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EMPLOYEE BENEFIT ALERT

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Congress Temporarily Reinstates Telemedicine/HSA Eligibility Relief

INTRODUCTION

The recently signed Consolidated Appropriations Act, 2022 (Act) includes another twist on telemedicine (sometimes referred to as telehealth) coverage and eligibility for a health savings account (HSA). The Act provides that telemedicine coverage will again be temporarily disregarded for purposes of HSA eligibility from April 1, 2022 through December 31, 2022.

WHAT DOES THIS ON-AGAIN, OFF AGAIN, TREATMENT OF TELEMEDICINE MEAN?

First, it confirms that, but for temporary relief provided by Congress, the typical telemedicine service that provides coverage with no cost sharing before the minimum high deductible health plan (HDHP) deductible is satisfied, would disqualify an individual from establishing or contributing to an HSA. The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided relief for telemedicine, but that relief expired for plan years beginning after December 31, 2021. This new Act provides additional (but temporary) relief from April 1, 2022, through December 31, 2022.

HOW WILL THIS AFFECT PARTICIPANTS WHO ARE OTHERWISE HSA ELIGIBLE, BUT ALSO HAVE DISQUALIFYING TELEMEDICINE COVERAGE?

For calendar year plans (i.e., plans beginning on January 1, 2022), participants with telemedicine coverage that has no, or low, cost-sharing will still be HSA ineligible from January through March of 2022. However, these participants will be HSA eligible from April through

December of 2022. This means that a participant who is otherwise HSA eligible for all of 2022 can make a maximum HSA contribution of 9/12ths of their normal HSA annual contribution.

For a non-calendar year plan that began before December 31, 2021, the prior relief will apply to the end of that plan year in 2022, and the new telemedicine/HSA relief will apply for the new plan year beginning this year, but only through December 31, 2022. For example, if a plan began on July 1, 2021, the CARES act telemedicine relief would have expired on June 30, 2022. Now, this relief will apply for the plan year that begins on July 1, 2022, but only through December 31, 2022.

CONCLUSION

This temporary relief will no longer be available beginning January 1, 2023, regardless of the plan year. It remains to be seen what happens with the interaction of telemedicine and HSA-eligibility and how carriers will address the short-term relief this year. Employers who offer HSA qualified plans where telemedicine coverage is less than the fair market value will need to monitor developments later in 2022 to determine if plan changes need to be made in 2023 to maintain employee HSA eligibility. Stay tuned!

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