On March 12, 2020, the IRS issued notice 2020-15, providing that a health plan will not fail to be a High Deductible Health Plan (HDHP) merely because it provides testing for and treatment of COVID-19 without a deductible or subject to a reduced deductible. Therefore, an individual who participates in such a plan may continue to participate in a Health Savings Account (HSA).

**Health Savings Account - Key Background**

HSAs provide a significant three-pronged tax benefit to HSA holders. Dollars may be contributed pre-tax, earnings grow tax-free on the accounts, and account withdrawals are not taxed so long as they are used to pay for qualifying medical expenses.
But individuals may not participate in an HSA unless they participate in a “High Deductible Health Plan” (HDHP) with deductibles of at least $1,400 for single coverage or $2,800 for family coverage (2020). In addition, individuals may not participate in an HSA if they are covered by any health plan that is not a HDHP. There are some exceptions to this “no other plan” rule, but the exceptions are limited to certain types of non-medical insurance, preventive care (including vaccines), and arrangements that “do not provide significant benefits in the nature of medical care” such as employee assistance, disease management or wellness plans.

The COVID-19 Exception

In Notice 2020-15, the IRS provides a new exception to the “no other plan” rule in response to COVID-19. Specifically, until further notice, all medical care services received and items purchased associated with testing for and treatment of COVID-19 that are provided by a health plan without a deductible, or with a deductible below the minimum annual deductible otherwise required for an HDHP, will be disregarded for purposes of determining the status of the plan as an HDHP.

What to do Now

Notice 2020-15 eliminates potential administrative and financial barriers to testing for and treatment of COVID-19 under any plans that are HDHPs. Employers who sponsor HSA-compliant HDHPs are encouraged to review their plans and determine whether to revise the plans to include COVID-19 testing and services prior to the satisfaction of the HDHP’s deductible.

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