

Medical FSA and HSA Expense Eligibility List (IRS Code Section 213 (d) Eligible Expenses)

The following is a summary of common expenses claimed against Medical Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs). Due to frequent updates to the regulations governing FSAs and HSAs, this list does not guarantee reimbursement but instead is to be used as a guide for the submission of claims. A definition of eligibility is as follows:

Yes: The expense is eligible for reimbursement.

Dual-Purpose: The expense can be used for both medical and general health, convenience, and/or cosmetic purposes. As such, a completed Medical Necessity Form or a signed physician's note must be on file for the expense to be considered eligible.

Potentially: The expense can be considered eligible, provided certain conditions or criteria (as specified in the Comments and Special Rules section) are satisfied. Depending on the nature of the expenses, a completed Medical Necessity Form or signed physician's note may need to be on file.

No: The expense is not eligible for reimbursement, even with a physician's note or Medical Necessity Form.

Expense(s)	Eligible?	Comments and Special Rules
AA meetings, transportation to	Yes	
Acne treatment	Yes	Examples: Skin ID, Proactiv, and anything that primarily treats acne; however, the cost of regular skin care (e.g., face creams) does not qualify.
Acupuncture/Acupressure	Yes	
Adaptive equipment	Dual-Purpose	Includes various items that assist individuals in performing activities of daily living (e.g., feeding, bathing, and mobility). To qualify, the item must be used to relieve or alleviate sickness or disability. Depending on the nature of the item, only amounts above the cost of the regular version of the item will qualify. See also Capital expenses; Home improvements.
Adoption, pre-adoption medical expenses	Yes	Medical expenses incurred before an adoption is finalized will qualify if the child qualifies as your tax dependent when the services/items are provided.
Airborne	Yes	
Air purifier	Dual-Purpose	Special rules may apply. See also Capital expenses.
Alcoholism treatment	Yes	Amounts paid for in-patient treatment (including meals and lodging) at a therapeutic center for alcohol addiction will qualify.
Allergy medicines	Yes	Examples: Alavert, Claritin, Zyrtec
Alli	Dual-Purpose	
Alternative healers, dietary substitutes, and drugs and medicines	Dual-Purpose	Non-traditional healing treatments provided by professionals may qualify if provided to treat a specific medical condition. The treatments must be legal, and the expenses will not qualify if the remedy is a food or substitute for food that the person would normally consume in order to meet nutritional requirements.
Ambulance	Yes	
Antacids	Yes	Examples: Maalox, Prilosec OTC, Zantac
Antibiotic ointments	Yes	Examples: Bacitracin, Neosporin

Medical FSA and HSA Expense Eligibility List (IRS Code Section 213 (d) Eligible Expenses)

Expense(s)	Eligible?	Comments and Special Rules
Antifungal products	Yes	
Anti-itch creams	Yes	Examples: Benadryl, Cortaid, Ivarest
Anti-snore guards	Dual-Purpose	The expense must be recommended to treat a diagnosed medical condition (e.g., sleep apnea).
Appearance improvements	No	See also Cosmetic procedures; Cosmetics; Toiletries.
Arch supports	Yes	
Arm sling	Yes	
Arthritis gloves	Yes	
Artificial limbs	Yes	
Artificial teeth	Yes	
Aspirin	Yes	
Asthma treatments	Yes	Includes asthma medications and delivery devices (e.g., inhalers and nebulizers).
Baby formula	Dual-Purpose	If your baby requires a special formula to treat an illness or disorder, the difference in cost between the special formula and routine baby formula can qualify.
Baby oil	No	
Baby powder	No	
Bactine	Yes	
Bandages, elastic	Yes	Examples: Ace bandages, arm sleeves, ankle braces
Bandages, for torn or injured skin	Yes	Examples: Band-Aid, Curad
Biofreeze	Yes	
Birth control pills	Yes	
Birthing classes	Potentially	Expenses may qualify to the extent that instruction relates to birth and not childrearing. The fee should be adjusted to exclude instruction in topics such as newborn care. Expenses for the coach or significant other do not qualify.
Blood-pressure monitoring devices	Yes	
Blood storage	Dual-Purpose	Fees for temporary storage may qualify under some circumstances, such as where the blood is collected as part of the diagnosis, treatment, or prevention of an existing or imminent medical condition (e.g., in advance of a scheduled surgery for use in a possible transfusion). Fees for indefinite storage just in case the blood might be needed would not be considered medical care and do not qualify.
Blood-sugar test kits and test strips	Yes	
Body scans	Yes	Body scans employing MRIs and similar technologies are diagnostic services. See also Diagnostic items/services; Screening tests.
Breast pumps	Dual-Purpose	Will not qualify if used merely to benefit general health or for convenience, scheduling, or other personal reasons; however, may qualify if used for medical reasons. To show that the expense is primarily for medical care, a note from a physician recommending the item to treat a specific medical condition (e.g., breast abscess) is required.

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Breast reconstruction surgery following mastectomy	Dual-Purpose	Will qualify to the extent that surgery was done following a mastectomy due to cancer. This is an exception to the general rules regarding cosmetic procedures. See also Cosmetic procedures .
Bug spray	Yes	
Caffeine pills	No	Example: No Doze
Calamine lotion	Yes	
Callous removers	Yes	Both the tool and liquid/lotion removers qualify.
Caltrate	Dual-Purpose	
Cane, walking	Yes	
Capital expenses	Dual-Purpose	May qualify if done to accommodate a disability. If the improvement is permanent and increases the value of the property, the expense will qualify only to the extent that the improvement cost exceeds the increase in property value. If the improvement doesn't increase the property value at all, then the entire cost may qualify. Items that usually don't increase property value include constructing entrance or exit ramps, widening or modifying doorways or hallways, installing railings or support bars to bathrooms, lowering or modifying kitchen cabinets or equipment, moving or modifying electrical outlets and fixtures, installing porch lifts, modifying fire alarms or smoke detectors, modifying other warning systems, and modifying stairways. To show that the expense is primarily for medical care, a note from a medical practitioner recommending the item to treat a specific medical condition is normally required.
Cardiac therapy	Yes	
Carpal tunnel wrist supports	Yes	
Cast covers	Yes	
Childbirth classes	Potentially	Expenses may qualify to the extent that instruction relates to birth and not childrearing. The fee should be adjusted to exclude instruction in topics such as newborn care. Expenses for the coach or significant other do not qualify.
Chiropractors	Yes	Chiropractic adjustments qualify; however, some chiropractors practice massage therapy. Massage therapy is considered dual-purpose and therefore must treat a specific medical condition to be considered a qualifying expense.
Chondroitin	Dual-Purpose	
Circumcision	Yes	
Cold medicine	Yes	Examples: Comtrex, Sudafed, Nyquil, Dayquil
Cold/hot packs	Yes	
Compression stockings	Yes	
Condoms	Yes	
Contact lenses, materials, and equipment	Yes	Contact lenses for solely cosmetic purposes (e.g., to change one's eye color) do not qualify.
Contraceptives	Yes	Examples: birth control pills, condoms, "morning-after" pills, spermicidal foam
Controlled substances in violation of federal law	No	If the substance violates federal law (e.g., the Controlled Substances Act), the expense would not qualify, even if a state law allows its use with a physician's prescription (e.g., marijuana or laetrile prescribed to treat a specific medical condition).
Co-payments	Yes	

Medical FSA and HSA Expense Eligibility List (IRS Code Section 213 (d) Eligible Expenses)

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Corneal ring segments	Yes	
Cosmetic procedures	No	Most cosmetic procedures do not qualify. This includes cosmetic surgery or other procedures that are directed at improving the patient's appearance and don't meaningfully promote the proper function of the body or prevent or treat illness or disease. Examples include face lifts, hair transplants, hair removal (electrolysis), teeth whitening, and liposuction. However, procedures necessary to correct a deformity arising from congenital abnormality, personal injury from accident or trauma, or disfiguring disease may qualify.
Cosmetics	No	Cosmetics are articles used primarily for personal purposes and are intended to be rubbed, poured, sprinkled, sprayed, or otherwise applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance. Examples include skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup, shampoos, permanent waves, hair colors, toothpastes, and deodorants.
Cotton balls	No	
Cough drops/suppressants	Yes	Examples: Ludens, Halls, Ricola
Counseling	Dual-Purpose	Will qualify if for a medical reason. Marriage counseling doesn't qualify.
CPAP machine and headgear	Yes	
Crowns, dental	Yes	
Crutches	Yes	
Decongestants	Yes	Examples: Dimetapp, Sudafed, Mucinex
Dental floss	No	
Dental implants	Yes	
Dental sealants	Yes	
Dental treatment	Yes	Teeth whitening, veneers, and lumineers are the only exceptions, as they are considered cosmetic in nature and do not qualify.
Dentures and denture adhesives	Yes	
Denture brush	No	
Denture cleaners	Yes	
Diabetic supplies	Yes	
Diagnostic items and services	Yes	Includes a wide variety of procedures to determine the presence of a disease or dysfunction of the body, such as tests to detect heart attack, stroke, diabetes, osteoporosis, thyroid conditions, psychological conditions, and cancer. See also Body scans, Blood-pressure monitoring devices, Blood-sugar test kits and test strips.
Diaper rash ointments and creams	Yes	Example: Desitin
Diapers or diaper service	No	
Diarrhea medicine	Yes	Examples: Imodium, Kaopectate, Pepto Bismol
Dietary supplements	Dual-Purpose	The cost of dietary supplements, nutritional supplements, vitamins, herbal supplements, and natural medicines do not qualify if they are merely beneficial for general health (e.g., One-a-Day vitamins).

Medical FSA and HSA Expense Eligibility List (IRS Code Section 213 (d) Eligible Expenses)

Expense(s)	Eligible?	Comments and Special Rules
Diet foods	No	
Disabled dependent care expenses	Dual-Purpose	Such expenses will qualify if they are for medical care of the disabled dependent.
Discount programs	No	Fees paid to get access to products/services at a reduced cost will not qualify.
Doula	Potentially	Will only qualify to the extent that the doula provides medical care for the mother or child. Services such as emotional support, parenting information, child care, and housekeeping will not qualify.
Drug addiction treatment	Yes	Amounts paid for an inpatient's treatment at a therapeutic center for drug addiction will qualify.
Drug overdose, treatment of	Yes	
Drug screening	Potentially	If court ordered or part of a treatment program, it will qualify.
Ear plugs	Dual-Purpose	
Ear wax removal products	Yes	Examples: Debrox, Murine
Egg donor fees	Potentially	Amounts paid for the egg donor fee, an agency fee, an egg donor's medical and psychological testing, and the legal fees for preparation of the egg donor contract will qualify if preparatory to a procedure performed on you, your spouse, or your dependent.
Eggs and embryos, storage fees	Potentially	Fees for temporary storage qualify, but only to the extent necessary for immediate conception. Storage fees for undefined future conception aren't considered medical care
Electrolysis or hair removal	No	Can be approved in very rare circumstances if recommended by a physician to treat a specific condition such as hirsutism. A signed note from a physician recommending the treatment is required.
Epsom salt	Yes	
Exercise equipment or programs	Dual-Purpose	Qualifies only if a physician has recommended it to treat a diagnosed condition (e.g., obesity).
Expectorants	Yes	Examples: Comtrex, Robitussin
Eye drops	Yes	Example: Visine
Eye examinations, eyeglasses, equipment, materials, and repair	Yes	
Face creams	No	
Face lifts	No	See also Cosmetic procedures .
Feminine hygiene products	No	Examples: Tampons, maxi-pads
Fever-reducing medications	Yes	Examples: Aspirin, Motrin, Tylenol
Fiber supplements	Dual-Purpose	Fiber-enriched foods such as wafers or yogurt will not qualify.
Finance charges	No	
First aid cream	Yes	
First aid kits	Yes	
Flavoring for medication	Yes	
Flu shots	Yes	
Funeral expenses	No	
Gauze pads	Yes	

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Expense(s)	Eligible?	Comments and Special Rules
Glasses	Yes	This includes computer and reading glasses which may be purchased over the counter without a prescription. Eyeglass cleaning supplies, glasses cases, and repair kits are also eligible.
Glucosamine	Dual-Purpose	
Glucose-monitoring equipment	Yes	Items such as blood glucose meters and glucose test strips are diagnostic items and are primarily for medical care. See also Blood-sugar test kits and test strips .
Guide dog, other service animal	Yes	Expenses for buying, training, and maintaining a service animal used by a disabled person would qualify; this includes the expenses of food and inoculations. Veterinary fees for such animals also qualify as medical care.
Hair removal and transplants	No	Can be approved in very rare circumstances if recommended by a physician to treat a specific condition such as hirsutism. A signed note from a physician recommending the treatment is required.
Health club fees	Dual-Purpose	
Health screenings	Yes	
Hearing aids	Yes	The costs of the hearing aid and batteries would qualify.
Heating pad	Yes	
Hemorrhoid treatments	Yes	Example: Preparation H
Home improvements	Dual-Purpose	May qualify if done to accommodate a disability. If the improvement is permanent and increases the value of the property, the expense will qualify only to the extent that the improvement cost exceeds the increase in property value. If the improvement doesn't increase the property value at all, then the entire cost may qualify. Items that usually don't increase property value include constructing entrance or exit ramps, widening or modifying doorways or hallways, installing railings or support bars to bathrooms, lowering or modifying kitchen cabinets or equipment, moving or modifying electrical outlets and fixtures, installing porch lifts, modifying fire alarms or smoke detectors, modifying other warning systems, and modifying stairways. To show that the expense is primarily for medical care, a note from a physician recommending the item to treat a specific medical condition is normally required.
Homeopathic products	Dual-Purpose	
Hormone replacement therapy (HRT)	Dual-Purpose	
Hospital services	Yes	Expenses of inpatient care (plus meals and lodging) at a hospital or similar institution qualify if the principal reason for being there is to get medical care.
Humidifier	Dual-Purpose	Special rules may apply. See also Capital expenses; Home improvements .
Hypnosis	Dual-Purpose	
Hysterectomy	Yes	
Immunizations	Yes	
Incontinence supplies	Yes	Examples: Poise Pads, Depends, Teena
Insect-bite creams and ointments	Yes	Examples: Benadryl, Cortaid

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Expense(s)	Eligible?	Comments and Special Rules
Insurance premiums	Depends on the plan	Medical FSA (Flexible Spending Account): Insurance premiums are never eligible with a Medical FSA. HSA (Health Savings Account): Payments for health insurance premiums or contributions for self-funded health coverage generally aren't qualifying expenses; however, the following premiums will qualify for reimbursement from an HSA: COBRA coverage, a qualified long-term care insurance contract, any health plan maintained while the individual is receiving unemployment compensation under federal or state law, or, for those age 65 or older (whether or not they are entitled to Medicare), any deductible health insurance (e.g., retiree medical coverage) other than a Medicare supplemental policy. (Note: Long-term care insurance premium reimbursements that exceed certain limits will be treated as taxable and may be subject to an additional 10% excise tax.)
Kleenex	No	
Lamaze classes	Potentially	Expenses may qualify to the extent that instruction relates to birth and not childrearing. The fee should be adjusted to exclude instruction in topics such as newborn care. Expenses for the coach or significant other do not qualify.
Language training	Dual-Purpose	Such expenses will qualify for a child with dyslexia or an otherwise disabled child.
Laser eye surgery; Lasik	Yes	
Late fees	No	(e.g., for late payment of bills for medical services)
Laxatives	Yes	Example: Ex-Lax
Learning disability, instructional fees	Dual-Purpose	If prescribed by a physician, tuition fees paid to a special school and tutoring fees paid to a specially trained teacher for a child who has learning disabilities caused by mental or physical impairments (e.g., nervous system disorders) will qualify.
Lifeline screenings	Yes	
Lice treatments	Yes	Examples: Rid, professional hair combing
Liquid adhesive for small cuts	Yes	See also Bandages, for torn or injured skin.
Lodging at a hospital or similar institution	Yes	Will qualify if the principal reason for being there is to receive medical care.
Lodging not at a hospital or similar institution	Potentially	Up to \$50 per night will qualify if the lodging is primarily for and essential to medical care provided by a physician in a licensed hospital or medical care facility related to (or equivalent to) a licensed hospital and there is no significant element of personal pleasure, recreation, or vacation in the travel. If a parent is traveling with a sick child, up to \$100 may qualify (\$50 for each person).
Lodging while attending a medical conference	No	
Lotions	Dual-Purpose	
Lubricants	Yes	Example: KY Jelly
Lumbar support chair cushions	Dual-Purpose	
Makeup	No	
Marijuana or other controlled substances in violation of federal law	No	See also Controlled substances in violation of federal law.

Medical FSA and HSA Expense Eligibility List (IRS Code Section 213 (d) Eligible Expenses)

Expense(s)	Eligible?	Comments and Special Rules
Massage therapy	Dual-Purpose	
Maternity clothing	No	
Mattresses	Dual-Purpose	In rare cases, a portion of the expenditure might qualify if a unique type of mattress is prescribed by a physician to treat a specific medical condition. Only the difference in cost between the specialized mattress and the cost of a regular mattress would be reimbursable.
Meals at a hospital or similar institution	Potentially	Meals that are part of the cost of inpatient care at a hospital or similar institution will qualify if the principal reason for the recipient's being there is to receive medical care.
Meals not at a hospital or similar institution	No	
Meals of a companion	No	Won't qualify even if accompanying a patient for medical reasons.
Mederma	Yes	
Medical alert bracelet or necklace	Yes	
Medical records charges	Yes	For example, the fee associated with transferring medical records to a new medical practitioner will qualify.
Mentally handicapped, special home for	Dual-Purpose	The cost of keeping a mentally handicapped person in a special home (not a relative's home) on a physician's recommendation to help that person adjust to community living may qualify.
Mineral supplements	Dual-Purpose	
Missed appointment fees	No	
"Morning-after" contraceptive pills	Yes	
Motion sickness pills	Yes	Examples: Bonine, Dramamine
Mouthwash	No	
Multivitamins	No	Example: One-a-Day vitamins
Nasal strips or sprays	Dual-Purpose	Nasal strips or sprays that are used to treat sinus problems qualify as being primarily for medical care, as would those that are used to prevent sleep apnea; however, nasal strips or sprays used to prevent snoring and those used by athletes are not eligible.
Nebulizer	Yes	
Needle container	Yes	
Neti pots	Yes	
Nicotine gum or patches	Yes	Examples: Nicorette, Nicoderm
Norplant insertion or removal	Yes	
Nutritional supplements	Dual-Purpose	See also Dietary supplements; Mineral supplements.
Obstetrical expenses	Yes	
Occlusal guards	Yes	
Orthodontia	Yes	
Orthopedic shoes	Dual-Purpose	Costs of specialized orthopedic items qualify to the extent that they exceed ordinary personal use requirements (e.g., only the excess cost of the specialized orthopedic shoe over the cost of a regular shoe qualifies).
Orthotic inserts	Yes	

Medical FSA and HSA Expense Eligibility List (IRS Code Section 213 (d) Eligible Expenses)

Expense(s)	Eligible?	Comments and Special Rules
Osteopath fees	Yes	
Ovulation monitor	Yes	
Oxygen and equipment	Yes	
Pain relievers	Yes	Examples: Advil, Aspirin, Tylenol, Aleve, Midol
Pedialyte	Yes	
Pedometer	No	
Pellet insertion	Yes	
Penile implants	Dual-Purpose	Amounts paid for implants may be eligible if the diagnosis of impotence is due to natural causes such as diabetes, post-prostatectomy complications, or spinal cord injury.
Peroxide	Yes	
Personal trainer fees	Dual-Purpose	Will qualify if a physician has recommended a supervised exercise regimen in order to treat a disease or injury (e.g., rehabilitation after surgery or the treatment of obesity) and if incurred for a limited duration.
Physical exams	Yes	
Physical therapy	Yes	
Pregnancy test kits	Yes	
Prescription drugs and medicines obtained from other countries	Potentially	Importing prescription drugs from other countries violate federal law; however, a drug or medicine may qualify for reimbursement if: (1) it is purchased and consumed in the other country and is legal in both that country and the U.S., or (2) the FDA announces that it can be legally imported.
Prescription drug discount programs	No	Fees for discounts on drugs are not considered medical care.
Probiotics	Dual-Purpose	
Prosthesis	Yes	
Psychiatric care	Yes	Includes the costs associated at a special center that provides medical care.
Psychoanalysis testing	Yes	
Psychologist	Dual-Purpose	Will qualify if the expense is for medical care and not just for the general improvement of mental health, relief of stress, or personal enjoyment.
Q-tips	No	
Recliner chairs	No	Can be approved, in very rare circumstances, if recommended by a physician to treat a specific condition. A signed note from a physician recommending the treatment is required, and only the difference in cost between the specialized recliner and the cost of a regular recliner would qualify.
Rubbing alcohol	Yes	
Safety glasses	Potentially	Won't qualify unless lenses are prescription.

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Expense(s)	Eligible?	Comments and Special Rules
Schools and education, residential	Potentially	Payments made to a residential school or program to treat an individual for behavioral, emotional, or addictive conditions (tuition, meals, and lodging) will qualify if the principal reason for attending the program is to receive medical care (ordinary education must be an incidental component). Whether someone is attending to receive medical care must be determined for each individual—just because a school or program provides medical care to some individuals does not mean that it provides medical care to all individuals. If a child is at a school because the courses and disciplinary methods have a beneficial effect on the child's attitude, the expenses won't qualify.
Schools and education, special	Potentially	Payments made for a mentally impaired or physically disabled person to attend a special school (tuition, meals, and lodging) will qualify if the principal reason for attending the school is to overcome or alleviate the disability (ordinary education must be an incidental component). This includes teaching Braille to a visually impaired person, teaching lip reading to a hearing-impaired person, and remedial language training to correct a condition caused by a birth defect. If a child is at a school because the courses and disciplinary methods have a beneficial effect on the child's attitude, the expenses won't qualify.
Screening tests	Yes	Will qualify if the tests are used for medical diagnoses. Examples include hearing, vision, and cholesterol screenings.
Seeing-eye dog	Yes	See also Guide dog, other service animal.
Shampoos	No	
Shaving cream or lotion	No	
Shipping and handling Fees	Yes	Reimbursable if incurred due to a qualifying medical expense.
Sinus medications	Yes	See also Nasal strips or sprays.
Sleep aids	Yes	
Smoking-cessation medications	Yes	Amounts paid for prescribed and OTC drugs used to stop smoking would qualify.
Smoking-cessation programs	Yes	Amounts paid for a stop-smoking program would qualify.
Soaps	No	
Special foods	Dual-Purpose	Will qualify if prescribed by a physician to treat a specific illness or ailment and if the foods do not substitute for normal nutritional requirements. But the amount that may qualify is limited to the amount by which the cost of the special food exceeds the cost of commonly available versions of the same product (e.g., such as foods needed for a gluten-free or salt-free diet).
Speech therapy	Yes	
Spermicidal foam	Yes	
Sperm, storage fees	Potentially	Fees for temporary storage might qualify, but only to the extent necessary for immediate conception. Storage fees for undefined future conception aren't considered to be for medical care and do not qualify.
Stem cell, harvesting and/or storage of	Potentially	Might qualify if there is a specific and imminent medical condition that the stem cells are intended to treat. For example, the cost of harvesting and storing stem cells because a newborn has a birth defect and the stem cells would be needed in the near future might be allowable; however, collection and indefinite storage just in case they might be needed is not considered to be for medical care and does not qualify.

Medical FSA and HSA Expense Eligibility List (IRS Code Section 213 (d) Eligible Expenses)

Expense(s)	Eligible?	Comments and Special Rules
Sterilization procedures	Yes	
Sunburn creams and ointments	Yes	Example: Aloe
Sunglasses	Potentially	Prescription sunglasses would qualify.
Sunglasses clip-ons	No	
Sunscreen with SPF 30 or higher	Yes	SPF of 30 or higher must be specified on the receipt, or a copy of the box/bottle displaying the price must be included.
Sun protective clothing	Dual-Purpose	Clothing that offers at least 30+ UVA and UVB sun protection for individuals with melanoma or other skin cancer, systemic lupus erythematosus (SLE), acute cutaneous lupus (ACLE), or other significant dermatologic conditions may be eligible. The clothing is reimbursed for the difference between "normal" apparel and this specially constructed clothing, up to 33% of the total cost. The receipt must show the purchase was from an accredited sun-protective company such as Solumbra® or Coolibar®.
Support hose/TED stockings	Yes	
Taxes on medical services and products	Yes	This includes local, sales, service, and other taxes.
Teeth whitening	No	
Telephone for hearing-impaired persons	Yes	The expenses of buying and repairing special telephone equipment for a hearing-impaired person will qualify. This includes teletypewriter (TTY) and telecommunications device for the deaf (TDD) equipment.
Television for hearing-impaired persons	Yes	Equipment that displays the audio part of television programs as subtitles for hearing-impaired persons will qualify, but the amount that qualifies is limited to the excess cost over the cost of the regular item. For example, the cost of a specially equipped television qualifies only to the extent that it exceeds the cost of a regular model.
Throat lozenges	Yes	Examples: Cepacol, Chloraseptic. See also Cough drops/suppressants.
Toiletries	No	A toiletry is an article or preparation that is used in the process of dressing and grooming oneself (e.g., toothpaste, shaving cream or lotion, and cologne).
Toll bridges	Yes	Eligible if incurred due to a qualifying medical expense. See also Transportation expenses for person to receive medical care.
Toothache and teething pain relievers	Yes	Example: Orajel
Toothbrushes	No	Won't qualify, even if a dentist recommends special ones (e.g., electric or battery-powered) to treat a medical condition like gingivitis. Toothbrushes are items that are used primarily to maintain general health, and a person would still use one even without the medical condition; thus, they are not primarily for medical care.
Toothpaste	No	Won't qualify, even if a dentist recommends a special one to treat a medical condition like gingivitis. See also Toothbrushes.
Transplants	Yes	Includes surgical, hospital, and laboratory services as well as transportation expenses for organ donors.

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Transportation expenses for person to receive medical care	Yes	Will qualify if the transportation is primarily for and essential to medical care. Includes car expenses; bus, taxi, train, plane, and ferry fares; and ambulance services. Instead of actual car expenses, a standard mileage rate for use of a car to obtain medical care is allowed. Parking fees and tolls can also qualify.
Tuition for special-needs program	Dual-Purpose	Will qualify if the primary purpose is for medical care.
Umbilical cord, freezing and storing of	Potentially	Can qualify if there is a specific medical condition that the umbilical cord is intended to treat; however, collection and indefinite storage just in case it might be needed is not considered to be for medical care and does not qualify.
Vaccines	Yes	
Vasectomy	Yes	
Vasectomy reversal	Yes	
Veneers	No	
Viagra	Yes	
Vitamins	Dual-Purpose	Multivitamins never qualify.
Walkers	Yes	
Warranties/Insurance on a product	No	
Wart remover treatments	Yes	Example: Compound W
Weight-loss programs and/or drugs prescribed to induce weight loss	Dual-Purpose	
Wheelchair	Yes	
Wigs	Dual-Purpose	Might qualify if the wig is prescribed by a physician for the mental health of a patient who has lost all of his or her hair from disease or treatment (e.g., chemotherapy or radiation).
Yeast infection medications	Yes	Example: Monistat

IRS Code Section 213(d) Eligible Medical Expenses

An eligible expense is defined as those expenses paid for care as described in **Section 213 (d)** of the Internal Revenue Code. Below are two lists which may help determine whether an expense is eligible.

For more detailed information, please refer to **IRS Publication 502** titled, "Medical and Dental Expenses," If tax advice is required, you should seek the services of a competent professional.

Deductible Medical Expenses

- Abdominal supports
- Abortion
- Acupuncture
- Air conditioner (when necessary for relief from difficulty in breathing)
- Alcoholism treatment
- Ambulance
- Anesthetist
- Arch supports
- Artificial limbs
- Autoette (when used for relief of sickness/disability)
- Birth Control Pills (by prescription)
- Blood tests
- Blood transfusions
- Braces
- Cardiographs
- Chiropractor
- Christian Science Practitioner
- Contact Lenses
- Contraceptive devices (by prescription)
- Convalescent home (for medical treatment only)
- Crutches
- Dental Treatment
- Dental X-rays
- Dentures
- Dermatologist
- Diagnostic fees
- Diathermy
- Drug addiction therapy
- Drugs (prescription)
- Elastic hosiery (prescription)
- Eyeglasses
- Fees paid to health institute prescribed by a doctor
- FICA and FUTA tax paid for medical care service
- Fluoridation unit
- Guide dog
- Gum treatment
- Gynecologist
- Healing services
- Hearing aids and batteries
- Hospital bills
- Hydrotherapy
- Insulin treatment
- Lab tests
- Lead paint removal
- Legal fees
- Lodging (away from home for outpatient care)
- Metabolism tests
- Neurologist
- Nursing (including board and meals)
- Obstetrician
- Operating room costs
- Ophthalmologist
- Optician
- Optometrist
- Oral surgery
- Organ transplant (including donor's expenses)
- Orthopedic shoes
- Orthopedist
- Osteopath
- Oxygen and oxygen equipment
- Pediatrician
- Physician
- Physiotherapist
- Podiatrist
- Postnatal treatments
- Practical nurse for medical services
- Prenatal care
- Prescription medicines
- Psychiatrist
- Psychoanalyst
- Psychologist
- Psychotherapy
- Radium Therapy
- Registered nurse
- Special school costs for the handicapped
- Spinal fluid test
- Splints
- Sterilization
- Surgeon
- Telephone or TV equipment to assist the hard-of-hearing
- Therapy equipment
- Transportation expenses (relative to health care)
- Ultra-violet ray treatment
- Vaccines
- Vasectomy
- Vitamins (if prescribed)
- Wheelchair
- X-rays

Eligible Over-the-Counter Drugs

- Antacids
- Allergy Medications
- Pain Relievers
- Cold medicine
- Anti-diarrhea medicine
- Cough drops and throat lozenges
- Sinus Medications and Nasal sprays
- Nicotine medications and nasal sprays
- Pedialyte
- First aid creams
- Calamine lotion
- Wart removal medication
- Antibiotic ointments
- Suppositories and creams for hemorrhoids
- Sleep aids
- Motion sickness pills

Non-Deductible Medical Expenses

- Advancement payment for services to be rendered next year
- Athletic Club membership
- Automobile insurance premium allocable to medical coverage
- Boarding school fees
- Bottled Water
- Commuting expenses of a disabled person
- Cosmetic surgery and procedures
- Cosmetics, hygiene products and similar items
- Funeral, cremation, or burial expenses
- Health programs offered by resort hotels, health clubs, and gyms
- Illegal operations and treatments
- Illegally procured drugs
- Maternity clothes
- Non-prescription medication
- Premiums for life insurance, income protection, disability, loss of limbs, sight or similar benefits
- Scientology counseling
- Social activities
- Special foods and beverages
- Specially designed car for the handicapped other than an autoette or special equipment
- Stop-smoking programs
- Swimming pool
- Travel for general health improvement
- Tuition and travel expenses a problem child to a particular school
- Weight loss programs

Ineligible Over-the-Counter Drugs

- Toiletries (including toothpaste)
- Acne treatments
- Lip balm (including Chapstick or Carmex)
- Cosmetics (including face cream and moisturizer)
- Suntan lotion
- Medicated shampoos and soaps
- Vitamins (daily)
- Fiber supplements
- Dietary supplements
- Weight loss drugs for general well being
- Herbs

IRS SECTION 213(d) QUALIFIED MEDICAL EXPENSES

The Internal Revenue Service defines qualified medical care expenses within IRS Section 213(d). Medical care expenses are further defined as amounts paid for the diagnosis, cure, mitigation or treatment of a disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness.

The products and services listed below are examples of medical expenses eligible for payment under a Flexible Spending Account and Health Reimbursement Account. This list is not all inclusive; additional expenses may qualify, and the items listed below are subject to change in accordance with IRS regulations.

Eligible Expenses

DENTAL SERVICES

Crowns/Bridges
Dental X-Rays
Dentures
Exams/Teeth Cleaning
Extractions
Fillings
Gum Treatment
Oral Surgery
Orthodontia/Braces

INSURANCE RELATED ITEMS

Co-pay and Coinsurance Amounts
Deductibles
Pre-existing Condition Expenses
(medical)
Private Hospital Room Differential

LAB EXAMS / TESTS

Blood Tests
Cardiographs
Diagnostic
Laboratory Fees
Metabolism Tests
Spinal Fluid Tests
Urine/Stool Analyses
X-Rays

MEDICATION

Insulin
Prescribed Birth Control
Prescribed Vitamins
Prescribed Drugs

OVER-THE-COUNTER-MEDICATION

Over-the-counter medicines, drugs, or dietary supplements for a specific medical condition:
Allergy Medicine
Antihistamines
Analgesics
Antacids

Anti-Diarrhea Medication
Aspirin
Calcium Supplements
Cold Medicine
Contact Lens Solution
Cough Drops
First Aid Cream (Bactine, special diaper rash ointments, calamine lotion, bug bite medication, wart remover treatments)
Hemorrhoidal Medications
Laxatives (like Ex-Lax)
Menstrual Cycle Products
Motion Sickness Pills
Muscle / Joint Pain Relief (Ben-Gay, Tiger Balm)
Nasal Sinus Spray
Nasal Sprays (for snoring)
Nicotine Gum / Patches
Pain Reliever
Pedialyte
Pills for persons who are lactose intolerant
Pregnancy Tests
Pre-Natal Vitamins
Reading Glasses
Retin A (non-cosmetic)
Rubbing Alcohol
Sinus Medications
Sleeping Aids
Smoking Cessation Products
Special Foods (cost difference of common product)
Special Ointment/Cream for Sunburn
Throat Lozenges
Visine
Weight Loss Drugs (to treat a specific Disease)
Wound Care Products

OBSTRETRIC SERVICES

Lamaze Class
Mid-Wife Expenses
OB/GYN Exams
OB/GYN Prepaid Maternity Fees
(Reimbursable after date of birth)
Post-Natal Treatment
Pre-Natal Treatment

PRACTITIONERS

Allergist
Chiropractor
Christian Science
Dermatologist
Homeopath
Naturopath
Osteopath
Physician
Psychiatrist
Psychologist

OTHER MEDICAL TREATMENTS / PROCEDURES

Acupuncture
Alcoholism (inpatient treatment)
Bio-feedback Therapy (in medically necessary situations)
Reconstructive surgery (if medically Necessary due to a congenital defect or accident)
Drug Addiction
Hearing Exams
Hospital Services
Infertility
In-vitro Fertilization
Norplant insertion or Removal
Patterning Exercises
Physical Examination (not employment related)
Physical Therapy
Rolfing
Speech Therapy
Sterilization

Eligible Expenses (continued) _____

OTHER MEDICAL TREATMENTS / PROCEDURES (continued)

Transplants (including organ donor)
Vaccinations/Immunizations
Vasectomy and Vasectomy Reversal
Weight Loss Program*
Well Baby Care

OTHER MEDICAL EQUIPMENT, SUPPLIES and SERVICES

Abdominal/Back Supports
Ambulance Services
Arches/Orthopedic Shoes
Contraceptives, prescribed
Counseling
Crutches
Guide Dog (for visually/hearing impaired person)
Hearing Aids & Batteries
Hospital Bed

Learning Disability (special school/teacher)
Lead Paint Removal (if not capital expense and incurred for a child poisoned)
Medic Alert Bracelet or Necklace
Oxygen Equipment
Prescribed Medical and Exercise equipment
Prosthesis
Splints/Casts
Support Hose (if medically necessary)
Syringes
Transportation Expenses (essential to medical care)
Tuition Fee at Special School for Disabled Child
Weight Loss Drugs (to treat a Specific disease)
Wheelchair
Wigs (hair loss due to disease)

VISION SERVICES

Artificial Eyes
Contact Lenses
Contact Lens Solution
Eye Examinations
Eyeglasses
Laser Eye Surgeries
Ophthalmologist
Optometrist
Prescribed Sunglasses
Radial Keratotomy/LASIK

Ineligible Expenses _____

The IRS does not allow the following expenses to be reimbursed under the Medical FSA. Expenses to promote general health are not eligible expenses unless prescribed by a physician for a specific medical ailment. This list is not meant to be all-inclusive.

GENERAL

Baby-Sitting & Child Care
Canceled Appointment Fees
Contact Lens Insurance
Cosmetic Surgery/Procedures
Dancing/Exercise Programs
Diaper Service
Discounts/Write-offs
Electrolysis
Exercise Equipment
Eyeglass Insurance
Fitness Programs
Hair Loss Medication
Hair Transplant
Health Club Dues

Illegal Operation or Treatment
Insurance Premium Interest Charge
Insurance Premiums
Marriage Counseling
Massage Therapy*
Maternity Clothes
Nutritional Supplements
Personal Trainer
Prescription Drug Discount Program Premiums
Rogaine
Student Health Fee
Swimming Lessons
Teeth Whitening/Bleaching
Vision Discount Program Premiums
Vitamins (for general health)

OVER-THE-COUNTER MEDICATIONS

Cosmetics
Chapstick
Face Cream
Medicated Shampoos / Soaps
Moisturizers
One-A-Day Vitamins
Suntan Lotion
Toiletries
Toothbrushes
Toothpaste
Topical Creams

* Eligible only with Doctor's certification identifying the physical nature of the medical condition and length of treatment program. Massage therapy for the sole purpose of tension/stress relief does not qualify as an eligible expense.



KNOWLEDGEABLE INNOVATIVE ESTABLISHED

Overview of an FSA Plan

A Flexible Spending Arrangement (FSA) is an employer sponsored benefit that allows both the employees and the employer to save money on insurance premiums and out-of-pocket medical and dependent care expenses. The plan operates on a plan year basis established by the employer.

Self Administration vs. TPA

Many employers struggle with whether to self administer an FSA or employ a Third Party Administrator (TPA). Ninety-nine percent of existing FSA plans are administered by third party organizations; however, some employers choose to administer the plan internally. Before making this decision, the employer should review all the issues regarding self-administration:

1. The employer will be responsible for maintaining the bookkeeping and accounting duties of an IRS governed plan. This means the employer will need to hire dedicated persons specifically for these tasks or the employer will need to add these tasks to an employee's current work load.
2. Employees will be required to send personal health information to a co-worker.
3. The employer/plan administrator will need to be educated in the area of HIPAA, ERISA, COBRA and IRS and Department of Treasury regulations and attend continuing education.
4. The employer will need to oversee various compliance issues such as plan document authoring, form 5500 filing and nondiscrimination testing.

Looking for a TPA?

Most employers will rely on their employee benefits insurance broker or consultant for recommendations on good TPAs. A good TPA has a proven track record of customer service, expertise in compliance matters and delivers features that enhance the participant experience.

A Pre-Tax Benefit

Under a Section 125 Plan, the IRS allows employers to deduct an employee's group insurance premium and FSA deductions on a pre-tax basis. This means that the employee does not pay federal income tax or FICA tax (social security and Medicare) on these deductions. In most states, employees are also exempt from paying state income tax. Employers benefit because they do not pay the matching FICA tax on the employee deductions. Since the employees have a lower adjusted gross income, an employer may also realize savings through lower workers compensation premiums.

The Actual Accounts

There are three components to an FSA plan, a health care FSA, dependent care FSA and the premium only plan (POP) component. Under the health or dependent care FSA, the employee has to make an annual pledge or election each year. The POP component of the plan is typically designed so that the employees are automatically enrolled to have their insurance premiums deducted pre-tax.

Health Care FSA (HCFSA)

The health care FSA is a pre-funded arrangement that allows employees to set aside money from their paycheck for the reimbursement of out-of-pocket health care expenses. Qualified health care expenses are defined by IRS Section 213(d) and include almost all medical, dental, vision, Rx and over-the-counter expenses. Items and procedures that are cosmetic or for one's general well-being are not covered under the plan. As a pre-funded arrangement, an employee has full access to their annual pledge on the first day of the plan year.

COBRA and FSAs

Most health care FSAs are considered *excepted* benefits under HIPAA. HIPAA excepted benefits provide special limited COBRA obligations — specifically only certain employees must be offered COBRA and the duration of COBRA coverage is shorter.

- Only employees with an under-spent benefit at the time of termination must be offered COBRA continuation rights.
- The coverage period for COBRA continuation ends at the end of the plan year. Employees do not have re-enrollment rights for the next year.

Day Care FSA (DCFSA)

Employees can set aside money from their paycheck for the reimbursement of their day care expenses for qualifying individuals. Unlike the health care FSA, the day care FSA is not a prefunded account, but more like a traditional bank account. The day care FSA has a set limit of \$5,000 per taxable year and is an alternative to the child tax credit. Employees considering a day care FSA should consult a tax advisor to determine if it is a better option than the child tax credit. There are various online calculators that can help employees make this decision as well.

Plan Design Choices

FSA plans are governed by section 125 of the IRS tax code and department of treasury regulations. Within the framework of the regulations, employers have some flexibility in designing their plan so long as the terms of the plan are applied uniformly to the employees. Here are some of the various aspects of a plan's design that are determined by the employer.

- The health care FSA limit
- Adding the 2 ½ month grace period
- The FSA plan year
- The claims run-out period
- Offering a debit card
- Pre-tax insurance premiums