



# COMPLIANCE ALERT

## CONSIDERATIONS FOR TAX-ADVANTAGED ACCOUNTS IN RESPONSE TO COVID-19

written by, Suzanne D'Amato, Esq

The evolving COVID-19 pandemic continues to impact businesses and their employee benefit plans in unexpected ways. Here, we outline recent changes to tax-advantaged accounts like FSAs, HSAs, and HRAs, as well as areas where employers have some flexibility to respond to the current emergency.

### HEALTHCARE FLEXIBLE SPENDING ACCOUNT (HEALTH FSA)

#### *Over-the-Counter Drugs and Medicines*

OTC drugs and medicines, including menstrual care products, are now FSA-eligible, effective January 1, 2020.

#### *Plan Design Changes*

Employers have flexibility to increase or implement a grace period, to allow employees with a Health FSA who have terminated to spend down their accounts, or to increase or implement a carryover, to allow employees to use their leftover funds in the next plan year. Employers may also be able to extend the runout period, giving employees extra time to submit claims to avoid forfeiting year-end FSA balances.

#### *Election Changes are Allowed*

Election changes to an employee's Health FSA can be made in the event of a change in employment status such as a furlough or a reduction of hours, provided that the election change is consistent with the change in status.

### DEPENDENT CARE FLEXIBLE SPENDING ACCOUNT (DEPENDENT CARE FSA)

#### *Election Changes are Allowed*

Election changes to an employee's Dependent Care FSA can be made anytime the employee's dependent care needs have changed (including mid-year elections for eligible employees). Some employees may wish to decrease or stop their Dependent Care FSA contributions because their childcare provider has closed. Other employees may wish to increase their contributions

to cover unexpected dependent care costs incurred as a result of school closures.

### HEALTHCARE SAVINGS ACCOUNT (HSA)

#### *Deadline for 2019 HSA Contributions*

The amount of time that individuals have to make 2019 HSA contributions has been extended from April 15, 2020 to July 15, 2020.

#### *Coverage for COVID-19 Testing*

The IRS announced that for participants in HDHPs, all medical care services received and items purchased associated with testing for, and treatment of, COVID-19 will not impact the status of the plan as an HDHP.

Individuals covered by an HDHP will remain eligible to make tax-advantaged contributions to their HSA.

All fully insured and self-insured group health plans are requested to waive member cost sharing, including copays, coinsurance and deductibles for COVID-19 diagnostic testing provided at approved locations in accordance with CDC guidelines. This means that HSA funds are not required for COVID-19 diagnostic testing provided at approved locations in accordance with CDC guidelines.

#### *Over-the-Counter Drugs and Medicines*

OTC drugs and medicines, including menstrual care products, are now HSA-eligible, effective January 1, 2020.

### HEALTH REIMBURSEMENT ACCOUNT (HRA)

#### *Over-the-Counter Drugs and Medicines*

OTC drugs and medicines, including menstrual care products, are now HRA-eligible, effective January 1, 2020.

Please contact your Hilb Group Benefit Advisor with questions, or for assistance with implementing changes to your tax-advantaged accounts.