



IRS Announces: HDHPs Can Cover COVID-19 Costs Without HSA Disruption

Amidst the flurry of employer activity in response to growing concern over the spread of COVID-19, the IRS has announced in [Notice 2020-15](#) that HDHPs can allow coverage for services related to COVID-19 treatment and testing, before the individual has satisfied their deductible, without disrupting the underlying HSA compatibility of these plans. Recall that to maintain HSA eligibility, HDHPs generally cannot cover individuals' incurred costs until the plan deductibles are satisfied, with the exception of services classified as preventive care. A plan that provides first dollar coverage to enrolled participants would generally not permit enrollees to open or contribute to an HSA at any point in the calendar year for which they had the first dollar coverage.

The IRS states:

Due to the unprecedented public health emergency posed by COVID-19, and the need to eliminate potential administrative and financial barriers to testing for and treatment of COVID-19, 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.

The carriers themselves will need to authorize/implement this change at the plan level before it becomes effective for employees enrolled in HDHPs. All carriers are expected to adopt this change, but employees needing confirmation of their plan's payments for related services should call the carriers directly.

Employer Action:

If you offer a HDHP, check with the carrier to ensure that they allow first dollar coverage for services related to COVID-19. In addition, carriers have communicated that COVID-19 related services will also need to be authorized by a physician in order to be covered by the plan.



COMPLIANCE

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