

# Qualified Medical Expenses & Your HSA

Paying for qualified medical expenses such as doctor's visits and prescription medication is simple and tax-free with your HSA. The money you contribute to your HSA is tax-deductible and can be used to pay for qualified medical expenses not only for yourself, but also for your spouse and tax dependents.

Once you put money in your HSA, you can use it to pay for qualified medical expenses now, or save and grow your balance to use later in life or in retirement – tax-free. Remember to contribute up to the maximum annual amount allowed by the IRS to maximize your tax savings. The maximum allowed for 2023 is \$3,850 for single coverage and \$7,300 for family coverage.

## What Expenses Qualify for Tax-free Reimbursement from My HSA?

To help you determine whether an expense qualifies for tax-free reimbursement under your HSA, Internal Revenue Code 213(d) states that eligible expenses must be made for "medical care". This is defined as amounts paid for the "diagnosis, cure, mitigation, treatment or prevention of disease, or for the purpose of affecting any structure or function of the body".

Qualified medical expenses are eligible for reimbursement through your HSA as long as they are not reimbursed through insurance or other sources. The examples and requirements stated in this flyer are subject to change by IRS.

## Examples of Qualified Medical Expenses

### Common medical expenses:

- ✓ Doctor fees (performed in office or in hospital)
- ✓ Chiropractic services
- ✓ X-rays
- ✓ Laboratory fees
- ✓ Surgery
- ✓ Anesthesia
- ✓ Hospital services
- ✓ Therapy (PT, OT, speech, cardiac)
- ✓ Ambulance services
- ✓ Durable medical equipment (i.e. crutches, wheelchair, prosthesis)
- ✓ Supplies (i.e. needles, strips, lancets, glucometers, ostomy)

### Common prescription expenses:

- ✓ Prescription medication
- ✓ Over the counter medicine

### Common vision expenses:

- ✓ Eye Exams
- ✓ Contact lenses
- ✓ Glasses/Prescription Sunglasses
- ✓ Lasik surgery

### Common dental expenses:

- ✓ Oral exams/cleanings/sealants/space maintainers/fluoride
- ✓ Dental x-rays
- ✓ Dental fillings, oral surgery, dentures, bridges, implants
- ✓ Orthodontia

### Other uncommon eligible expenses:

- ✓ Nursing home
- ✓ Nursing services
- ✓ Telephone equipment (for visually-impaired and hearing-impaired)
- ✓ Transportation for medical care
- ✓ Car adaptations (for a person with a disability)
- ✓ Fertility enhancement (in-vitro fertilization)
- ✓ Guide dog (for visually or hearing impaired)
- ✓ Hearing aids and batteries
- ✓ Braille books/magazines (limited)
- ✓ Holistic medicine (acupuncture)
- ✓ Acupuncture
- ✓ PPE (masks, hand sanitizer, etc)

---

<sup>1</sup> Tax references are at the federal level. State taxes may vary. Please consult a tax advisor.

<sup>1</sup> These are the IRS contribution limits for 2023

## \*Changes to Over-the-Counter Medical Expenses in 2020

Effective January 1, 2020, expenses for over-the-counter (OTC) drugs will be eligible for payment or reimbursement from an HSA without a doctor's prescription. This change is a result of new healthcare reform legislation. A few examples of OTC medicines that will not require a doctor's prescription for payment for reimbursement from an HSA are:

- ✓ Acid controllers
- ✓ Allergy and sinus medications
- ✓ Pain relief medications
- ✓ Sleep aids and sedatives
- ✓ Menstrual products

## Examples of Expenses that DO NOT Qualify for Reimbursement through a HSA

- ✓ Babysitting, childcare, and nursing services for a normal, healthy baby
- ✓ Controlled substances obtained in violation of federal law
- ✓ Cosmetic surgery
- ✓ Dancing lessons
- ✓ Diaper service
- ✓ Electrolysis or hair removal
- ✓ Funeral expenses
- ✓ Hair transplant
- ✓ Health club dues
- ✓ Household help
- ✓ Illegal operations and treatments
- ✓ Maternity clothes
- ✓ Personal use items
- ✓ Swimming lessons
- ✓ Teeth whitening
- ✓ Vacation or travel
- ✓ Veterinary fees
- ✓ Weight loss programs for improvement of appearance, general health, or sense of well-being

## A Special Note on Insurance Premiums

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

## Important Reminders about Qualified Medical Expenses

- ✓ Items that are merely beneficial to an individual's general good health, such as vitamins or dietary supplements, are not qualified medical expenses.
- ✓ Drugs must be purchased legally.
- ✓ Remember to save your receipts for OTC medicines for tax purposes.
- ✓ There may be situations when your doctor recommends a treatment that will be good for your health, but it still may be considered ineligible, such as vacation.
- ✓ As the HSA owner, you are ultimately responsible for determining whether a healthcare expense is eligible for reimbursement from your HSA.
- ✓ Your HSA account administrator does not determine whether claims qualify for tax-free reimbursement.
- ✓ If an HSA expenditure is not used for a qualified medical expense, you will be required to pay income tax and 20 percent penalty on the amount used. (The 20 percent penalty tax does not apply to payments made after your death or disability, or after you reach age 65.)