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IRS Issues COVID-19 Guidance for High Deductible Health Plans

On March 11, the Internal Revenue Service (IRS) released guidance allowing high deductible health plans (HDHPs) to provide cost-free testing for and treatment of the 2019 Novel Coronavirus (COVID-19) without running afoul of the rules governing health savings accounts (HSAs).

An HSA is a tax-favored savings account that can be used to pay for qualified medical expenses. In order to contribute to an HSA for a month, an individual must be covered by an HDHP for the month. For 2020, an HDHP is a plan with an annual deductible of at least $1,400 for self-only coverage ($2,800 for family coverage). An HDHP is permitted to provide certain preventive care benefits with a deductible below this minimum (or with no deductible at all). Prior IRS guidance defining preventive care lists specific screening services that may be provided deductible-free under an HDHP, but such guidance is not readily applicable to screening for a new disease such as COVID-19.

In order to avoid administrative delays and financial disincentives that might impede testing for and treatment of COVID-19 for HDHP participants, the IRS released Notice 2020-15, which provides that an HDHP will not fail to be an HDHP merely because the plan provides for testing and treatment of COVID-19 without a deductible or with a deductible below the minimum deductible otherwise required by an HDHP. Therefore, an individual covered by an HDHP that provides such benefits will not be disqualified from making tax-favored contributions to an HSA. The Notice also restates prior guidance that immunizations constitute preventive care. Accordingly, any future COVID-19 vaccination could also be provided by an HDHP without a deductible.

For more Day Pitney alerts and articles related to the impact of COVID-19, as well as information from other reliable sources, please visit our COVID-19 Resource Center.

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