When you pay for qualified medical expenses with your Health Savings Account (HSA), the funds you withdraw are tax-free, provided they:

- Are qualified medical expenses as generally described in IRS Publication 502 titled, “Medical and Dental Expenses,” Catalog Number 15002Q. You can order the publication by calling (800) TAX-FORM or see it online at http://www.irs.gov/pub/irs-pdf/p502.pdf
- Have not been compensated or reimbursed by insurance or otherwise.

The following two lists give you a general overview of qualified and non-qualified expenses. The good news is that you may use your HSA for all kinds of medical expenses your health plan may not cover: from dentistry and eyeglasses to psychotherapy and even health-related home improvements.

These lists are not all-inclusive, and are subject to change by the IRS. Remember that any HSA funds used for non-qualified expenses will be taxable. These 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 expenses include:
- Acupuncture
- Air conditioner (when necessary for breathing)
- Alcoholism treatment
- Ambulance
- Birth control pills and other contraceptive devices (by prescription)
- Braces
- Braille materials
- Breast pumps and lactation supplies
- Chiropractor
- Christian Science Practitioner
- Contact lenses
- Cosmetic surgery and procedures (if related to accident, birth defect, or disease)
- Convalescent home (medical)
- Crutches
- Dental x-rays
- Dentures
- Drug addiction therapy
- Exercise equipment (by prescription)
- Eyeglasses
- Fluoridation unit
- Guide dog
- Handicap equipment
- Healing services
- Hearing aids and batteries
- Heating devices (if therapeutic)
- Home improvements (health-related only, e.g., wheelchair access)
- Hydrotherapy
- Invalid chair
- LASIK eye surgery
- Lead paint removal
- Legal fees (required to authorize health treatment)
- Lodging (away from home for outpatient care)
- Nurses (registered)
- Nursing home and services (including board and meals)
- Ophthalmologist, optician, and optometrist
- Orthopedic shoes
- Over-the-counter items (non medication), see page 2 for further details
- Oxygen and oxygen equipment
- Prenatal care
- Prescription medicines
- Prosthesis
- Psychotherapy
- Reclining chair (prescribed)
- Sickroom supplies
- Special school or home costs for the physically and mentally impaired
- Splints
- Telephone/T.V. for impaired
- Therapy equipment
- Transportation expenses (relative to healthcare)
- Tuition for child with learning disability
- Ultra-violet ray treatment
- Vaccines
- Vasectomy
- Whirlpool bath (by prescription)

(over, please)
Non-qualified medical expenses include:
• Advance payment for services rendered next year
• Athletic club membership
• Car insurance premium (medical portion)
• Boarding school fees and child care
• Commuting expenses of a disabled person
• Cosmetic surgery and procedures (unless due to accident, birth defect, or disease)
• Cosmetics, hygiene products, and similar items
• Diaper service
• Domestic help
• Funeral, cremation, or burial expense
• Illegal operations and treatments
• Illegally procured drugs

• Maternity clothes
• Over-the-counter medication (unless accompanied by a prescription), see below for further details
• Premiums for life insurance, income protection, disability, loss of limbs or sight
• Scientology counseling
• Social activities
• Special foods or beverages
• Stop-smoking programs
• Swimming pool
• Travel for general health improvement
• Tuition and travel expenses to send a special needs child to a particular school
• Weight loss programs

Eligibility of Over-the-Counter (OTC) items effective January 1, 2011

Healthcare reform legislation signed into law in March 2010 impacts OTC purchases with HSAs beginning January 1, 2011. While some OTC items will maintain current eligibility status, certain drugs and medicines will require a prescription to be considered an eligible expense.

Eligible over-the-counter items:
• Band aids
• Birth control
• Braces and supports
• Contact lens solution and supplies
• Elastic bandages and wraps
• First aid supplies
• Reading glasses

Ineligible over-the-counter medications (unless accompanied by a prescription):
• Acid controllers
• Acne medication
• Allergy and sinus
• Antibiotics
• Anti-itch and insect bite
• Cough, cold and flu medicine
• Eye drops
• Indigestion
• Laxatives
• Motion sickness
• Nasal sprays
• Ointments and creams
• Pain relief
• Respiratory treatments
• Sleep aids and sedatives
• Stomach remedies