

Benefits Insights

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COVID-19's Impact on Health Savings Accounts

The coronavirus (COVID-19) pandemic has had far-reaching effects on all aspects of business and society—including health savings accounts (HSAs). The federal government has enacted legislation designed to provide relief during the COVID-19 pandemic, and these laws have created changes to HSAs.

This article provides a brief overview of changes to HSAs due to the COVID-19 pandemic. Please note that this article should be used for informational purposes only, and any details regarding your specific plan should be directed to your plan sponsor for further information.

Services Covered Before Deductible Is Met

On March 11, 2020, the IRS issued [Notice 2020-15](#) to allow high deductible health plans (HDHPs) to pay for COVID-19 testing and treatment before plan deductibles have been met, without jeopardizing their status. 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.

In addition, effective March 18, 2020, the [Families First Coronavirus Response Act](#) (FFCRA) requires group health plans and health insurance issuers to cover COVID-19 testing without imposing any cost sharing (such as deductibles, copayments or coinsurance), prior authorization or other medical management requirements.

Finally, effective March 27, 2020, the [Coronavirus Aid, Relief and Economic Security Act](#) (CARES Act) allows HDHPs to provide benefits for telehealth or other remote care services before plan deductibles have been met, for plan years beginning before Jan. 1, 2022.

Expanded List of Qualifying Medical Expenses

In addition to allowing HDHPs to provide telehealth services or other remote care services before plan deductibles have been met, the CARES Act repealed the Medicine Cabinet Tax provision of the Affordable Care Act, expanding the list of qualifying expenses that can be purchased with HSAs or other tax-advantaged accounts.

The CARES Act provides that, effective Jan. 1, 2020, over-the-counter medicines and drugs are qualified medical expenses that may be paid for by an HSA on a tax-free basis, regardless of whether the medicine or drug is prescribed. In addition, effective Jan. 1, 2020, menstrual care products are qualifying medical expenses that may be paid for on a tax-free basis by an HSA.

Action Steps for Employers

Employers with HDHPs and HSAs should consult with their plan's issuer or benefits administrator regarding their plan's benefits for COVID-19 testing and treatment.

For more information, contact INSPRO today.

