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IRS Loosens HSA Rules for Coronavirus

Employee Benefits & Executive Compensation Blog on **March 11, 2020**

On March 11, 2020, the IRS issued Notice 2020-15, to address an important coronavirus issue for high-deductible health plans that are coordinated with health savings accounts ("HSAs"). The guidance paves the way for health plans to waive or reduce deductibles for any "medical care services and items purchased relating to testing for and treatment of COVID-19," without affecting eligibility to make HSA contributions.

In general, employees may make and receive contributions to HSAs only if they are enrolled in a "high deductible" health plan. With limited exceptions, covering medical expenses before the minimum deductible is reached would make employees ineligible to make or receive HSA contributions, and would subject employees who have made HSA contributions to an excise tax. The HSA rules generally have an exception for "preventive" care, but not for services and items purchased to treat a disease.

The new guidance expands the scope of the "preventive" care exception, but is limited to testing and treatment of COVID-19. Treatments for other conditions and diseases remain subject to the minimum deductible rules.

Proskauer's cross-disciplinary, cross-jurisdictional Coronavirus Response Team is focused on supporting and addressing client concerns. Visit our Coronavirus Resource Center for guidance on risk management measures, practical steps businesses can take and resources to help manage ongoing operations.

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