COMPLIANCE **ALERT**

Telehealth Relief for HDHPs Ending January 1, 2025

December 10, 2024

Action Required:

Ensure that the required changes to the telehealth coverage are being made.

For plan years beginning on or after January 1, 2025, high deductible health plans (HDHPs) will no longer be allowed to provide first-dollar (that is, without application of the deductible) telehealth coverage while still maintaining their status as a qualified HDHP. While prior temporary regulatory relief permitted employers and plan sponsors to provide telehealth coverage without cost sharing on an HDHP, that relief is due to expire at the end of this year. Without an extension of this relief, individuals who are covered by an HDHP with no cost sharing for telehealth services will not be eligible to contribute to a health savings account (HSA) in 2025.

How did the Law Change?

As background, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March of 2020 during the COVID-19 pandemic, part of which provided for HDHPs to cover telehealth services without cost sharing for plan participants (and while still retaining the plan's status as a qualified HDHP).

The CARES Act allowed this first-dollar telehealth coverage relief through the end of 2021, which was then renewed in April of 2022 through the Consolidated Appropriations Act of 2022, and then was extended again by the Consolidated Appropriations Act of 2023 through December 31, 2024. This latest extension, set to expire at the end of this year, has not been renewed or extended, and while it is possible that Congress, as they have in the past, can extend this relief after it has expired, there is no indication that they will do so.

If Congress Doesn't Extend the Relief, How Can HDHPs with Telehealth Remain in Compliance?

With this temporary relief coming to an end, HDHPs will no longer be able to provide first dollar coverage for telehealth. HDHPs that continue to provide first dollar coverage for telehealth will lose their qualified (tax-favored) status as an HDHP and will not be HSA compatible (that is, participants will lose their eligibility to contribute to the HSA).

To maintain HSA compatibility and continue to be a qualified HDHP, the plan must charge at least the fair market value ("FMV") for the telehealth services. While the FMV can be a discounted rate, the discounted rate must still reflect the FMV for the discounted rate (in other words, the discount cannot be excessive if significant medical benefits are being provided).

When Will the Telehealth Relief End?

While there are bills currently pending in an attempt to extend this relief, it is unlikely that this relief will be extended before its expiration on December 31, 2024. Accordingly, for calendar-year plans, the expiration of the HDHP telehealth relief will end on December 31, 2024, while non-calendar year plans have until the end of their 2024 plan-year (ending in 2025) to make the changes necessary to maintain qualified status (e.g., for a plan year commencing April 1, 2025, the telehealth relief will extend through March 31, 2024).

What Should Employers and Plan Sponsors Do Next?

Since maintaining first-dollar telehealth coverage for HDHP participants on calendar year plans after December 31, 2024, will result in the loss of those participants' HSA eligibility, employers and plan sponsors of such plans should ensure that the required changes to the telehealth coverage have already been made, and to the extent that they haven't, should act immediately to make the required changes. While non-calendar year plans have more time to address the required changes, it is still a good idea to begin addressing the changes as soon as possible in order to provide adequate time to communicate them to plan participants.

If you have any additional questions, call your Corporate Synergies Account Manager or 866.CSG.1719.