

LEGAL UPDATE

IRS Allows HDHPs To Cover Coronavirus Costs

On March 11, 2020, the Internal Revenue Service (IRS) issued [Notice 2020-15](#) to advise that high deductible health plans (HDHPs) can pay for 2019 Novel Coronavirus (COVID-19) testing and treatment before plan deductibles have been met, without jeopardizing their status. According to the IRS, this also means that individuals with HDHPs that cover these costs may continue to contribute to their health savings accounts (HSAs).

The IRS also noted that any COVID-19 vaccination costs count as preventive care and can be paid for by an HDHP without cost sharing.

Health Plan Coverage

To protect the public from the growing spread of COVID-19, many states are directing or encouraging health insurance issuers to cover COVID-19 testing without imposing a deductible or other cost sharing. These states include, for example, [California](#), [New York](#), [Oregon](#) and [Washington](#). Some issuers are voluntarily waiving cost sharing for COVID-19 testing, without a state directive. Self-funded plans may also voluntarily waive these costs due to the public health emergency posed by COVID-19.

Only individuals who are covered by HDHPs can make contributions to HSAs. To qualify as an HDHP, a health plan cannot pay medical expenses (other than preventive care) until the annual minimum deductible has been reached. IRS Notice 2020-15 provides an exception to this general rule to remove financial barriers that might otherwise delay testing for and treatment of COVID-19.

Action Steps

Employers with HDHPs should consult with their plan's issuer or benefits administrator regarding their plan's benefits for COVID-19 testing and treatment, including the potential application of any deductible.

Key Points

- HDHPs can pay for COVID-19 testing and treatment without imposing a deductible.
- As a growing trend, states are directing or encouraging health insurance issuers to cover this testing without any cost sharing.
- Employers with HDHPs should consult with their plan's issuer or benefits administrator regarding their plan's coverage for COVID-19 testing and treatment.

According to the IRS, HDHPs can pay for COVID-19 testing and treatment before an individual has met the plan's deductible for the year.

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