Coronavirus and HSA Eligibility

With growing concern about the spread of novel Coronavirus (COVID-19) in the United States, carriers and states are working to ensure American's have access to appropriate healthcare in the event they become ill.

FFCRA requires all employer group health plans to cover certain services related to the diagnosis of COVID-19 with no cost-sharing to the participant.

Some carriers are also taking proactive steps and waiving copays and coinsurance for all telehealth services, not just those related to COVID-19.

Furthermore, several states have ordered insurance companies not to charge plan members with cost shares (copays, deductibles, coinsurance) for treatment of COVID-19. Some states are also allowing for early prescription refills or 90-day refills for certain medications, to limit social interaction. Many self-funded plans have implemented similar guidelines. Check with the specific carrier or plan to determine whether any or all of these provisions apply.

The waiver of copays and the offering of telemedicine visits at no charge originally raised questions for employers who sponsored high deductible health plans (HDHPs) with accompanying health savings accounts, or HSAs.

An HSA is a tax-favored IRA-type trust or custodial account that is set up with a qualified trustee (a bank, credit union or insurance company) and is used to pay for qualified medical expenses. First available in 2004, they have become an exceedingly popular choice as employers design their benefit programs. HSAs are coupled with HDHPs and are the cornerstone of consumer-driven healthcare.

Only eligible individuals can establish an HSA. There are four requirements that an individual must meet:

- You must be covered under an HDHP on the first day of the month
- You cannot have disqualifying health coverage
- You cannot be enrolled in Medicare
- You cannot be claimed as a dependent on someone else's tax return for the year

Generally, being covered by an HDHP requires that a covered individual or family meet a specified minimum deductible before the HDHP begins providing benefits. However, an exception exists to this rule with respect to "preventive care." This exception provides that an HDHP may provide preventive care benefits without regard to whether the minimum deductible has been met (i.e., "first dollar" coverage), or according to a different, lower minimum. Thus, an HDHP providing certain preventive care benefits before the minimum annual HDHP deductible has been met will still be considered an HDHP for purposes of establishing an HSA. Significant medical care that is not preventive and is provided prior to the HDHP deductible being met would be considered "disqualifying health coverage" and make an individual ineligible for an HSA.

When COVID-19 was first developing, there were questions as to whether or not the services being offered in relation to coronavirus at no cost to the participant would constitute disqualifying coverage for an HSA participant. However, the IRS has issued formal guidance permitting HDHP plans to provide all medical care services received and items purchased associated with testing for and treatment of COVID-19 that are provided by a health plan without a deductible, or with a deductible below the minimum annual deductible otherwise required under the regulations, to be disregarded for purposes of determining the status of the plan as an HDHP. In short, HDHP plan participants will maintain HSA eligibility even if testing or treatment for coronavirus is provided before their deductible is met.

About the Author.

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