



# Health Savings Account (HSA)

## Qualifying and Disallowed Medical Expenses

Certain medical, dental and vision expenses that you, your spouse, and your eligible dependents incur may be reimbursed by your medical Health Savings Account (HSA). Typically, expenses incurred for the diagnosis, treatment, or prevention of disease are reimbursable, as are certain transportation costs essential to seeking medical care. As always, your plan terms may differ from the general provisions.

In general, medical, dental and vision expenses that qualify as federal income tax deductions under Section 213(d) of the tax code may be reimbursed through your HRA. The IRS may update this list and reclassify services found in the allowable or disallowed expense categories. For that reason, this list is only a guideline. Note that some of following qualifying expenses may require a doctor's prescription or a letter of medical necessity for reimbursement, and many of the potentially qualifying expenses will require a letter of medical necessity.

### QUALIFYING EXPENSES

Abortion  
Acupuncture  
Adoption, pre-adoption medical expenses (For tax-qualified dependent at the time of service)  
Alcoholism treatment  
Ambulance  
Arch support  
Artificial limbs  
Bandages  
Birth control pills  
Blood tests  
Blood transfusions  
Braces  
Breast pumps & supplies  
Carpal tunnel wrist supports  
Cardiographs  
Chelation therapy (to treat medical conditions, such as lead poisoning)  
Chiropractor  
Circumcision  
Co-insurance amounts  
Cold/hot packs  
Contact lenses  
Contraceptive devices  
Convalescent home (for medical treatment only)  
Co-payments  
Crutches  
Deductibles  
Dental sealants  
Dental x-rays  
Dentures  
Dermatologist  
Diabetic supplies

### QUALIFYING EXPENSES

Diagnostic fees  
Diathermy  
Drug addiction therapy  
Durable medical equipment  
Ear wax removal products  
Eczema treatments (prescription)  
Eyeglasses/examinations  
Eye drops  
First aid kits  
Flu shots  
Fluoridation services  
Gauze pads  
Glucose-monitoring equipment  
Guide dog  
Gum treatment  
Gynecologist  
Hearing aids and batteries  
Hospital services  
Immunizations  
Incontinence supplies  
Insulin treatments  
Lab tests and fees  
Lactation consultant  
Lactation supplies  
Laser eye surgery  
Liquid adhesive for small cuts  
Mastectomy-related special bras  
Medical alert bracelet or necklace  
Medical information plan charges  
Medical monitoring and testing devices  
Medical record charges  
Neurologist  
Nicotine gum, patches or smoking cessation meds (with prescription)

### QUALIFYING EXPENSES

Norplant insertion or removal  
Obstetrician  
Occlusal guards to prevent teeth grinding  
Operation room costs  
Ophthalmologist  
Optician  
Optometrist  
Oral surgery  
Organ transplant (including donor's expenses)  
Orthodontia  
Orthopedist  
Osteopath  
Oxygen and oxygen equipment  
Ovulation monitor  
Pediatrician  
Physical exams  
Physical therapy  
Physician  
Physiotherapist  
Podiatrist  
Postnatal treatments  
Practice nurse for medical services  
Pregnancy test kits  
Prenatal care  
Prescription sunglasses  
Prosthesis  
Prescription medicines  
Psychiatrist  
Psychoanalyst  
Psychologist  
Psychotherapy  
Radial keratotomy  
Radium therapy

### QUALIFYING EXPENSES

Reading glasses  
Registered nurse  
Rehydration solution  
Screening tests  
Sleep-deprivation treatment (with prescription)  
Smoking cessation medications or programs  
Spinal fluid test  
Speech therapy  
Spermicidal foam  
Splints  
Sterilization  
Support braces  
Surgeon  
Telephone or TV equipment to assist the hard-of-hearing  
Therapy equipment  
Thermometers  
Transplants  
Transportation expenses (relative to health care)  
Ultraviolet ray treatment  
Vaccines  
Vasectomy/reversal  
Vision correction  
Wheelchair (including when used for relief of sickness or disability)  
Walkers  
X-rays

Many of the potentially qualifying expenses require a letter of medical necessity, treatment for a specific medical condition, a doctor's prescription, and/or other substantiation. As a general rule, the purpose of the expense must be to treat the disease rather than to promote general health, and the expense must not have been incurred "but for" this purpose. To show that the expense is primarily for medical care, a note from a medical practitioner recommending the item or program to treat a specific medical condition is normally required. Expenses related to maintaining general health or achieving optimal health (when there is no underlying medical condition, disease, or disability) are not reimbursable; but expenses incurred for treatments, medications, and supplies to treat or alleviate a specific medical condition, disease, or disability upon the recommendation of your physician are generally covered. Appropriate documentation is required to substantiate physician recommendations.

(\*) Notes that a letter of medical necessity is required for treatment of a medical condition.

**POTENTIALLY QUALIFYING EXPENSES**

AA meetings, transportation to (substantiation of expense must be retained)  
 Adaptive equipment (when used to relieve or alleviate sickness or disability)  
 Air conditioner\*  
 Air purifier\*  
 Alternative healers, dietary substitutes and drugs and medicines\* (must be legal)  
 Capital expense\*  
 Car modification\*  
 Cayenne pepper\*  
 Childbirth classes  
 Chinese herbal practitioner and herbal treatments\* (must be legal)  
 Christian Science practitioner\*  
 Chondroitin (for specific medical condition, and not to "maintain good health")  
 COBRA premiums  
 Compression hose (to treat or alleviate an existing medical condition)  
 Counseling  
 Crowns, dental (non-cosmetic purpose)  
 Dancing lessons\* (If prescribed to treat a specific medical condition, and expense would not otherwise have been incurred but for the condition)  
 Diabetic socks  
 Dietary supplements (if prescribed to treat a medical condition)  
 Disabled dependent care expense (letter of medical necessity required)  
 DNA collection and storage (for medical conditions and testing purposes, but not for paternity testing)  
 Doula\*  
 Dyslexia\*

**POTENTIALLY QUALIFYING EXPENSES**

Ear plugs\*  
 Egg donor fees (if preparatory to a procedure performed on you)  
 Eggs and embryos, storage fees (only to the extent necessary for immediate conception)  
 Elevator (upon advice of physician, when used to relieve or alleviate sickness or disability)  
 Exercise equipment for program\*  
 Fiber supplements\*  
 Fitness programs\*  
 Fluoride rinses (if used to treat or alleviate a specific medical condition, and if the expense would not have been incurred "but for" the condition)  
 Food thickeners\*  
 Gambling problem, treatment for  
 Genetic testing  
 Glucosamine  
 Hand sanitizer  
 Health club fees\*  
 Herbs\*  
 Holistic or natural healers, dietary substitutes, and drugs and medicines\*  
 Home care  
 Home improvements  
 Hormone replacement therapy  
 Humidifier  
 Hypnosis  
 Inclinator  
 Infertility treatments  
 Insurance premiums\*\*  
 In Vitro Fertilization  
 Lamaze classes  
 Language training  
 Lead-based paint removal  
 Learning disability instruction  
 Legal fees, general (if required and incurred to obtain medical services)

**POTENTIALLY QUALIFYING EXPENSES**

Legal fees in connection with fertility treatments  
 Lodging, not at hospital or similar institution\*\*\*  
 Masks, disposable  
 Massage therapy  
 Meals at a hospital or similar institution (if part of inpatient care and furnished as a necessary incident to continuing medical care)  
 Mentally handicapped, special home for  
 Mineral supplements\*  
 Neuropathetic healers, dietary substitutes, and drugs and medicine  
 Nursing services  
 Nutritionist's professional expenses  
 Nutritional supplements\*  
 Orthopedic shoes\*  
 Personal trainer fees  
 Petroleum jelly  
 Prenatal vitamins  
 OTC drugs (must have a doctor's prescription)  
 Probiotics  
 Propecia (if medically necessary, but not if used for hair loss)  
 Psychoanalysis  
 Psychologist  
 Retin-A (but not for cosmetic reasons)  
 Rogaine (but not for cosmetic reasons)  
 Rubdowns  
 Schools and education, residential or special (if medically necessary)  
 Special foods (will qualify if prescribed by a medical practitioner to treat a specific illness or ailment and if the foods do not substitute for normal nutritional requirements)

**POTENTIALLY QUALIFYING EXPENSES**

Sperm, storage fees (for temporary storage might qualify, but only to the extent necessary for immediate conception)  
 Stem cell, harvesting and/or storage of  
 Student health fees  
 Sunscreen  
 Swimming lessons\* (if prescribed to treat a specific medical condition, and expense would not otherwise have been incurred but for the condition.)  
 Swimming pool maintenance (if pool used for medical care by someone diagnosed with a specific medical condition, and a physician has substantiated that the pool is part of the medical treatment. Pool cannot be used for recreation.)  
 Treadmill  
 Ultrasound, prenatal (if used to determine fetal health and development)  
 Umbilical cord, freezing and storing of (if medically necessary)  
 Varicose veins, treatment (non-cosmetic treatment)  
 Veterinary fees (for service animals used by disabled persons)  
 Weight-loss programs\*\*\*\*  
 Wigs (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).

\*\*HSA 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 that long-term care insurance premium reimbursements in excess of the indexed annual limit will be treated as taxable and may be subject to an additional 10% excise tax.



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\*\*\*Up to \$50 per night will qualify if these conditions are met: (1) The lodging is primarily for and essential to medical care; (2) the medical care is provided by a physician in a licensed hospital or medical care facility related to (or equivalent to) a licensed hospital; (3) the lodging isn't lavish or extravagant; and (4) 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).

\*\*\*\*If recommended by a physician to treat a specific medical condition (such as obesity, heart disease, or diabetes) and not simply to improve general health. However, food associated with a weight-loss program (such as special pre-packaged meals) would not qualify, since it just meets normal nutritional needs.

### DISALLOWED EXPENSES

Advance payment for services to be received next year  
 Athletic club membership (for general health or to relieve discomfort not related to a medical condition)  
 Automobile insurance premium allocable to medical coverage  
 Boarding school fees  
 Bottled water  
 Cologne  
 Commuting expenses of a disabled person  
 Controlled substances in violation of federal law  
 Cosmetic surgery and procedures  
 Cosmetics, hygiene products, and similar items  
 Diaper service  
 Diet Food (for ordinary nutritional value; includes meal replacements and shakes)  
 Domestic help  
 Funeral, cremation, or burial expenses  
 Health programs offered by resort hotels, health clubs, and gyms  
 Illegal operations and treatment

### DISALLOWED EXPENSES

Illegally procured drugs  
 Maternity clothes  
 Over-the-counter (OTC) drugs (without a doctor's prescription)  
 Premiums for life insurance, income protection, disability, loss of limbs, sight, or similar  
 Scientology counseling  
 Social activities  
 Special food or beverages  
 Supplements (unless used to treat a specific medical condition)  
 Swimming pool  
 Travel for general health improvement  
 Tuition and travel expenses for a child with special needs at a particular school  
 Vitamins (unless used to treat a specific medical condition)  
 Weight-loss programs

This information is designed to provide accurate information on recent changes to laws relating to health plans and employee benefits. However, Gilsbar, LLC is not rendering legal advice. If legal advice or other expert assistance is required, the services of a competent professional should be sought. Gilsbar, LLC assumes no liability of any kind for the information and data contained herein or for any decisions made in reliance thereon. — September 2017

2018 IRS Limits		
	Single Plan	Family Plan
Maximum Contribution Limit	\$3,450	\$6,900
Minimum Deductible	\$1,350	\$2,700
Maximum Out-of-Pocket	\$6,650	\$13,300
Catch-up Contribution (55+)	\$1,000	\$1,000

2019 IRS Limits		
	Single Plan	Family Plan
Maximum Contribution Limit	\$3,500	\$7,000
Minimum Deductible	\$1,350	\$2,700
Maximum Out-of-Pocket	\$6,750	\$13,500
Catch-up Contribution (55+)	\$1,000	\$1,000

### Other important IRS guidelines include:

A one-time rollover from an IRA is allowed up to the annual IRS maximum amounts. Contact your tax advisor to discuss the benefits and tax reporting requirements.



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## Prorated HSA Contributions

If you do not have HSA-compatible health coverage for an entire calendar year, you must prorate your HSA contributions to avoid tax penalties. Examples are as follows:

Annual Contribution Limit	÷	12 months	X	# of months eligible	=	Prorated Contribution
\$3,500 (individual)	÷	12 months	X	4	=	\$1,166.66
\$7,000 (family)	÷	12 months	X	6	=	\$3,500

### Mid-Year Coverage

If your HSA-compatible coverage begins in July, you can contribute the maximum amount for that year provided that you maintain coverage until December 31 of the following year.

### Health Plan Status Change

If you begin the year with family coverage and switch to single coverage in July of that year, you are eligible to contribute half of the family coverage contribution maximum and half of the individual coverage contribution maximum.

Source: [hsabank.com](http://hsabank.com)