

Coronavirus (COVID-19) – HDHPs Will Not Lose HSA Qualified Status for Covering COVID-19 Expenses

Issue Date: March 2020

The IRS has released guidance regarding HSA eligibility when high deductible health plans (HDHPs) cover COVID-19 related testing and treatment. Until further notice, these plans will not cause an employee to be ineligible to make HSA contributions.

Background

In response to the spread of COVID-19, several states have mandated coverage for testing and treatment of the virus to be provided with no cost-sharing requirements to individuals. These state insurance mandates apply to fully-insured group health plans issued within the state. Normally, an HDHP providing this coverage could cause employees to be ineligible to make Health Savings Account (HSA) contributions. In general, in order to maintain qualified status to permit participants to continue contributing to HSAs on a tax-favored basis, HDHPs must not provide first-dollar coverage for any expenses unless the expense is considered “preventive.”

IRS Notice 2020-15

The IRS has responded in IRS Notice 2020-15 (<https://www.irs.gov/pub/irs-drop/n-20-15.pdf>) allowing HDHPs to provide this type of coverage without making an employee ineligible for HSA contributions. Specifically, the notice states that *“until further guidance is issued, a health plan that otherwise satisfies the requirements to be a [HDHP]...will not fail to be an HDHP...merely because the health plan provides health benefits associated with testing for and treatment of COVID-19 without a deductible, or with a deductible below the minimum deductible for an HDHP. Therefore, an individual covered by the HDHP will not be disqualified from being an eligible individual...who may make tax-favored contributions to [an HSA].”*

This relief applies to both fully-insured HDHPs required to cover COVID-19 due to state mandates and also to employer-sponsored plans (fully-insured and self-insured) that voluntarily choose to provide this coverage.