

PCORI Compliance Guide for Montana Public Schools

July 2025



Only entities that sponsor *self-insured health plans* (such as some Health Reimbursement Arrangements or HRAs) are required to file [Form 720](#) annually for PCORI fees.

PCORI Fees: These are fees used to fund the Patient-Centered Outcomes Research Institute (PCORI), mandated under the Affordable Care Act.

Due Date: July 31st following the end of the plan year (which for Montana schools is June 30).

Step 1: Determine if You Need to File

- If your school is FULLY INSURED (buys health insurance from a carrier), you likely do NOT need to file.
- If your school is SELF-INSURED or offers an HRA (Health Reimbursement Arrangement), you MUST file IRS Form 720 and pay the PCORI fee.
- HSAs (Health Savings Accounts) do NOT require PCORI reporting or payment.

Fully Insured VS. Self-Insured





Fully Insured School

- The school buys a health insurance plan from a company (like Blue Cross, Cigna, etc.).
- The insurance company pays the medical bills.
- The school just pays the monthly premium.
- PCORI fee is paid by the insurance company.
- Most Montana schools fall into this group.

Self-Insured School

- The school pays employees' medical claims directly (instead of buying insurance).
- Often uses a third-party administrator (TPA) to manage claims.
- School has more control over the plan, but takes on more risk.
- The school must file Form 720 and pay the PCORI fee themselves.

HRA's vs. HSA's

Feature	 HRA (Health Reimbursement Arrangement)	 HSA (Health Savings Account)
Who owns the account?	The employer	The employee
Who can contribute?	Employer only	Employee and/or employer
Who controls the money?	Employer (sets rules)	Employee (owns and controls it)
Do funds roll over?	Sometimes (depends on employer rules)	Yes — money stays with the employee
Do you need a special plan?	No, but often paired with a group plan	Yes — must be enrolled in a High Deductible Health Plan (HDHP)
Tax benefits?	Employer gets tax deduction	Employee gets triple tax benefits (pre-tax contributions, tax-free growth, tax-free withdrawals for medical expenses)
Portable if employee leaves?	 No — money stays with employer	 Yes — money belongs to employee

If you are self-insured and offer an HRA, you only pay one PCORI fee per employee.

Step 2: Understand 'Plan Year'

The 'plan year' is the 12-month period your health plan is in effect. Most Montana public schools use a fiscal year plan: July 1 to June 30. This is important because the IRS PCORI fee changes depending on when the plan year ends.

Plan Year Ending Date Range PCORI Fee per Covered Life

June 30, 2024 Jan 1–Sep 30, 2024 **\$3.22**

June 30, 2025 Oct 1, 2024–Sep 30, 2025 **\$3.47**

Step 3: Calculate Your PCORI Fee

Determine the number of covered lives (employees or participants) using one of these methods:

- Actual Count Method
- Snapshot Method
- Form 5500 Method (rarely used for schools)

Then multiply the number of covered lives by the correct IRS fee rate:

- Plan Year Ending June 30, 2024 → \$3.22 per covered life
- Plan Year Ending June 30, 2025 → \$3.47 per covered life

1. Actual Count Method

What it is:

- You count the actual number of covered lives (employees, spouses, dependents) on each day of the plan year.
- Then divide the total by the number of days in the plan year.

Formula:

Average = (Total covered lives for each day of the plan year) ÷ (Number of days in the plan year)

2. Snapshot Method

What it is:

- You count the number of covered lives on a set number of specific days (at least one day per quarter, same days each year), then average them.

Two options:

- **Snapshot Count:** Count the number of covered lives on those days.
- **Snapshot Factor:** Count the number of participants and multiply by a set factor (usually 2.35 for dependents).

Formula (Snapshot Count):

Average = (Sum of covered lives on each selected date) ÷ (Number of dates selected)

Step 4: File IRS Form 720

- Only required ONCE per year, using the Second Quarter (Q2) form.
- Complete Part II, IRS No. 133 for the PCORI fee.
- Download the form at <https://www.irs.gov/forms-pubs/about-form-720>

Form 720 is designed to be used **q**uarterly for a variety of excise taxes. However, for the PCORI fee, you use only the second quarter version once a year. That's why even schools that don't regularly file Form 720 still need to download and file the Q2 version each July.

Step 5: Pay the Fee via EFTPS

- Log in to <https://www.eftps.gov/> and choose Tax Form '720'.
- Select the **quarter ending June 30** and enter the fee amount.
- Submit the payment electronically by July 31 following the end of the plan year.
- Note: You must still FILE Form 720 — EFTPS is for payment only.

Step 6: Mail or E-File Form 720

If filing by mail, send Form 720 to:

Department of the Treasury
Internal Revenue Service
Ogden, UT 84201-0009

Alternatively, use an IRS-approved e-file provider (not EFTPS) if desired.

Step 7: Keep Records

- Retain copies of Form 720, payment confirmations, and calculation worksheets.
- Keep these records on file for at least 6 years.

Glossary

Plan Year: The 12-month period your health plan operates. For most schools, July 1 – June 30.

Self-Insured: School pays medical claims directly.

Fully Insured: School pays a premium to an insurance carrier that handles claims.

HRA: Health Reimbursement Arrangement funded by the employer.

HSA: Health Savings Account owned and funded (at least in part) by the employee.

EFTPS: Electronic Federal Tax Payment System – used to pay the PCORI fee.

*The Montana Association of School Business Officials (MASBO) is **not an accounting firm, legal advisor, or representative of the IRS.** This document is intended solely to provide general guidance and summarize **best practices based on MASBO's current understanding** of IRS regulations and public school business operations.*

Users of this information are encouraged to:

- *Consult with a qualified tax advisor, auditor, or legal counsel for individual circumstances.*
- *Refer to the most recent IRS publications and official instructions (such as IRS Form 720 and PCORI-related notices).*

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