



- > What is Patient-Centered Outcomes Research (PCOR)? What is PCORI?
- > How is PCORI funded?
- > What is the health plan's role?
- > What is the role of Independence Administrators in terms of PCOR?

Patient-Centered Outcomes Research (PCOR)

WHAT IS PCOR? WHAT IS PCORI?

Until now, most research on medical treatments has been funded almost completely by the companies that manufacture and market the drugs and treatments. Many feel the cost of this research contributes to the high price of drugs. In addition, some may question the potential for poorly substantiated — or even suspect— research results when a company tests and compares the benefits and risks of their own products to competitors' treatments.

The Patient Protection and Affordable Care Act (PPACA) established a private, non-profit, non-governmental organization called the Patient-Centered Outcomes Research Institute (PCORI). The Institute is an independent organization whose role is to fund and produce reliable, evidence-based research guided by patients, caregivers, and the health care community to determine the comparative clinical effectiveness of medical treatments.

HOW IS PCORI FUNDED?

It has been estimated that by 2015, funding for PCORI will reach nearly \$500 million. PCORI will be funded by a Patient-Centered Outcomes Research Trust Fund (Trust Fund). The Trust Fund will be financed in part through fees payable by issuers of health insurance policies and sponsors of self-insured health plans, beginning with policy and plan years ending on or after October 1, 2012, and before October 1, 2019. The fee is based on the average number of lives covered under the health insurance policy or plan ("covered lives" include plan participants and covered dependents/beneficiaries).

The annual fee for the initial year — plans ending on or after October 1, 2012, and before October 1, 2013 — is \$1 for each covered life, and is due by July 31, 2013. The fee will increase as follows:

- \$1 multiplied by the average number of covered lives under the plan for plans ending on or after October 1, 2012, and before October 1, 2013;

This communication is not intended to provide either legal or tax advice. Please consult with your legal counsel or professional advisors to determine the effects of the statutes and regulations regarding health care reform on you and your plan members.

Affordable Care Act Implementation Alert

The Affordable Care Act and your self-funded health plan

- \$2 multiplied by the average number of covered lives under the plan for plans ending on or after October 1, 2013, and before October 1, 2014;
- For subsequent plan or policy years ending before October 2019, the annual assessment will be adjusted based on increases in the index of National Health Expenditures.

PCORI has held several public dialogues to discuss its National Priorities for Research and the related Research Agenda. Last month PCORI drafted Conflict of Interest (COI) rules, including making the Board of Governors and their close relatives ineligible to compete for PCORI funding.

The first PCORI Funding Announcement was released in May 2012, with estimates of about \$12 million available to fund up to 14 contracts with the first funding cycle, which begins January 2013. These awards will be announced December 31, 2012, for research projects starting on or after January 2013. Two additional cycles have been announced with subsequent cycles expected. More information on PCORI can be found on the Institute's website, www.pcori.org.

WHAT IS THE HEALTH PLAN'S ROLE?

It is the responsibility of the sponsor of the group health plan to comply with the regulation. To date, the IRS has not adopted any procedures or programs permitting third-party reporting or payment. The group health plan must pay the PCOR Trust Fund fees annually and report them on the IRS Form 720 (Quarterly Federal Excise Tax Return) that is due each year by July 31, beginning July 31, 2013. Therefore, the group health plan needs to submit the actual paperwork and pay the fee directly.

WHAT IS THE ROLE OF INDEPENDENCE ADMINISTRATORS IN TERMS OF PCOR?

The role of Independence Administrators in terms of your PCOR Fee compliance is to help the client determine the average number of lives covered under a plan. Although the method used for determining the average number of lives may be changed from year to year, a single method must be used for all policies reported on a single return (Form 720).

To learn more about how Independence Administrators can support you in complying with the requirements of the Affordable Care Act, or if you have questions about your plan, **please contact your Independence Administrators Account Representative.**

