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IRS Outlines Changes to Health-Care Spending Rules Under CARES Act

The amended rules under the Coronavirus Aid, Relief, and Economic Security (CARES) Act provide flexibility for health-care spending related to the ongoing COVID-19 pandemic.¹

High-deductible health plans cover telehealth services

Under the CARES Act, a high-deductible health plan (HDHP) can temporarily cover telehealth and other remote care services without a deductible, or with a deductible below the minimum annual deductible otherwise required by law.

Telehealth and other remote care services also are temporarily included as categories of coverage that are disregarded for the purpose of determining whether an individual who has other health plan coverage in addition to an HDHP is eligible individual to make tax-favored contributions to his or her health savings account (HSA). Thus, an otherwise eligible individual with HDHP coverage may still contribute to an HSA despite receiving coverage for telehealth and other remote care services before satisfying the HDHP deductible, or despite receiving coverage for these services outside the HDHP. These changes are effective for services provided on or after January 1, 2020 through December 31, 2021.

Additions to qualified medical expenses

The CARES Act also modifies the rules for "qualified medical expenses" that are reimbursable from tax-advantaged health savings accounts (HSAs), Archer Medical Spending Accounts (MSAs), health flexible spending accounts (FSAs), and Health Reimbursement Arrangements (HRAs). Specifically, the cost of menstrual care products is now reimbursable. These products are defined as tampons, pads, liners, cups, sponges and/or other similar products. In addition, over-the-counter products and medications are now reimbursable without a prescription. The new rules apply to amounts paid after Dec. 31, 2019. Taxpayers should save receipts of these purchases for their records and so that they are able to submit claims for reimbursement.

1) [IR-2020-122](#), June 17, 2020

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The IRS provided COVID-19 guidance for health Flexible Spending Arrangements and section 125 cafeteria plans related to high-deductible health plans through [Notice 2020-29](#).