

Health Savings Account (HSA) Eligible/Ineligible Expenses

Funds you withdraw from your HSA or FSA are tax-free when used to pay for qualified medical expenses as described in Section 213(d) of the Internal Revenue Service Tax Code. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. A list of these expenses is available on the IRS Web site, www.irs.gov in **IRS Publication 502**, "Medical and Dental Expenses."

Any funds you withdraw for non-qualified medical expenses will be taxed at your income tax rate plus 20% tax penalty if you're under 65.

The following list provides examples of eligible and ineligible medical expenses. This list is not all-inclusive. Remember, the IRS may modify its list of eligible expenses from time to time. As always, consult your tax advisor should you require specific tax advice.

Examples of ELIGIBLE medical expenses under an HSA:

- Acupuncture
- Alcoholism treatment
- Ambulance services
- Artificial limb or prosthesis
- Artificial teeth
- Birth control treatments
- Braille books/magazines (portion of the cost)
- Breast reconstruction surgery (mastectomy-related)
- Car adaptations)for a person with a disability)
- Chiropractor
- Contact lenses and solutions
- Cosmetic surgery (if due to trauma or disease)
- Dental treatment (X-rays, fillings, braces, extractions, etc.)
- Diagnostic devices (such as blood sugar test kits for diabetics, blood pressure monitors, cholesterol testing)
- Doctor's office (including physicians, surgeons, specialists or other medical practitioners) visits and procedures
- Drug addiction treatment
- Drugs or Medicines, with a prescription
- Ear Care (unmediated ear drops, syringes, and ear wax removal)
- Eye exams and Eyeglasses (for medical reasons)
- Eye surgery (including laser eye surgery or radial keratotomy)
- Family Planning (pregnancy kits, ovulation kits)
- Fertility enhancements (including IVF)
- Hearing aids (and batteries for use)
- Hospital services
- Insurance related items (such as deductible, copay, coinsurance)
- Insurance premiums (for HSA only see footnote)²
- Laboratory fees
- Lamaze instruction

- Lactation assistance supplies (breast pump, pump parts, milk storage bags or bottles, car adapter)
- Long-term care (for medical expenses and premiums)
- Mid-Wife expenses
- Nursing home
- Nursing services
- Operations/surgery (excluding unnecessary cosmetic surgery)
- Osteopath
- Over-the-Counter Drugs or Medicines, with a prescription¹
- Physical Therapy
- Prenatal vitamins
- Psychiatric care
- Psychologist
- Special education (for learning disabilities)
- Speech Therapy
- Stop-smoking programs (including nicotine gum or patches)
- Sunscreen and Sunblock products that can be clearly identified as SPF 15 or higher and that provide protection against both ultraviolet B radiation (UVB) and ultraviolet A radiation (UVA)
- Telephone equipment for hearing or visually-impaired
- Therapy or counseling
- Transplants
- Transportation for medical care
- Vasectomy
- Weight-loss program (to treat a specific disease diagnosed by a physician)
- Wheelchair
- Wound or Injury Care (*sterile* cotton balls, gauze, elastic bandages, hot/cold therapy, orthopedic supports, band aids, gauze tape, callus treatments, etc. (items labeled for "Athletics" or "Sport" are not included))

Examples of other expenses that DO NOT QUALIFY for reimbursement through an HSA:

- Advance payment for future medical care
- Amounts reimbursed from any other source (such as other health coverage or a Flexible Spending Account)
- Babysitting, child care and nursing services for a normal, healthy baby
- Betting (including lottery, gaming, chips, or track wagers)
- Cosmetic surgery (unless due to trauma or disease)
- Diaper service
- Electrolysis or hair removal
- Funeral expenses
- Gasoline
- Health club dues
- Household help
- Illegal operations and treatments
- Maternity clothes
- Meals

- Nutritional supplements, except for arthritis treatment (Osteo-Bi-Flex, Cosamin D, etc)
- Over-the-counter drugs and medicines (without a doctor's prescription)¹
- Personal use items (such as toothbrush, toothpaste)
- Swimming lessons
- Teeth whitening
- Vitamins
- Weight loss program (unless prescribed to treat a specific disease)

¹Changes to over-the-counter medical expenses in 2011:

As of January 1, 2011, expenses for over-the-counter (OTC) drugs are no longer eligible for payment or reimbursement from an HSA without a doctor's prescription. A few examples of OTC medicines that will require a doctor's prescription for payment or reimbursement from an HSA are:

- Acid controllers (examples: Pepcid, Zantac, Prilosec)
- Allergy and sinus medications (examples: Sudafed, Bendryl, Claritin)
- Antibiotic Products (examples: Bacitracin, Neosporin)
- Cold, cough, and flu medications (examples: Robitussin, Theraflu, NyQuil, Zicam)
- Pain relief medications (examples: Tylenol, Advil, Preparation H, Monistat, Ex-Lax, Anbesol, Midol, Maalox, Gas-X)
- Sleep aids and sedatives (examples: Sominex, Unisom)
- Wound cleaners (examples: peroxide, Betadine)

²A special note on insurance premiums for *HSA holders* only:

Insurance premiums are generally not considered qualified medical expenses. However, the following types of insurance premiums typically do qualify:

- Continuation coverage under federal law (i.e., COBRA)
- Qualified long-term care insurance contract
- Any health plan maintained while an individual is receiving unemployment compensation under federal or state law
- For accountholders age 65 and over (i.e., those eligible for Medicare), premiums for any health insurance (including Medicare and Medicare Part D premiums) other than a Medicare supplemental policy

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Sources: <https://www.sig-is.org> and <https://www.irs.gov>