

POP INSIGHTS

Your Source for Information on IRS Section 125 Premium Only Plans



In This Issue

- IRS Expands List of Defined Preventive Care for HSA Participants
- IRS Announces Increased 2020 HSA Index Figures
- Frequently Asked Questions

IRS Expands List of Defined Preventive Care for HSA Participants

On July 18, 2019, Internal Revenue Service (IRS) Notice 2019-45 added a range of preventive care benefits for chronic conditions that may be provided by an HSA-qualified high deductible health plan (HDHP) before the statutory minimum deductible is met. These additional services and items are treated as preventive only when prescribed to treat an individual diagnosed with the specified chronic condition, and only when prescribed for the purpose of preventing the exacerbation of the chronic condition or the development of a secondary condition.



Background

IRS Code Section 223 permits eligible individuals to establish and contribute to Health Savings Accounts (HSAs). Among the requirements to qualify as an eligible individual for an HSA is that the individual be covered under an HDHP and have no other disqualifying health coverage. An HDHP is a health plan that satisfies certain requirements with respect to minimum deductibles and maximum out-of-pocket expenses.

Generally, an HDHP may not provide benefits for any year until the minimum deductible for that year is satisfied. However, there is a safe harbor for preventive care that allows certain preventative care procedures and items to be paid prior to meeting the statutory minimum deductible amount for any calendar year.

Previous guidance provided in Notice 2004-23 and Q&As 26 and 27 of Notice 2004-50 gives direction on preventive care benefits allowed to be provided by an HDHP without regard to the minimum deductible requirements. Notice 2018-12 further clarified that benefits for male sterilization or male contraceptives are not considered preventive care.

Preventive Care and Chronic Conditions

On June 24, 2019 President Trump issued Executive Order 13877. Among other issues, the order included a mandate to issue guidance to expand the availability of coverage under HDHPs for low-cost preventive care, paid before the deductible is met, to help maintain the health status for individuals with chronic conditions.

In prior guidance the Treasury Department and the IRS stated that preventive care generally does not include any service or benefit intended to treat an existing illness, injury, or condition. However, cost barriers for some individuals with certain chronic conditions exist for those who cannot afford necessary care to prevent exacerbation of the chronic condition.

The Treasury Department and the IRS, in consultation with the Department of Health and Human Services, have determined that certain medical care services and products, including prescription drugs, should be classified as preventive care for those with certain chronic conditions.

As documented in the Notice, each medical service or item, when prescribed for an individual with the related chronic condition, evidences the following characteristics:

- The service or item is low-cost;
- There is medical evidence supporting high cost efficiency (a large expected impact) of preventing exacerbation of the chronic condition or the development of a secondary condition; and
- There is a strong likelihood, documented by clinical evidence, that with respect to the class of individuals prescribed the item or service, the specific service or use of the item will prevent the exacerbation of the chronic condition or the development of a secondary condition that requires significantly higher cost treatments

Medical services and items that can be covered by the health plan before the deductible is satisfied are limited to the specific medical care services or items listed the chart below. These specified services and items are treated as preventive care only when prescribed to treat an individual diagnosed with the associated chronic condition and only when prescribed for the purpose of preventing the exacerbation of the chronic condition.

In other words, first confirm the diagnosis in the right-hand column and then ensure that the prescription or item purchased is specified in the left-hand column. For instance, a diagnosis of hypertension would not warrant an ACE inhibitor to be covered before the deductible is met, although a doctor may prescribe it for hypertension.

Preventive Care for Specified Conditions	For Individuals Diagnosed with
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteropenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer	Diabetes
Hemoglobin A1c testing	Diabetes
International Normalized Ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density Lipoprotein (LDL) testing	Heart disease
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

This is a significant step forward for the industry and those with chronic conditions.

Check with your insurance carrier to determine what your policy pays prior to reaching the deductible.

IRS Announces Increased 2020 HSA Index Figures

The IRS released the Health Savings Account (HSA) index figures for 2020. The 2020 index includes increases to most HSA amounts compared to 2019.

The IRS provides this release to help plan sponsors and participants budget for the upcoming year. See the table below for details and the IRS Revenue Procedure publication (RP-2018-30) for the text of the 2019 index figures.

2020 Health Savings Account Index Figures

	2019	2020
Minimum deductible amounts for the qualifying high-deductible health plan (HDHP)		
Individual coverage	\$1,350	\$1,400
Family coverage	\$2,700	\$2,800
Maximum contribution levels		
Individual coverage	\$3,500	\$3,550
Family coverage	\$7,000	\$7,100
Catch-up contribution allowed for those 55 and over	\$1,000	\$1,000
Maximums for HDHP out-of-pocket expenses		
Individual coverage	\$6,750	\$6,900
Family coverage	\$13,500	\$13,800

[Click here](#) for a chart containing historical HSA index figures dating back to 2004.

Frequently Asked Questions

Who can participate in a POP?

Who is excluded from participating in a POP? The Section 125 Plan regulations require all participants in the Plan to be employees of the employer. However, there are individuals who are excluded from participating. "Employee" means any person who is employed by the Employer, but for all portions of the Plan other than provisions relating to the Health Savings Account Program, generally excludes any person who is employed as an independent contractor or any person who is considered self-employed under Code Section 401(c), as well as a greater than two percent (2%) shareholder in a Subchapter S corporation, a partner in a partnership or an owner or member of a limited liability company that elects partnership status on its tax return. The term Employee shall include leased employees within the meaning of Code Section 414(n)(2). Please see Tab 2, page 3 of 18, in your POP-Kit for more information.

Attribution Rules

How does the "rule of attribution" affect participation in a POP? IRS Code Section 318 family attribution rules will still apply in determining who is a key employee. For purposes of determining ownership, stock owned by an employee's spouse, children, grandchildren, or parents is treated as owned by the employee. Please refer to the "Rule of Attribution" in Tab 5, page 5 of 14, in your WageWorks POP-Kit for more information. Q4 If I have a Premium Only cafeteria plan, am I required

Be on the lookout for your EZPOP Renewal Notification

New Enrollment links on www.EZPOP.com make Compliance fast and easy

Remember to keep POP up-to-date with your payroll company in order to benefit from pre-tax premiums

In order to maintain the maximum tax savings for both you and your employees, make certain your payroll department keeps the employee records updated to ensure premiums paid by employees are on a pre-tax basis.