



RE: PCORI FEES; IRS FORM 720; DUE DATE JULY 31, 2015

Dear

The Affordable Care Act set up the Patient-Centered Outcomes Research Institute ("PCORI"). Congress established the Patient-Centered Outcomes Research Trust Fund partially financed by fees to be paid by insurers and sponsors of self-insured health plans. The fees for 2015 are due July 31, 2015.

We are enclosing a census¹ listing the individuals covered by the Plan(s) for which ABS provides services. This information is intended to assist you in calculating the PCORI fees required to be reported and paid on IRS Form 720 on July 31, 2015. Please note that you may have other benefit plans for which you owe PCORI fees and for which ABS does not provide services. You should review this list based on your personnel records to ensure it is accurate. We are providing this data for informational purposes only. It is not intended to constitute legal or tax advice. You should discuss your specific situation and circumstances with your legal, tax and benefit advisors.

We are enclosing a copy of IRS Form 720 and the Instructions. These materials can also be found on the IRS website:

<http://www.irs.gov/uac/Newsroom/Patient-Centered-Outcomes-Research-Institute-Fee>

Form <http://www.irs.gov/pub/irs-pdf/f720.pdf> ;

Instructions <http://www.irs.gov/pub/irs-pdf/i720.pdf>

If you have any questions about the enclosed census listing, please contact your Account Manager.

Very truly yours,

Mike McCollom

VP Sales and Underwriting

¹ We have used the snapshot method to determine the average number of covered lives.

PCORI FEES DUE JULY 31, 2015 FOR HEALTH PLANS (Insured & Self-funded)

The Affordable Care Act set up the Patient-Centered Outcomes Research Institute ("PCORI"). PCORI is intended to assist patients, clinicians, purchasers and policy-makers in making informed health decisions by conducting and publicizing comparative clinical research findings. PCORI's website can be viewed at www.pcori.org.

Congress established the Patient-Centered Outcomes Research Trust Fund which partially financed by fees to be paid by insurers and sponsors of self-insured health plans. The first fees are due July 31, 2015.

The fee generally applies to medical plans, prescription drug plans, self-insured dental or vision plans, HRAs and retiree-only health plans.

The fee is \$2.08 for plan years ending on or after October 1, 2014 and before October 1, 2015. Health insurance issuers and **plan sponsors of self-funded plans** must report and pay the PCORI fee for a plan year no later than July 31 of the year following the last day of the plan year using IRS Form 720, "Quarterly Federal Excise Tax Return."

The fee is multiplied by the average number of lives covered under the plan. For plan years ending on or after October 1, 2015, the fee is increased based on increases in the per capita amount of national healthcare expenditures.

The plan sponsor must use one of three methods to determine the average number of covered lives: (i) the actual count method, (ii) the snapshot method or (iii) the Form 5500 method.

The number of individuals on COBRA must be taken into account in determining the fee.

Two or more arrangements established or maintained by the same plan sponsor that provide health coverage (other than an insurance policy) and that have the same plan year may be treated as a single self-insured plan in determining the fee.

However, if an employer sponsors a fully insured health plan paired with a self-funded HRA, both the insurer and the plan sponsor are each required to pay the fee. Insurers are permitted to pass the fee on to the insured group.