

# COMPLIANCE CHRONICLE

REGULATIONS | POLICIES | STANDARDS | REQUIREMENTS | LAWS

**Navigating the ever-evolving landscape of compliance can be challenging and time consuming.**

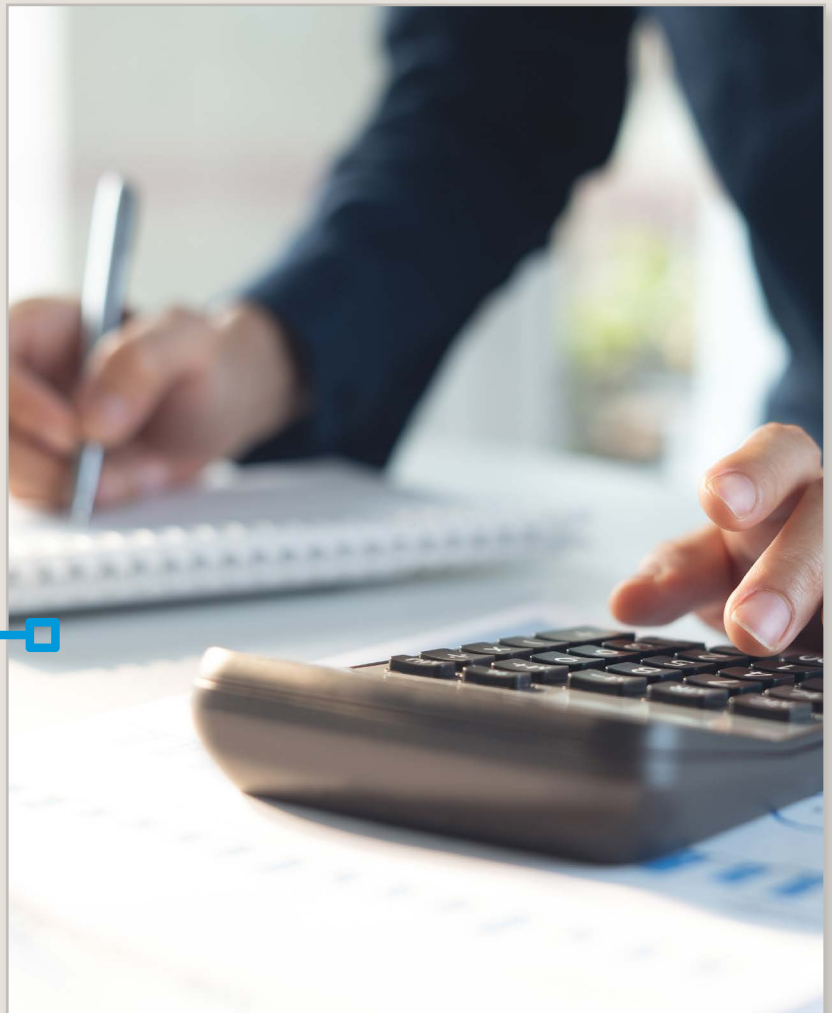
**Warner Pacific is happy to share monthly updates to help your organization stay informed about new requirements and minimize compliance risks. Let us handle the complexities so you can focus on what matters most – your business.**

## **PCORI Fees: A Small Fee With Big Compliance Implications**

In the complex world of employer health plan compliance, it's often the small requirements that create the biggest risks. One of the most commonly overlooked obligations is the Patient Centered Outcomes Research Institute (PCORI) fee, the modest annual fee that still carries real IRS consequences when ignored.

For you, PCORI represents more than just a filing reminder. It's a clear opportunity to protect clients from compliance exposure while reinforcing your role as a trusted adviser.

**Important  
deadline reminder:  
PCORI fees are  
due July 31!**



## What Is the PCORI Fee?

The PCORI fee was created under the Affordable Care Act (ACA) to fund independent research aimed at improving patient care and clinical decision making.

Although the fee amount is relatively small, it is a federally required filing and must be:

- Reported and paid annually
- Filed using IRS Form 720
- Submitted by July 31 each year

## Which Plans Are Subject to PCORI Fees?

- PCORI fees apply to most employer-sponsored, non-Fully Insured medical plans, including:
- Self-Funded medical plans, including Level Funded arrangements
- Certain HRAs, if not fully integrated with other coverage
- Some retiree-only plans

## What About Fully Insured Plans?

Fully Insured medical plans **do not** require employers to file or pay PCORI fees. **The carrier handles it.**

However, many employers mistakenly assume:

“If it feels insured, the carrier must handle all filings.” **Not true!** That’s where compliance breakdowns happen.

## Why Level Funded Plans Trigger More Responsibility

Level Funded plans are often marketed as “simpler” alternatives for small groups, but from a compliance standpoint, they are not fully insured.

**Under ERISA rules:**

1. Claims are paid from plan assets
2. Contributions are segregated
3. A third-party administrator (TPA) administers claims
4. Stop loss reimburses the employer but does not pay claims directly

**For plan years ending between October 1, 2025, and September 30, 2026, the PCORI fee is \$3.84 per covered life.**

**Remember: A Level Funded plan IS a Self-Funded plan.**

**Because of this structure:**

- Level Funded plans are considered funded welfare plans.
- Annual Form 5500 SF filing is required – even under 100 participants.
- PCORI fees apply every year.

**This distinction is critical and often misunderstood.**

## Why Level Funded Plans Must File Form 5500-SF – Even Below 100 Participants

Level Funded plans are considered funded welfare benefit plans under ERISA, not unfunded or Fully Insured plans. Because they hold plan assets and pay claims from those assets, they do not qualify for the small plan (under 100) exemption from [Form 5500](#) filing, even when participant counts are low.

### The Key Legal Distinction: How Claims Are Paid

The [Form 5500](#) filing requirement is not based only on participant size. It is based on whether the plan is funded or unfunded under ERISA rules.

### ERISA Divides Welfare Plans Into Three Categories

Plan Type	How Claims Are Paid	Form 5500 Requirement
<b>Fully Insured</b>	Insurer pays claims from its general assets	✘ No 5500
<b>Unfunded</b>	Employer pays claims directly from general assets	✘ No 5500 (if <100 participants)
<b>Funded</b>	Claims paid from a plan trust or segregated account	✔ 5500 required

**Level Funded plans fall squarely into the “Funded” category.**

### Why the “Under 100 Lives” Exemption Does Not Apply

Many employers assume that being under 100 participants eliminates the Form 5500 obligation.

That exemption applies only to:

- Fully Insured welfare plans, or
- Truly unfunded welfare plans

**It does not apply to funded plans.**

**Because Level Funded plans are funded:**

- The “small welfare plan” exemption is not available.
- The plan must file [Form 5500](#) annually using the [5500 SF](#).

### Why the Government Cares

From a regulatory standpoint, [Form 5500](#) exists to ensure:

- Transparency over plan assets
- Oversight of how claims funds are handled
- Protection of participant contributions

**Because Level Funded arrangements involve:**

- Pre-funded claims dollars
- Potential employee contributions
- A risk of mismanagement or insolvency

#### Common Misconception

**Misconception:** The employer is small, so they don’t need a Form 5500.

**Correction:** Employer size matters only after you determine whether the plan is funded.

Level Funded is considered funded, so filing is required.

**The Department of Labor requires annual reporting even for small groups.**

## PCORI in the Broader ACA Compliance Picture

### According to ACA reporting rules:

- Fully Insured plans rely primarily on carrier reporting.
- Level Funded and Self-Funded plans shift key filing obligations to the employer.

### These include:

- [Forms 1094-B and 1095-B](#) (for non-ALE employers)
- [Forms 1094-C and 1095-C](#) (for ALEs)
- PCORI fees ([Form 720](#)) (regardless of employer size)

## Why PCORI Compliance Matters

### Although the fee itself is small, failure to file can lead to:

- IRS penalties
- Accrued interest
- Increased scrutiny in audits or due diligence reviews

Many employers assume a carrier, TPA or payroll vendor is handling the filing only to discover too late that the employer is legally responsible.

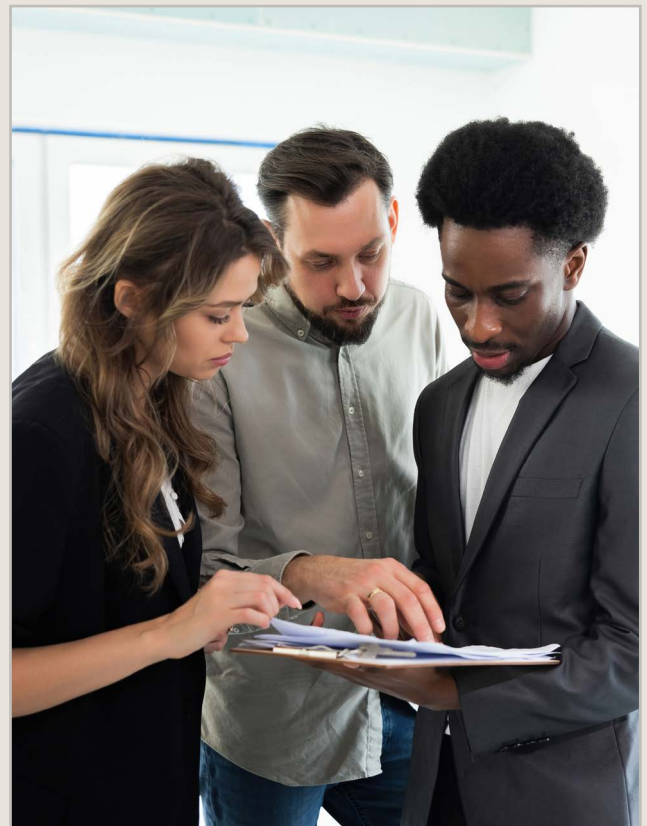
## How You Add Value With PCORI Compliance

PCORI is not just a task; it's a conversation starter that demonstrates expertise.

### You can support clients by:

- Confirming whether a plan is Fully Insured, Level Funded, or Self-Funded
- Explaining who is responsible for filing [Form 720](#)
- Coordinating with TPAs or compliance vendors, when applicable
- Providing annual July 31 reminders
- Helping clients document filings for compliance records

Proactive guidance here helps prevent missed filings and reinforces your role as an ongoing compliance resource, not just a benefits intermediary.



# ACA Filing Cheat Sheet

(Fully Insured | Level Funded | Self-Funded | Small & Large Group)

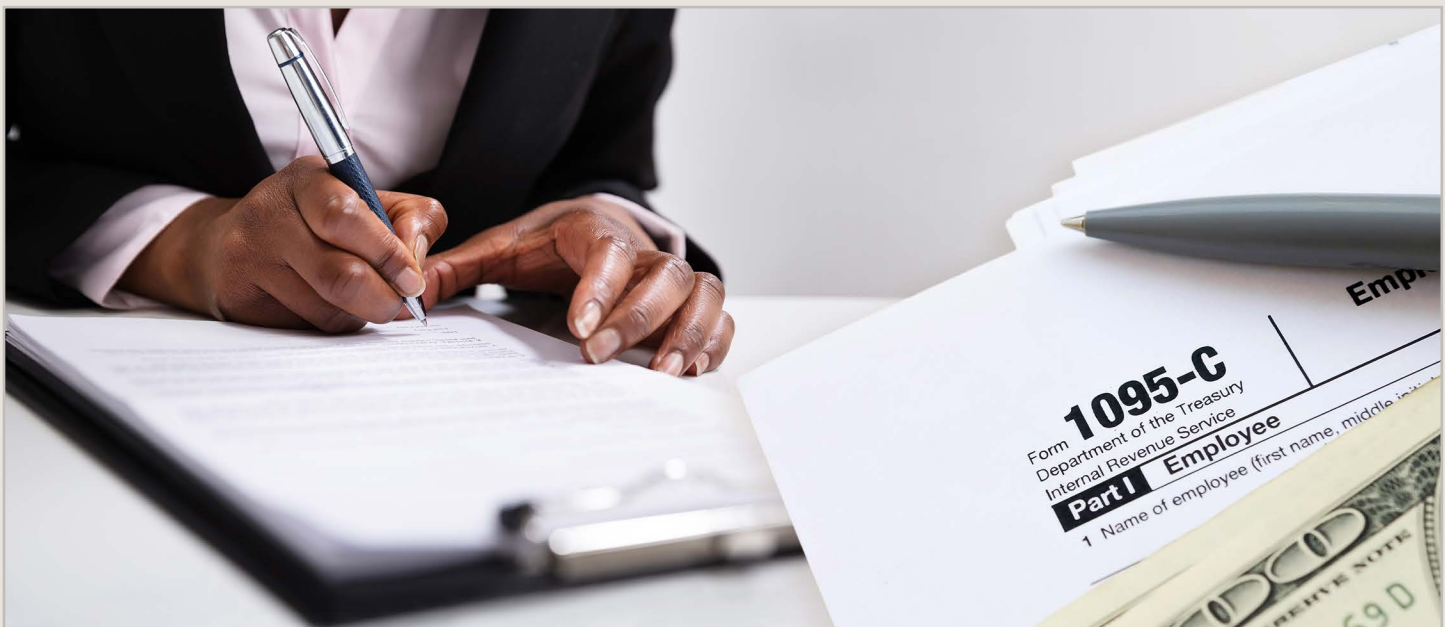
Fully Insured plans rely on carrier reporting, while Level Funded and Self-Funded plans shift ACA reporting and PCORI obligations to the employer with additional 1095-C requirements once the employer reaches ALE status. This guide focuses on who files which ACA forms based on employer size and funding arrangement, not plan design or benefit richness.

## Key ACA Filing Forms (At a Glance)

Form	Purpose	Who Files	Applies To
<b>1094-B</b>	Transmittal for 1095-B	Carrier <b>OR</b> employer (Self-Funded)	Non-ALE Self-Funded & Fully Insured
<b>1094-C</b>	Transmittal for 1095-C	Employer	ALEs only
<b>1095-C</b>	Offer of coverage + affordability	Employer	ALEs only
<b>PCORI (Form 720)</b>	Research fee	Plan sponsor	All Self-Funded & Level Funded
<b>Section 6055/6056 Reporting</b>	ACA reporting rules	Employer / Carrier	Varies

## Determine Employer Size FIRST (Critical)

Employer Size	Definition	Why It Matters
<b>Small Group</b>	< 50 full-time equivalents (FTEs)	No employer mandate
<b>ALE (Large Group)</b>	50+ FTEs	Employer mandate + 1095-C



## FULLY INSURED PLANS

### Small Group Fully Insured Plans (Non-ALE, <50 FTEs)

Filing	Responsibility
1095-B to members	Carrier
1094-B to IRS	Carrier
1095-C	❌ Not required
Employer Mandate	❌ Not applicable
PCORI (Form 720)	❌ Not applicable

Employer has no ACA filing obligation. Coverage reporting handled by carrier (unless the plan is Level Funded or Self-Funded).

### Large Group Fully Insured Plans (Non-ALE, 50+ FTEs)

Filing	Responsibility
1095-C (Parts I & II)	Employer
1095-C Part III	Carrier updates plan data to employer
1094-C	Employer
Employer Mandate Penalties	✅ Applies
PCORI (Form 720)	❌ Not applicable

**Common mistake:** Assuming carrier files 1095-C – they do not.

## LEVEL FUNDED PLANS

(Treated as Self-Funded for ACA reporting. Always subject to Self-Funded ACA reporting – 1095-B required regardless of size.)

### Small Group Level Funded Plans (Non-ALE, <50 FTEs)

Filing	Responsibility
1095-B	Employer
1094-B	Employer
1095-C	❌ Not required
Employer Mandate	❌ Not applicable
PCORI (Form 720)	✅ Employer

### Large Group Level Funded Plans (Non-ALE, 50+ FTEs)

Filing	Responsibility
1095-C (Parts I & II)	Employer
1095-C Part III (Coverage months)	Employer
1094-C	Employer
Employer Mandate Penalties	✅ Applies
PCORI (Form 720)	✅ Employer

#### Critical ACA Reporting Rule for Level Funded Plans

Level Funded plans are treated as Self-Funded for ACA reporting purposes. As a result, employers sponsoring Level Funded coverage must file Forms 1094-B and 1095-B regardless of employer size, including employers with fewer than 50 FTEs. Carrier filing rules for Fully Insured plans do not apply to Level Funded arrangements. TPAs often assist, but the employer remains legally responsible. **Level Funded = Self-Funded compliance rules.**

## SELF-FUNDED PLANS (TRADITIONAL)

### Small Group Self-Funded Plans (Non-ALE, <50 FTEs)

Filing	Responsibility
1095-B	Employer
1094-B	Employer
1095-C	✗ Not required
Employer Mandate	✗ Not applicable
PCORI (Form 720)	✓ Employer

### Large Group Self-Funded Plans (Non-ALE, 50+ FTEs)

Filing	Responsibility
1095-C (Parts I, II, III)	Employer
1094-C	Employer
Employer Mandate Penalties	✓ Applies
PCORI (Form 720)	✓ Employer

## KEY FILING DEADLINES (ANNUAL CYCLE)

Item	Due Date
1095 forms to employees	January 31
1094/1095 to IRS (paper)	February 28
1094/1095 to IRS (electronic)	March 31
PCORI (Form 720)	July 31

## SPECIAL ACA "GOTCHAS"

Small fees can create large compliance issues when overlooked.

1. Level Funded is not Fully Insured for reporting.
2. Employers are always liable even if vendors prepare forms.
3. Affordability testing applies only to ALEs.
4. Controlled group rules may aggregate employees.
5. 1095-B is still required for Self-Funded MEC reporting.
6. PCORI applies, even if the plan terminated mid-year.

Even though the employer is small, a Level Funded plan must file Form 5500 SF, because claims are paid from plan assets, which makes the plan "funded" under ERISA and removes the small-plan exemption.

PCORI fees may not make headlines, but they remain a required annual filing for many employer plans. Brokers who proactively address PCORI help clients stay compliant, reduce IRS exposure, and strengthen long term advisory relationships.

**Check out all of our compliance and legislative resources [here](#).**

**References: ERISA Reporting Rules** ERISA generally requires the plan administrator of each employee benefit plan to file an annual report (Form 5500) unless a regulatory exemption applies. Under 29 C.F.R. § 2520.104-50, certain small welfare benefit plans (fewer than 100 participants at the beginning of the plan year) may be exempt from filing Form 5500 only if the plan is unfunded, fully insured, or a combination of unfunded and insured arrangements. Participant count alone does not determine exemption eligibility. The plan's funding method must also be evaluated under ERISA's funded vs. unfunded standards. Because a level funded plan is a welfare benefit plan subject to ERISA, and considered funded, the small plan exemption under 29 C.F.R. § 2520.104-50 does not apply. Therefore, an annual Form 5500 filing is required regardless of participant count. For plans with fewer than 100 participants, the Employer files the Form 5500 SF, the short form version authorized by the Department of Labor for small plans that are otherwise required to file.