, retirees, and COBRA participants as well as any enrolled spouses, domestic partners, and dependents.

PCOR fees that are due by each July 31 apply to all plan years that ended in the prior calendar year. Some employers will therefore need to calculate and remit PCOR fees for two separate plan years simultaneously, such as when both a full plan year and a short plan year of an applicable self-insured health plan end in the same calendar year. See IRS PCOR Fee FAQs (specifically Q12-Q14) for additional information about PCOR fee calculations for short plan years.

Employers may use any of the following four methods to calculate the number of covered lives subject to the annual PCOR fee:

- **Actual Count Method:** Under the actual count method, the employer calculates the sum of the lives covered for each day of the plan year and divides that sum by the number of days in the plan year (365/366 days for 12-month plan years, reduced as applicable for short plan years).
- **Snapshot Method:** Under the snapshot method, the employer adds the total number of lives covered on one date (or on an equal number of dates) in each quarter of the plan year and then divides the sum by the number of dates for which a count was made. The 30th and 31st day of a month are treated as the last day of the month for purposes of determining the corresponding date for any month that has fewer than 31 days. For example, if either March 30 or March 31 is used as a counting date in the first quarter of a calendar year plan, June 30 is the corresponding date for the second quarter of the same plan.
- **Snapshot Factor Method:** The snapshot factor method works the same as the snapshot method, except that the employer counts each of the participants with self-only coverage on the designated dates as one life and counts each of the participants with family coverage (i.e., any coverage other than self-only coverage) on the designated dates as 2.35 lives. As with the snapshot method, the sum of the self-only and family lives is then divided by the number of dates for which a count was made.
- **Form 5500 Method:** Under the Form 5500 method, the employer uses the number of participants reported on Form 5500 for the applicable plan year, provided the Form 5500 is filed by no later than the July 31 due date for remittance of the corresponding PCOR fee. If the employer exclusively offers self-only coverage, then the employer adds the participant count on the first and last days of the plan year (respectively lines 5 and 6d in Part II on Form 5500) and divides the sum by two. If the employer offers family coverage (i.e., any coverage other than self-only coverage), then the employer adds the participant count on the first and last days of the plan year (but does not divide that sum by two).

SPECIAL RULES FOR HEALTH FSAs, HRAs, AND MULTIPLE SELF-INSURED ARRANGEMENTS

Most health FSAs are considered ACA “excepted benefits” and are therefore exempt from the PCOR fee requirement. For purposes of maintaining ACA excepted benefit status, employer contributions to a health FSA cannot exceed the greater of \$500 or a dollar-for-dollar match of employee contributions. Also, the employer must offer major medical coverage to those who are eligible for the health FSA. Since most employers structure their health FSA as an excepted benefit (to avoid additional ACA compliance obligations), most employers are not required to pay the PCOR fee on a health FSA.

HRAs are generally considered self-insured plans that are subject to the PCOR fee. If there is a fully insured plan associated with the HRA, the carrier pays the fee for the fully insured plan and the employer pays the fee for the HRA. For HRAs (and any non-excepted health FSAs), the employer simply counts one covered life per HRA or health FSA participant/employee; unlike the rule that applies for self-insured (including level-funded) medical plans (see above), the count for HRAs (and non-excepted health FSAs) should not include dependents. If a plan sponsor has an HRA and another self-insured health plan with the same plan year, persons covered by both plans are counted only once. For further information about HRAs, see the PPI publication [HRAs, ICHRAs, and Other Employer Reimbursement Arrangements](#).

Note that point solution programs that provide significant benefits in the nature of medical care or treatment are likely considered self-insured plans that are subject to the PCOR fee. This is especially relevant for point solution programs that are structured as a reimbursement. The PCOR fee count for point solution programs follows the same rule as for HRAs: the employer simply counts

one covered life per program, exclusive of spouses, domestic partners, or dependents. For further information about point solution programs, see the PPI publication [Point Solution Programs: A Guide for Employers](#).

REPORTING AND PAYING THE PCOR FEE

Employers with self-insured plans must report and pay the annual PCOR fee with the second quarterly filing of Form 720 (Quarterly Federal Excise Tax Return). The filing is due no later than July 31 of the calendar year immediately following the last day of the plan year to which the fee applies. If the Form 720 due date falls on a weekend or federal holiday, the due date is extended to the next business day. Employers that are not otherwise required to file Form 720 quarterly are required to file a Form 720 only once a year according to the second quarter filing deadline. Employers should retain records of Form 720 filings according to the company's record retention policy or, at a minimum, according to the recordkeeping information in the IRS Instructions for Form 720.

Importantly, the PCOR fee is considered a tax that is assessed on the employer (plan sponsor) and, as such, generally may not be paid by the plan or with plan assets. In other words, it should be paid out of the general assets of the employer instead of from participant contributions. Employers that improperly paid or failed to pay PCOR fees in prior years should seek guidance from their legal counsel or tax advisor regarding the appropriate corrective measures and will likely need to file missing or corrected returns. Plan sponsors may not adjust subsequent Forms 720 to correct errors in previous submissions. Employers can contact the Taxpayer Advocate Service (TAS), an independent organization within the IRS that helps taxpayers and protects taxpayer rights. Information about the TAS can be found in the IRS Instructions for Form 720.

Our Observation

In general, employers are encouraged to use the second quarter Form 720 (i.e., one with an April, May, or June revision date) for their annual PCOR fee filing. The IRS does not appear to have offered direct guidance regarding the use of a first quarter Form 720 (i.e., one with a January, February, or March revision date) in connection with the second quarter Form 720 filing obligation for PCOR fees. Typically, the first quarter Form 720 does not yet reflect updated PCOR fee plan year end dates or applicable fee amounts, so employers that preemptively use an earlier form to remit PCOR fees must ensure that their PCOR fee calculation is made according to accurate rates and that the payment voucher (Form 720-V) reflects the correct reporting year and indicates the tax period as "2nd Quarter" to avoid triggering a delinquent filing notice from the IRS.

Electronic filing of Form 720 is permitted, though not required. The PCOR fee (and any other fees reportable on Form 720) can be paid online through the Electronic Federal Tax Payment System or by mail using the Form 720-V payment voucher and a check or money order. See Appendix A, **PCOR Fee: Completing Form 720**, for step-by-step instructions for completing Form 720. See Appendix B, **Chart of PCOR Fees**, for a chart of the PCOR fee due per covered life for recent and near future reporting years.

SUMMARY

Employers that sponsor group health plans should ensure that they are familiar with PCOR fee cost calculations and reporting requirements. In particular, employers with self-insured medical plans, including level-funded plans, HRAs, and many point solution programs, should be closely attentive to the compliance obligation to report and pay the annual PCOR fee with their Form 720 filing for the second quarter of the calendar year by July 31.

RESOURCES

[IRS Form 720](#)

[IRS Instructions for Form 720](#)

[IRS PCOR Fee FAQs](#)

APPENDIX A

PCOR Fee: Completing Form 720

The following step-by-step instructions provide general information regarding the PCOR Fee component of Form 720. Please consult your tax or legal advisor for other information regarding Form 720.

NOTE: The screenshots of Form 720 in this Appendix A are provided for illustrative purposes only. *The IRS generally revises Form 720 for the second quarter approximately six to eight weeks prior to the July 31 submission due date to reflect accurate dates and rates in Part II, items 133 (a), (b), (c), and (d).* Employers that are required to remit PCOR fees directly to the IRS should ensure that they routinely use the second quarter Form 720 for this purpose. (See NFP Observation on page 3 regarding remittance of PCOR fees before the IRS issues the second quarter Form 720 for the reporting year.)

See the [Resources](#) section for links to IRS Form 720 and IRS Instructions for Form 720.

Step 1. On page 1, enter your company name, address, and EIN; indicate the quarter ending date June YYYY. Note that the PCOR fee is always filed in the quarter ending in June of the filing year.

720

Form (Rev. June 2024)
Department of the Treasury
Internal Revenue Service

Quarterly Federal Excise Tax Return

See the Instructions for Form 720.
Go to www.irs.gov/Form720 for instructions and the latest information.

OMB No. 1545-0023

Check here if:
☐ Final return
☐ Address change

Name

Quarter ending
June YYYY

Number, street, and room or suite no.
(If you have a P.O. box, see the instructions.)

Employer identification number

City or town, state or province, country, and ZIP or foreign postal code

FOR IRS USE ONLY

T	
FF	
FD	
FP	
I	
T	

Step 2. On page 2, complete Part II, line 133 (c) or (d) depending on your plan year end date. See Appendix B, **Chart of PCOR Fees**, for applicable fees per plan year end date.

In column (a), enter the average number of covered lives. Multiply the number in column (a) by the applicable rate indicated in column (b) and enter the product in column (c). Indicate the column (c) amount in the Tax column.

Part II						
IRS No.	Patient-Centered Outcomes Research Fee (see instructions)	(a) Avg. number of lives covered (see inst.)	(b) Rate for avg. covered life	(c) Fee (see instructions)	Tax	IRS No.
	Specified health insurance policies					
	(a) With a policy year ending before October 1, 2023		\$3.00			
	(b) With a policy year ending on or after October 1, 2023, and before October 1, 2024		\$3.22			
133	Applicable self-insured health plans					133
	(c) With a plan year ending before October 1, 2023		\$3.00			
	(d) With a plan year ending on or after October 1, 2023, and before October 1, 2024		\$3.22			

Step 3. On the bottom of page 2 ("Total"), enter the sum of all amounts listed in the Tax column in Part II. Hint: If you are filing Form 720 exclusively to satisfy the PCOR Fee reporting requirement, the Total figure will be the same as the figure in the Tax column in Part II.

2

Total. Add all amounts in Part II

\$

Step 4. On page 3, complete Part III, lines 3 and 10. Sign and date the form and provide other information as indicated in the "Sign Here" section at the bottom of page 3.

Form 720 (Rev. 6-2024)		Page 3	
Part III			
3	Total tax. Add Part I, line 1, and Part II, line 2	3	
4	Claims (see instructions; complete Schedule C)	4	
5	Deposits made for the quarter	5	
<input type="checkbox"/> Check here if you used the safe harbor rule to make your deposits.			
6	Overpayment from previous quarters	6	
7	Enter the amount from Form 720-X included on line 6, if any	7	
8	Add lines 5 and 6	8	
9	Add lines 4 and 8	9	
10	Balance Due. If line 3 is greater than line 9, enter the difference. Pay the full amount with the return. (See instructions.)	10	
11	Overpayment. If line 9 is greater than line 3, enter the difference. Check if you want the overpayment: <input type="checkbox"/> Applied to your next return, or <input type="checkbox"/> Refunded to you.	11	
Third Party Designee	Do you want to allow another person to discuss this return with the IRS? (See instructions.) <input type="checkbox"/> Yes. Complete the following. <input type="checkbox"/> No		
	Designee's name	Phone no.	Personal identification number (PIN)
Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.		
	Signature	Date	Title
	Type or print name below signature	Telephone number	
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date
	Firm's name	Firm's EIN	Check <input type="checkbox"/> if self-employed PTIN
	Firm's address	Phone no.	

Form **720** (Rev. 6-2024)

Step 5. Complete Form 720-V (Payment Voucher). For item 3 (Tax Period), mark "2nd Quarter."

Submit Forms 720 and 720-V, along with required fees, either online through the Electronic Federal Tax Payment System or via mail. If submitting via mail, issue a check or money order payable to "United States Treasury." Indicate your EIN, "Form 720," and the tax period (2nd Quarter) on the check or money order. Mail the completed Forms 720 and 720-V, along with your fee payment, to Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0009.

Form 720-V (2024)		OMB No. 1545-0023	
Detach here and mail with your payment and Form 720.			
Payment Voucher		2024	
Don't staple or attach this voucher to your payment.			
1	Enter your employer identification number (EIN). See instructions.	2	Enter the amount of your payment. Make your check or money order payable to "United States Treasury."
3	Tax period		Dollars Cents
<input type="radio"/> 1st Quarter	<input type="radio"/> 3rd Quarter		
<input checked="" type="radio"/> 2nd Quarter	<input type="radio"/> 4th Quarter		
		4 Enter your business name (individual name if sole proprietor).	
		Enter your address.	
		Enter your city or town, state or province, country, and ZIP or foreign postal code.	

APPENDIX B

Chart of PCOR Fees

If your plan year began	And your plan year ended	Then your PCOR fee filing due date is	And the PCOR fee due (per covered life) is
2/1/2023	1/31/2024	7/31/2025	\$3.22
3/1/2023	2/29/2024	7/31/2025	\$3.22
4/1/2023	3/31/2024	7/31/2025	\$3.22
5/1/2023	4/30/2024	7/31/2025	\$3.22
6/1/2023	5/31/2024	7/31/2025	\$3.22
7/1/2023	6/30/2024	7/31/2025	\$3.22
8/1/2023	7/31/2024	7/31/2025	\$3.22
9/1/2023	8/31/2024	7/31/2025	\$3.22
10/1/2023	9/30/2024	7/31/2025	\$3.22
11/1/2023	10/31/2024	7/31/2025	\$3.47
12/1/2023	11/30/2024	7/31/2025	\$3.47
1/1/2024	12/31/2024	7/31/2025	\$3.47
2/1/2024	1/31/2025	7/31/2026	\$3.47
3/1/2024	2/28/2025	7/31/2026	\$3.47
4/1/2024	3/31/2025	7/31/2026	\$3.47
5/1/2024	4/30/2025	7/31/2026	\$3.47
6/1/2024	5/31/2025	7/31/2026	\$3.47
7/1/2024	6/30/2025	7/31/2026	\$3.47
8/1/2024	7/31/2025	7/31/2026	\$3.47
9/1/2024	8/31/2025	7/31/2026	\$3.47
10/1/2024	9/30/2025	7/31/2026	\$3.47
11/1/2024	10/31/2025	7/31/2026	\$3.84
12/1/2024	11/30/2025	7/31/2026	\$3.84
1/1/2025	12/31/2025	7/31/2026	\$3.84
2/1/2025	1/31/2026	7/31/2027	\$3.84
3/1/2025	2/28/2026	7/31/2027	\$3.84
4/1/2025	3/31/2026	7/31/2027	\$3.84
5/1/2025	4/30/2026	7/31/2027	\$3.84
6/1/2025	5/31/2026	7/31/2027	\$3.84
7/1/2025	6/30/2026	7/31/2027	\$3.84
8/1/2025	7/31/2026	7/31/2027	\$3.84
9/1/2025	8/31/2026	7/31/2027	\$3.84
10/1/2025	9/30/2026	7/31/2027	\$3.84
11/1/2025	10/31/2026	7/31/2027	TBD
12/1/2025	11/30/2026	7/31/2027	TBD
1/1/2026	12/31/2026	7/31/2027	TBD