

## HEALTH SAVINGS ACCOUNT

Funds in your Health Savings Account (HSA) can be withdrawn tax-free to pay for qualified medical expenses\*

\*The following lists give you a general overview of qualified and non-qualified medical expenses. These lists are not all-inclusive, and are subject to change by the IRS, with the most recent change being the inclusion of over-the-counter medications and feminine hygiene products effective January 1, 2020. The IRS defines qualified medical expenses 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 any other source.

**Important:** Any HSA funds used for non-qualified expenses will be taxable. Non-qualified distributions will also be subject to a 20% IRS penalty if you are under the age of 65, unless they are made after death or disability. Consult your tax advisor if you are in doubt about a particular expense.

### Qualified Medical and Over-the-Counter Items

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|--|---|--|
| ✓ Abdominal/Back Supports                            | ✓ Drug Addiction Treatment  | ✓ Nasal strips or sprays   |
| ✓ Abortion (legal)                                   | ✓ Durable Medical Equipment   | ✓ Nicotine gum, lozenges or patches for smoking cessation purposes |
| ✓ Acid Controllers                                   | ✓ Ear Wax Removal Treatments  | ✓ Office Visits  |
| ✓ Acne Medications                                   | ✓ Echocardiogram and EKG  | ✓ Ovulation Monitor  |
| ✓ Acupuncture  | ✓ Digestive Aids  | ✓ Oxygen Equipment   |
| ✓ Allergy & Sinus Medications                        | ✓ Eczema Treatments   | ✓ Pain Relievers   |
| ✓ Alcoholism (inpatient treatment)                   | ✓ Elastic Bandages  | ✓ Patterning Exercises   |
| ✓ Ambulance Services                                 | ✓ Endoscopy   | ✓ PET Scan   |
| ✓ Analgesics   | ✓ Erectile Dysfunction Treatment                                      | ✓ Physical Examination (non-employment related)                    |
| ✓ Anesthesiology                                     | ✓ Expectorants  | ✓ Physical /Occupational Therapy                                   |
| ✓ Antacids   | ✓ Feminine Anti-Fungal Treatments                                     | ✓ Pedialyte/Rehydration solutions                                  |
| ✓ Anti-Diarrheal Medications                         | ✓ Feminine Hygiene Products   | ✓ Pregnancy test kits  |
| ✓ Anti-Gas Products                                  | ✓ Fever Reducing Medications  | ✓ Prescription Drugs   |
| ✓ Anti-Itch and Insect Bite Creams                   | ✓ First Aid Creams  | ✓ Prosthesis   |
| ✓ Antihistamines                                     | ✓ First Aid Kits  | ✓ Respiratory Treatments   |
| ✓ Antibiotic Ointments                               | ✓ Fluoroscopy   | ✓ Rolfing  |
| ✓ Artificial Limbs                                   | ✓ Gastric Bypass Surgery  | ✓ Sleep Aids and Sedatives   |
| ✓ Aspirin  | ✓ Genetic Testing   | ✓ Smoking Cessation Programs                                       |
| ✓ Automated External Defibrillator                   | ✓ Glucosamine & Chondroitin   | ✓ Speech Therapy   |
| ✓ Baby Rash Ointments & Creams                       | ✓ Glucose Monitoring Equipment  | ✓ Splints/Casts  |
| ✓ Birth Control and Contraceptive Pills and Implants | ✓ Guide Dog (for visually/hearing impaired person), Care and Training | ✓ Stomach Medications  |
| ✓ Blood Pressure Monitors                            | ✓ Headache Medications  | ✓ Sunscreen (SPF 15 or higher)                                     |
| ✓ Blood Sugar Test Kits/Supplies                     | ✓ Heart Rate Monitors   | ✓ Support Braces   |
| ✓ Blood Tests  | ✓ Hearing Aids and Batteries  | ✓ Sweat Tests  |
| ✓ Body Scan  | ✓ Hearing Exams   | ✓ Syringes   |
| ✓ Braille Books and Magazines                        | ✓ Heating Pads  | ✓ Temporary Cord Blood Storage                                     |
| ✓ Breast Pumps and Lactation supplies                | ✓ Hemorrhoidal Preparations   | ✓ Temporary Egg and Sperm Storage (IVF)                            |
| ✓ Breast Reconstruction Surgery                      | ✓ Immunizations   | ✓ Thermometers   |
| ✓ Cancer Screening                                   | ✓ Infertility/In-Vitro Treatments                                     | ✓ Throat Lozenges  |
| ✓ Cardiograph  | ✓ Incontinence supplies   | ✓ Toothache Relievers  |
| ✓ Childbirth Classes (Lamaze)                        | ✓ Insulin   | ✓ Transplants (including organ donor)                              |
| ✓ Clinical Trials                                    | ✓ Lactation Consultant  | ✓ Transportation Expenses (essential to medical care)              |
| ✓ Cold, Cough & Flu Medications                      | ✓ Lasik/Laser and Vision Correction                                   | ✓ Treatment for Handicapped  |
| ✓ Cold Sore Remedies                                 | ✓ Learning Disability (special school/teacher)                        | ✓ Tubal Ligation   |
| ✓ Compression Hose/Stockings                         | ✓ Laboratory Fees   | ✓ Tuition Fee at Special School for Disabled Child                 |
| ✓ Contact Lens Supplies                              | ✓ Laxatives   | ✓ Ultrasound   |
| ✓ Cold/hot packs for injuries                        | ✓ Lip Products, Medicated   | ✓ Urine/Stool Analyses   |
| ✓ Colonoscopy  | ✓ Lodging for Medical Care (limited)                                  | ✓ Vaccinations/Immunizations                                       |
| ✓ Condoms  | ✓ Mastectomy related bra  | ✓ Vasectomy  |
| ✓ Counseling   | ✓ Medic Alert Bracelet or Necklace                                    | ✓ Visine and other Eye Drops                                       |
| ✓ CPAP Devices                                       | ✓ Medical Records Charges   | ✓ Walkers  |
| ✓ Crutches   | ✓ Menstrual Pain Relievers  | ✓ Wart Removal   |
| ✓ CT Scan  | ✓ Menstrual Products and Supplies                                     | ✓ Well Baby Care   |
| ✓ Decongestants                                      | ✓ Metabolism Tests  | ✓ Wheelchair   |
| ✓ Denture Adhesives                                  | ✓ Midwife Expenses  | ✓ X-rays   |
| ✓ Diabetic Supplies                                  | ✓ Motion Sickness Medications   | ✓ Yeast Infection Medication                                       |
| ✓ Diagnostic Testing                                 | ✓ MRI   |  |
| ✓ Dialysis   | ✓ Neti Pot  |  |

### Qualified Dental and Vision Items

Since dental and vision expenses generally do not count toward the deductible in your high deductible health plan (HDHP), you may want to consider contributing additional pre-tax funds to a Limited Purpose Health Care FSA to maximize your tax benefit.

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|--------------------|-------------------------------|---------------------------------------|
| ✓ Artificial Teeth | ✓ Dentures                    | ✓ Occlusal Guards                     |
| ✓ Contact Lenses   | ✓ Exams/Teeth Cleaning/X Rays | ✓ Oral Surgery                        |
| ✓ Crowns/Bridges   | ✓ Extractions                 | ✓ Orthodontia                         |
| ✓ Dental Implants  | ✓ Eye Exam                    | ✓ Prescription Glasses and Sunglasses |
| ✓ Dental Sealants  | ✓ Fillings                    | ✓ Reading Glasses                     |

### Qualified Insurance Premiums

Insurance Premiums are generally **not** eligible items except in these special circumstances:

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| ✓ Continuing COBRA Coverage                   | ✓ Any health plan premium maintained while the individual is receiving unemployment under Federal or State law | ✓ For HSA holders age 65 or over (whether or not they are entitled to Medicare), any deductible health insurance other than a Medicare supplemental policy |
| ✓ Qualified Long Term Care Insurance Contract |  |  |

Other items that may be covered when accompanied by a medical practitioner's note or prescription. Items must be used to treat a specific medical condition of limited duration:

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| ✓ Capital Expenses  | ✓ Gym or Health Club monthly premium   | ✓ Personal Trainer                              |
| ✓ Cosmetic Surgery-covered only when treating a congenital abnormality, a personal injury resulting from an accident or trauma or disfiguring disease | ✓ Hand Sanitizer   | ✓ Pills for persons who are lactose intolerant  |
| ✓ Dietary or herbal medicines to treat a specific medical condition   | ✓ Hormone Replacement Therapy  | ✓ Prenatal vitamins                             |
| ✓ Equipment, supplies and materials related to physical/mental handicaps.   | ✓ Humidifier   | ✓ Probiotics                                    |
| ✓ Fiber supplements to treat a specific medical condition   | ✓ Marriage Counseling  | ✓ Supplements treating a medical condition      |
|   | ✓ Massage Therapy  | ✓ Toothpaste (Rx only)                          |
|   | ✓ Medicated shampoos and soaps, unless prescribed by a medical practitioner for a specific scalp/skin infection                                      | ✓ Varicose Vein Treatment                       |
|   | ✓ Nutritionist   | ✓ WaterPik/Electric Flosser                     |
|   | ✓ Orthopedic shoes, Arch Supports and inserts (for orthopedic shoes, you can only be reimbursed for the extra cost over buying non-orthopedic shoes) | ✓ Weight loss drugs to treat a specific disease |
|   |  | ✓ Weight loss program fees                      |
|   |  | ✓ Wigs (hair loss due to disease)               |

### Items that are NOT eligible for reimbursement under a Health Savings Account:

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| ✓ Baby Formula                                  | ✓ Facial Creams and Cleansers  | ✓ Prepayments for Services  |
| ✓ Breast implants (cosmetic)                    | ✓ Finance Charges  | ✓ Propecia and Rogaine for cosmetic hair growth   |
| ✓ Burial Expenses                               | ✓ Health Insurance Premiums  | ✓ Premiums for group health coverage  |
| ✓ Concierge, Boutique or Practice Fees          | ✓ Home Drug Testing Kits   | ✓ Special foods   |
| ✓ Cosmetic Surgery                              | ✓ Hot Tubs/Jacuzzis  | ✓ Sports Drinks   |
| ✓ Cosmetics                                     | ✓ Household Help   | ✓ Suntan lotion   |
| ✓ CPR Classes                                   | ✓ Illegal operations, treatments and medications, including medications obtained illegally | ✓ Tanning Salon   |
| ✓ Dehumidifier                                  | ✓ Items paid or payable by insurance   | ✓ Teeth whitening   |
| ✓ Dental bleaching or any other teeth whitening | ✓ Late Fees  | ✓ Toiletries  |
| ✓ Diet Foods                                    | ✓ Maternity Clothes  | ✓ Toothpaste  |
| ✓ Dietary supplements                           | ✓ Mattresses   | ✓ Toothbrushes (electric or otherwise), even if a dentist recommends treating a condition |
| ✓ Discount Plan Expenses                        | ✓ Missed Appointment Fees  | ✓ Veneers   |
| ✓ Ear Piercing                                  | ✓ Moisturizers   | ✓ Vision Discount Program Cost  |
| ✓ Educational Classes                           | ✓ Newborn Care Classes   | ✓ Warranties for glasses or other medical devices   |
| ✓ Electrolysis and other Hair Removal           | ✓ Nursing Pillows  |   |
| ✓ Exercise Equipment for General Health         | ✓ Nursing Home   |   |
|   | ✓ Personal hygiene products  |   |

## Whose Expenses are Eligible?

You can generally include medical expenses you pay for yourself as well as those you pay for someone who was your spouse, qualifying child or qualifying relative when the product or services were acquired. **Domestic partners do not qualify for reimbursement unless they are a qualifying relative.**

- A *qualifying child* is an individual who (a) bears a specified relationship to the employee (relationship test); (b) has the same principal abode as the employee for more than half of the year (residency test); (c) meets certain age requirements (age test); (d) has not provided more than half of his or her own support for the year (limited self-support test); and (5) has not filed a joint tax return (other than only for claim of refund) with his or her spouse for the year (marital/tax filing status test).
- A *qualifying relative* is an individual (a) who bears a specified relationship to the employee (relationship test); (b) whose gross income is less than the exemption amount in Code §151(d) (income test); (c) with respect to whom the employee provides over half of the individual's support (support test); and (d) who is not anyone's qualifying child.
- *Individuals Who Generally Are Ineligible Under Code §152.* An individual generally will not be a Code §152 dependent if he or she is a dependent of a Code §152 dependent, a married dependent filing a joint tax return, or a citizen or national of a country other than the United States.

## Special Notes regarding the Timing of Distributions

- An expense is qualifying only if it is incurred *after* the account has been established.
- There is no time limitation as to when the distribution may occur, however the distribution should be made in the same tax-year as the payment to the provider is made. Tax form 8889 contemplates that the distribution be made in the same year that the payment to the medical provider is made.
- An account holder may withdraw funds for qualified expenses on a tax-free basis even if he or she is no longer an eligible individual at the time of distribution (i.e. account holder no longer participates in a high deductible health plan).
- A distribution for a qualified medical expense will be tax-free regardless if contributions were made to the HSA during the same year in which the expenses were incurred.