

INSIGHTS

Tax Relief under High Deductible Health Plans for COVID-19 Testing and Treatment

March 17, 2020

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Due to the rapid spread of COVID-19, the Internal Revenue Service has issued Notice 2020-15 (the “Notice”) to provide relief for high deductible health plans (“HDHPs”) with respect to providing health benefits associated with testing for and treatment of COVID-19 either without a deductible or with a deductible below that otherwise required by applicable tax laws with respect to HDHPs.

Under Section 223 of the Internal Revenue Code of 1986, as amended (the “Code”), employees can make tax-deductible contributions to a health savings account (“HSA”) if they participate in an HDHP that meets the requirements of the Code. HSAs permit employees to set aside amounts on a tax-deductible basis to pay for “qualified medical expenses” under an HDHP. Among the requirements for such favorable tax treatment is that certain annual minimum deductibles and out-of-pocket maximums under the HDHP must be met.

The Notice is intended to help remove impediments for individuals to seek testing and treatment for COVID-19. Under the Notice, an HDHP (and by extension, associated HSAs) will not lose tax-favored status if the HDHP waives or reduces deductibles below the minimum amounts otherwise required by Section 223 of the Code with respect to medical care services and items purchased associated with testing for and treatment of COVID-19. The Notice also reiterates that vaccinations (should one become available for COVID-19) will continue to be considered preventative care for purposes of HDHPs. Preventative care is not subject to the annual minimum deductible requirements of Section 223 of the Code.

Employers wishing to take advantage of the relief provided by the Notice should consult with their HDHP insurers and third-party administrators on implementation of deductible reductions/waivers and identification of medical care services rendered and items purchased that may qualify for this relief.