

Qualified medical expenses

Paying for a qualified medical expense such as doctor visit or prescriptions medications is simple with your Freedom/UMB Health Savings Account (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.

Changes to over-the-counter medical expenses in 2011

Effective January 1, 2011, expenses for over-the-counter (OTC) drugs will not be eligible for payment or reimbursement from an HSA without a doctor's prescription. This change is a result of new health care reform legislation. A few examples of OTC medicines that will require a doctor's prescription for payment or reimbursement from an HSA are:

- Acid controllers
- Allergy and sinus medications
- Cold, cough, and flu medications
- Pain relief medications
- Sleep aids and sedatives

Changes to over-the-counter medical expenses in 2011

- Items that are merely beneficial to an individual's general good health, such as vitamins, are not qualified medical expenses
- Remember to save your receipts and your doctor's prescriptions for OTC medicines for tax purposes
- As the HSA owner, you are responsible for determining whether a health care expense is eligible for reimbursement from your HSA
- Freedom and UMB HSA do not determine whether claims qualify for tax-free reimbursement
- If an HSA expenditure is not used for a qualified medical expense, a 10 percent penalty tax will be incurred. This has increased to 20 percent effective January 1, 2011. (The 20 percent penalty tax does not apply to payments made after your death or disability, or after you reach age 65.)

To help you determine whether an expense qualifies for tax-free reimbursement under your HSA, Internal Revenue Code Section 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 the IRS.

What expenses qualify for tax-free reimbursement from my HSA?

This list includes a few examples of qualified medical expenses:

- Acupuncture
- Alcoholism treatment
- Ambulance services
- Artificial limb or prosthesis
- Artificial teeth
- Bandages
- Birth control pills
- Braille books/magazines (portion of costs)
- Car adaptations (for a person with a disability)
- Chiropractors
- Christian Science practitioners
- Contact lenses (including saline solution and cleaner)
- Crutches
- Dental treatment (fillings, extractions, dentures, braces, etc.)
- Diagnostic devices (such as a blood sugar test kit)
- Doctor's fees
- Drug addiction treatment
- Eyeglasses (including eye examinations)
- Eye surgery (including laser eye surgery)
- Fertility enhancement (including in-vitro fertilization)
- Guide dog (for visually-impaired or hearing-impaired)
- Hearing aids and hearing aid batteries
- Hospital services (including meals and lodging)
- Insulin
- Laboratory fees
- Prescription medicines or drugs
- Nursing home
- Nursing services
- Operations or surgery
- Psychiatric care
- Psychologist
- Telephone equipment for hearing-impaired
- Telephone equipment for visually-impaired
- Therapy or counseling
- Transplants
- Transportation for medical care
- Vasectomy
- Wheelchair
- X-rays (including Dental)

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

- Babysitting, childcare, and nursing services for a 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
- OTC medications (without a doctor's prescription)
- 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