

QUALIFIED MEDICAL EXPENSES

The following pages are excerpted from the HSA Road Rules, first edition, published by Dan Perrin of the HSA Coalition on December 7, 2004. Communicating for Agriculture and the Self Employed is a member of the HSA Coalition. For more detailed information go to www.irs.gov and search for Publication 502.

Allowable (tax-free) Expenditures from Your Health Savings Account

There have been thousands of cases involving the many nuances of what constitutes “medical care” for purposes of section 213(d) of the Internal Revenue Code. A determination of whether an expense is for “medical care” is based on all the relevant facts and circumstances. To be an expense for medical care, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness. The determination often hangs on the word “primarily.”

Note: If you are receiving federal or state unemployment insurance, you may pay for your health insurance premiums out of your HSA.

Examples of Allowable Expenditures from Your Health Savings Account:

Acupuncture	Legal Fees (if for mental illness)
Alcoholism Treatment	Life-Care Fees
Ambulance	Lodging (for out-patient treatment)
Artificial Limb	Long-Term Care (medical expenses)
Artificial Teeth	Long-Term Care Insurance (up to allowable limits)
Bandages	Meals (associated with receiving treatments)
Birth Control Pills (by prescription)	Medical Conferences (for ill spouse/dependent)
Breast Reconstruction Surgery (mastectomy)	Medicare Deductibles
Car Special Hand Controls (for disability)	Medicare Premiums
Certain Capital Expenses (e.g., for the disabled)	Mentally Retarded (specialized homes)
Chiropractors	Nursing Care
Christian Science Practitioners	Nursing Homes
COBRA premiums	Obstetrician
Contact Lenses	Operating Room Costs
Cosmetic Surgery (if due to trauma or disease)	Operations - Surgical
Crutches	Ophthalmologist
Dental Treatment	Optician
Dermatologist	Optometrist
Diagnostic Devices	Organ Transplant (including donor’s expenses)
Disabled Dependent Care Expenses	Orthodonture
Drug Addiction Treatment (inpatient)	Orthopedic Shoes
Drugs (prescription)	Orthopedist
Eyeglasses	Osteopath
Fertility Enhancement	Out-of-pocket expenditures and deductibles for your spouse or dependent even if insured under a non-HSA health plan
Guide Dog	Out-of-pocket expenditures while enrolled in Medicare
Gynecologist	Over-the-Counter Medicines
Health Institute (if prescribed by physician)	Oxygen and Equipment
H.M.O. (certain expenses)	Pediatrician
Hearing Aids	Personal Care Services (for chronically ill)
Home Care	Podiatrist
Hospital Services	
Laboratory Fees	
Lasik Surgery	
Lead-Based Paint Removal	
Learning Disability Fees (prescription)	

Examples of Allowable Expenditures – continued:

Post-Nasal Treatments	Spinal Tests
Prenatal Care	Splints
Prescription Medicines	Sterilization
Prosthesis	Surgeon
PSA Test	Telephones and Television for the Hearing Impaired
Psychiatric Care	Therapy
Psychiatrist	Transportation Expenses for Health Care Treatment
Psychoanalysis	Vaccines
Psychoanalyst	Vitamins (if prescribed)
Psychologist	Weight Loss Programs
Qualified Long-Term Care Services	Wheelchair
Radium Treatment	Wig (hair loss from disease)
Smoking Cessation Programs	X-Rays
Special Education for Children (ill or disabled)	
Specialists	

Non-Allowable (not tax-free) Expenditures from Your Health Savings Account

Examples of Non-Allowable Expenses:

Advance Payment for Future Medical Expenses	Illegally Procured Drugs
Athletic Club Membership	Maternity Clothes
Automobile Insurance Premium	Medigap premiums
Babysitting (for healthy children)	Nutritional Supplements
Boarding School Fees	Premiums for Life, Disability, Other Accident Insurance
Bottled Water	Premiums for your HSA Qualified High Deductible Health Plan, unless you are receiving Federal or State unemployment benefits, or you are on COBRA
Commuting Expenses for the Disabled	Scientology Counseling
Controlled Substances	Social Activities
Cosmetics and Hygiene Products	Special Feeds/Beverages
Dancing Lessons	Swimming Lessons
Diaper Service	Teeth Whitening
Domestic Help	Travel for General Health Improvement
Electrolysis or Hair Removal	Tuition in a Particular School for Problem Children
Funeral Expenses	
Hair Transplant	
Health Programs at Resorts, Health Clubs, & Gyms	
Household Help	
Illegal Operations and Treatments	