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HEALTH CARE REFORM Patient-Centered Outcomes Research Fee

The Department of Treasury has proposed regulations on a new fee that will be imposed on self-funded group health plan sponsors to fund the Patient-Centered Outcomes Research Trust. The proposed regulations provide guidance on how to calculate and report the fee.

Under the proposed regulations, all self-funded group health plan sponsors will be required to file an annual return with the Internal Revenue Service to remit this new fee. For calendar year plans, the first return and payment will be due on **July 31, 2013**.

Background. Health Care Reform imposes an annual fee on self-funded group health plan sponsors for plan years ending on or after October 1, 2012 and before October 1, 2019.

Affected Plans. Under the proposed regulations, all self-funded group health plans, including those covering only former employees or retirees, are subject to the fee except for:

- Plans providing only excepted benefits, such as stand-alone dental and vision plans; and
- Employee assistance plans, wellness plans and disease management plans that do not provide significant medical benefits.

Annual Return. Each year, plan sponsors are required to calculate the amount of the fee and file a Form 720, Quarterly Federal Excise Tax Return, with the applicable fee. Generally, this return must be filed by July 31 following the plan year for which the fees are being paid.

Calculating the Fee. The amount of the fee is equal to an "Applicable Dollar Amount" multiplied by the "Average Lives" covered by the plan.

Applicable Dollar Amount. The Applicable Dollar Amount is:

- \$1 for plan years ending on or after October 1, 2012 and before October 1, 2013; and
- \$2 for plan years ending on or after October 1, 2013 and before October 1, 2014.

The Applicable Dollar Amount is subject to additional adjustments in later years.

Average Lives. The regulations provide several methods by which plan sponsors may calculate the number of Average Lives. For example, a plan sponsor can use the average of the number of participants covered at the beginning and end of the plan year as reported on the plan's Form 5500.

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