

Education Insurance Benefits

Benefits Client Alert



High-Deductible Health Plans Can Cover COVID-19 Costs

By David McKinney and Scott Kiplinger
March 26, 2020

The IRS [recently announced](#) that a high-deductible health plan (“HDHP”) may continue to be paired with a Health Savings Account (“HSA”) if the HDHP provides medical care services and items purchased to diagnose or treat COVID-19 before the HDHP’s deductible is met.

Section 223(a) of the tax code lets an eligible individual deduct contributions to an HSA. The HSA account’s income is tax-deferred.

A distribution from the HSA is tax-free if it is used for eligible medical expenses. One requirement to qualify for an HSA is that the individual must be covered by an HDHP and not have any disqualifying health coverage. An HDHP is a health plan that satisfies certain requirements, such as minimum deductibles and maximum out-of-pocket expenses.

The recent guidance indicates that an HDHP may pay for COVID-19 testing and treatment before a deductible and cost sharing without losing its HDHP status. Furthermore, the HDHP’s participants will not cease to be “eligible individuals” qualifying for an HSA if the HDHP makes those payments.

The IRS did not, however, indicate that an HDHP is required to provide those services. If an HDHP wants to pay COVID-19 expenses before its deductible is satisfied, the plan document should be amended and the participants should be notified of the Plan changes. Previous guidance regarding the requirements to be an HDHP remains in effect.

The COVID-19 pandemic has prompted a wave of legislation and regulatory guidance at both the federal and state level. Employers have been particularly affected as they attempt to comply with laws concerning sick leave, unemployment and healthcare benefits, and disability discrimination. In order to address those issues, GableGotwals is hosting a webinar on **Friday, March 27, 2020 at 11 am CST**. Attendees can register [here](#).



David B. McKinney
918-595-4860

dmckinney@gablelaw.com



Scott Kiplinger
405-568-3317

skiplinger@gablelaw.com

This alert is provided for information purposes. It does not contain legal advice or create an attorney-client relationship and is not intended or written to be used and may not be used by any person for the purpose of avoiding penalties that may be imposed under federal or state tax laws.