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IRS relaxes HDHP requirements in response to COVID-19

In response to the coronavirus crisis, IRS has issued guidance allowing HDHP/HSA plans to cover diagnostic services and treatment of COVID-19 prior to satisfaction of the plan's deductible without impacting employees' ability to make contributions to the HSA.

Background

Many employers offer high-deductible health plans (HDHP) that allow employees to make pretax contributions to a health savings account (HSA). However, to be eligible for HSA contributions, the HDHP can only cover preventive services before the plan's deductible is satisfied.

In response to the COVID-19 crisis, many insurance carriers have announced that they will cover COVID-19 diagnostic testing, with no employee cost-sharing, before the deductible is satisfied. Self-insured employers have also been given the option to include this expanded coverage.

These insurer actions raised concerns about whether employee cost-sharing could be waived pre-deductible under an HDHP/HSA plan. While prior IRS guidance (Notice 2004-23) allows pre-deductible coverage of diagnostic testing for infectious diseases, it was not clear how this guidance would apply to COVID-19.

IRS guidance

The IRS has addressed this issue in Notice 2020-15. The guidance is welcome news for employers and goes beyond diagnostic testing. Specifically, the guidance states that "a health plan that otherwise satisfies the requirements to be an HDHP under section 223(c)(2)(A) will not fail to be an HDHP merely because the health plan provides medical care services and items purchased related to testing for and treatment of COVID-19 prior to the satisfaction of the applicable minimum deductible." Importantly, the IRS guidance allows testing *and* treatment to be covered pre-deductible. Because of cost considerations, not all employers may want to provide such broad coverage; but employers now have additional options to consider.

Telehealth services

In addition to covering COVID-19 testing and treatment pre-deductible, some insurers are also waiving copays for telehealth services before the plan's deductible is satisfied. Although the IRS guidance does not specifically address telehealth services, it appears that telehealth services related to COVID-19 with no employee cost-sharing pre-deductible would also be allowed. However, at least one insurer has said it will waive copays for *all* telehealth services. This broad expansion appears to go well beyond the scope of the IRS guidance, which is clearly limited to services and treatment related to COVID-19.

In closing

This IRS guidance is welcome news for employers who want to address the health care needs of their employees during this COVID-19 crisis.

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