



e-Alert: COVID-19

04.06.20

Considerations for Tax-Advantaged Accounts in Response to COVID-19

Background

Each day we are faced with a new piece of information regarding COVID-19 while it continues to impact businesses of all sizes and their employee benefit plans in ways we never would have imaged.

Summary

Below is a list of considerations for tax-advantaged accounts in response to COVID-19:

Health Care Flexible Spending Account (Health FSA)

- **Over the Counter Drugs and Medicines:** OTC drugs and medicines, including menstrual

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care products are now FSA-eligible, effective January 1, 2020.

- **Plan Design Changes:** Employers have flexibility to increase or allowed a grace period, to allow employees with a Health FSA who have terminated to spend their accounts or allow a carryover to employees to use their leftover funds the follow plan year. There is a possibility that employers can extend the runout period, providing employees extra time to submit claims to avoid losing year-end FSA balances.
- **Election Changes are Allowed:** Changes in election to an employee's Health FSA can be made in the event of a change in the employee's status, for example, a furlough or a reduction in hours, given that the election change is consistent with the change in status.

Dependent Care Flexible Spending Account (Dependent Care FSA)

- **Election Changes are Allowed:** Changes in election to an employee's Dependent Care FSA can be made at any time when the employee's dependent care needs have altered (including mid-year elections for eligible employees). Some employees may want to decrease or stop their Dependent Care FSA due to their childcare provider being closed. Other employees may request that to increase their contributions to cover unexpected dependent care costs incurred due a possible school closure.

Health Care Savings Account (HSA)

- **Deadline for 2019 HSA Contributions:** The deadline that individuals have to make 2019 HSA Contributions by has been extended from April 15, 2020 to July 15, 2020.
- **Coverage for COVID-19 Testing:** The IRS announced that all participants of HDHPs;
 - all medical care services receive, and items purchased associated with testing for, as well as treatment of, COVID-19 will not deter the status of the plan as an HDHP.
 - Individuals covered by an HDHP will continue to be eligible to make tax-advantage contributions to their HSA.
 - group health plans that are fully insured and self-insured are requested to waive member cost sharing, which includes copays, coinsurance and deductibles for COVID-19 diagnostic testing provided at approved locations following the CDC guidelines. Meaning, HSA funds are not required for COVID-19 diagnostic testing provided at approved locations following the CDC guidelines.
- **Over-the-Counter Drugs and Medicine:** OTC drugs and medicines, including menstrual care products are now HSA-eligible, effective January 1, 2020.

Health Care Reimbursement Account (HRA)

- **Over-the-Counter Drugs and Medicine:** OTC drugs and medicine, including menstrual products; are now HRA-eligible, effective January 1, 2020.

Employer Next Steps

- If you have any questions or need assistance with implementing changes to your tax-advantaged accounts, please contact our benefits team at benefitsupport@hrknowledge.com.

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