

## List of popular expenses

Following is an alphabetical list of items that are encountered frequently by sponsors of health FSAs. Some of these items may be reimbursed, and some may not; each item is followed by a brief note indicating which category the item falls into.

	Reimbursable?
Abortion	Yes
†Acid reducers*	Yes
†Acne medications*	Yes
Acupuncture	Yes
Air filter	Yes, to treat a medical condition
Alcoholism and drug abuse	Yes, medical expenses paid to a treatment center reimbursable
Allergy medicine*	Yes, to alleviate or treat injuries or sickness without a prescription <sup>12C</sup>
Ambulance	Yes
†Antacid*	Yes, includes gum, liquid and tablets <sup>12D</sup>
†Anti-diarrhea medications*	Yes
†Anti-itch lotion*	Yes
†Antiseptic wash	Yes
Antihistamine	Yes, to alleviate or treat injuries or sickness without a prescription <sup>13</sup>
Artificial limb/teeth	Yes
Aspirin*	Yes <sup>13A</sup>
Automobile (See Car)	
Babysitting/child care	No
†Benzocaine swabs	Yes
Birth control pills/devices*	Yes
†Boric acid powder	Yes
Braille books and magazines	Yes, amount by which the cost of braille books and magazines for use by a visually impaired person exceeds price for regular books and magazines is reimbursable
Breast augmentation	Only if costs are related to the removal of breast implants that are defective or are causing a medical problem
Breast pump	No, unless it is to mitigate or treat a disease <sup>13B</sup>
Breast reconstruction surgery	Yes <sup>13C</sup>
Breast reduction	Yes, if medically necessary and not cosmetic purposes
†Bronchial asthma inhalers*	Yes
†Broncholidator/Expectorant tablets*	Yes
†Bunion and blister treatments	Yes
Cancer insurance (See Supplemental insurance policies)	
Capital expenses	Yes, for medical care

†Indicates new or revised material.

<b>Car</b>	Yes, if for special hand controls and other special equipment and if amount by which the cost of a car specially designed to hold a wheelchair exceeds the cost of a regular car
<b>Chair</b>	Yes, to alleviate a heart, back or other condition
<b>Child care (See Dependent care)</b>	
<b>Childbirth classes</b>	Yes, just to expenses incurred by mother-to-be
<b>Chiropractor</b>	Yes
<b>Clinic</b>	Yes
<b>COBRA premiums</b>	No
<b>Coinsurance amounts</b>	Yes
<b>†Cold medicine*</b>	Yes, to treat or alleviate injuries or sickness. <sup>13D</sup> Includes cough drops; cough syrup; cold relief syrup; cold relief tablets; flu relief tablets or liquid; medicated chest rubs; nasal decongestant inhalers, spray or dips; nasal strips; saline nose drops; sinus and allergy homeopathic nasal spray; sinus medications; and vapor patch cough suppressants.
<b>†Cold relief syrup* (See Cold medicine)</b>	
<b>†Cold relief tablets* (See Cold medicine)</b>	
<b>†Cold sore medications*</b>	Yes, includes fever blister medications
<b>Commuting costs (See Trips)</b>	
<b>Contact lenses (See Vision care)</b>	
<b>Contraceptives (See Birth control pills and devices)</b>	
<b>Cord blood storage</b>	Only if child has medical condition the cord blood treats
<b>†Corn and callus removal medications</b>	Yes
<b>Cosmetic surgery</b>	Yes, if surgery is necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease; however, medical expenses paid for other cosmetic surgery are not deductible medical expenses under Code Section 213, and thus are not reimbursable by a health FSA; <sup>14</sup> however, the cost of cosmetic surgery to improve a facial deformity caused by prior surgeries to correct congenital abnormalities is; <sup>14A</sup> gender reassignment surgery is not deductible under Section 213; <sup>14B</sup> if there is a concern that a medical or dental surgery could be considered cosmetic, a doctor's certification should be obtained explaining how the procedure meaningfully promotes the proper function of the body or prevents or treats an illness or disease <sup>15</sup>
<b>†Cough drops*</b>	Yes
<b>†Cough syrup*</b>	Yes
<b>Crutches</b>	Yes <sup>15A</sup>
<b>Dancing/swimming lessons, etc.</b>	No

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<b>Day care (See Dependent care)</b>	
<b>Deductibles</b>	Yes
<b>Dental treatment</b>	Yes
<b>Dependent care expenses</b>	No <sup>16</sup> (see ¶321), but may be under a dependent care FSA (see ¶330)
† <b>Diabetic supplies</b>	Yes, includes lancets, test strips and other supplies. <sup>16A</sup>
<b>Diaper service</b>	No, unless needed to relieve effects of a disease
† <b>Distilled water</b>	Yes, if it serves a medical purpose. <sup>16B</sup>
† <b>Divorce</b>	No, even when a doctor or psychiatrist recommends it
<b>Drugs (See Medicines)</b>	
<b>Drug addiction treatment (See Alcoholism)</b>	
<b>Ear piercing</b>	No
† <b>Ear water-drying aid</b>	Yes
† <b>Ear wax removal drops</b>	Yes
† <b>Eczema cream</b>	Yes, see Information Letter 2009-0209
<b>Egg donor fees and expenses</b>	Yes, see Code Section 213 <sup>16C</sup>
<b>Electrolysis or hair removal (See Cosmetic surgery)</b>	
<b>Employment-related expenses</b>	No, however, physical exams not employment-related are
<b>Employment taxes (See Nursing services)</b>	
<b>Equipment, diagnostic devices</b>	May be if for the diagnosis, cure, mitigation, treatment or prevention of disease, or purpose of affecting any body structure or function <sup>16D</sup>
<b>Exercise equipment</b>	Yes, if purchased on a doctor's recommendation <sup>16E</sup>
† <b>Eye drops*</b>	Yes
<b>Eyeglasses (See Vision care)</b>	
<b>Face lifts (See Cosmetic surgery)</b>	
<b>Fertility</b>	Yes, unless it is for a single father of natural health for fertilization of anonymous donor's eggs <sup>16F</sup>
† <b>First aid wipes</b>	Yes
<b>Fitness/exercise classes</b>	Only if prescribed by physician for a medical condition
† <b>Flu relief tablets or liquid (See Cold medicine)</b>	
<b>Food (See Special foods)</b>	
<b>Foreign countries</b>	Yes
<b>Formula, infant</b>	No, even if a mother is unable to breast feed. It is viewed as food that satisfies normal nutritional requirements. <sup>16G</sup>
<b>Funeral expenses</b>	No
† <b>Gas treatments*</b>	Yes, includes gas prevention food, enzyme dietary supplements and gas relief drops for infants and children
† <b>Glucose meters</b>	Yes <sup>16H</sup>

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<b>Group medical insurance</b> (See Insurance premiums)	
<b>Guide dog or other animal</b>	Yes
<b>Hair transplant</b> (See Cosmetic surgery)	
<b>Health club dues</b>	No, unless related to medical condition <sup>16I</sup>
<b>Healthy baby care</b> (See Nursing services)	
<b>Hearing aids</b>	Yes
<b>Heartburn medicines*</b>	Yes, to alleviate or treat injuries or sickness, if over the counter only with a prescription <sup>16J</sup>
<b>Herbal medicines</b> (See Naturopathy)	
† <b>Homeopathic earache tablets</b>	Yes
<b>Hospital expenses</b>	Yes
<b>Hot tub</b> (See Capital expenses)	
<b>Household help</b>	Only certain expenses paid to an attendant providing nursing-type services
<b>Human guide</b>	Yes
† <b>Hydrogen peroxide</b>	Yes
<b>Imported drugs*</b>	Only prescription drugs the FDA says may be legally imported by individuals
<b>Impotence or sexual inadequacy*</b>	Yes
<b>Infant formula</b> (See Formula, infant)	
<b>Infertility</b> (See Fertility)	
<b>In-patient meals</b> (See Lodging and meals)	
<b>Insulin</b>	Yes
† <b>Insurance against loss of life, limb, income or sight</b>	No
<b>Insurance premiums</b>	No <sup>17 and 17A</sup>
† <b>Iodine tincture</b>	Yes
† <b>Ipecac syrup</b>	Yes
<b>Laboratory fees</b>	Yes
<b>Laetrile</b>	No <sup>18</sup>
<b>LASIK</b>	Yes <sup>18A</sup>
† <b>Laxatives*</b>	Yes
<b>Lead-based paint removal</b>	Yes, but not repainting the scraped area
<b>Learning disability</b>	Yes, tuition payments to a special school and tutoring fees

†Indicates new or revised material.

<b>Legal fees</b>	Yes, except for a management fee. For example, legal fees related to establishing a guardianship for a spouse with Alzheimer's disease were proper because the purpose was to commit the spouse for medical treatment that could not be provided otherwise. <sup>18B</sup>
<b>Licensing requirement</b>	Neither the tax code nor IRS regulations require a plan participant to determine whether a provider is qualified, authorized under state law or licensed to practice before using his/her services; <sup>18C</sup> thus, services provided by a range of organizations and individuals may be reimbursable
<b>Life insurance premiums</b>	No (see ¶280)
<b>Lifetime care</b>	Yes, the agreement must require a specified fee payment as a condition for the home's promise to provide lifetime care that includes medical care
<b>Liposuction (See Cosmetic surgery)</b>	
<b>Lodging and meals</b>	Yes, if reason for being at hospital is to get medical care. The cost of lodging not provided in a hospital or similar institution while an employee is away from home is reimbursable if four requirements are met: (1) the lodging is primarily for and essential to medical care; (2) medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital; (3) the lodging is not lavish or extravagant under the circumstances; and (4) there is no significant element of personal pleasure, recreation or vacation in the travel away from home. The reimbursable amount cannot exceed \$50/person/night.
<b>Long-term care insurance premiums</b>	No (see ¶281) <sup>19</sup>
<b>Marijuana</b>	No
<b>Marriage counseling</b>	No
<b>Massage</b>	Only if prescribed/substantiated by physician to treat physical defect or illness
<b>Maternity clothes</b>	No
<b>Mattresses</b>	Yes, for treatment of arthritis
<b>Meals (See Lodging and meals)</b>	
<b>Medical alert devices</b>	No
<b>Medical aids</b>	Yes
<b>Medical information plan</b>	Yes
<b>Medical savings accounts (MSAs)</b>	No
<b>Medical services</b>	Yes, legal medical services
<b>Medicare Part A/B</b>	No
† <b>Medicated bath products</b>	Yes, if purpose is medical care <sup>19A</sup>
† <b>Medicated chest rub (see Cold medicine)</b>	
<b>Medicines*</b>	Yes, prescribed; over-the-counter medicines and drugs to alleviate or treat injury or sickness are reimbursable, only if prescribed by a physician <sup>20A*</sup>

†Indicates new or revised material.

<b>Mentally handicapped, special home for</b>	Yes
<b>Missed-appointment fees</b>	No
<b>†Nasal care supplies*</b>	Yes, includes decongestant inhalers, spray or drops, and nasal strips to improve congestion
<b>Naturopathy</b>	Possibly, non-traditional healing treatments professionals provide may be to treat a medical condition
<b>Nicotine patches and gum</b>	Yes
<b>Non-prescription drugs (See Over-the-counter medications)</b>	
<b>Nursing home</b>	Yes
<b>Nursing services</b>	Yes, if services are generally performed by a nurse; No, if services are for a baby that is normal and healthy
<b>Nutritional supplements (See Special foods)</b>	
<b>Optometrist (See Vision care)</b>	
<b>Organ donor (See Transplants)</b>	
<b>Orthodontia</b>	Yes, except for cosmetic purposes
<b>Orthopedic shoes</b>	Yes, but requires letter of medical necessity
<b>Osteopath</b>	Yes
<b>Over-the-counter medications*</b>	Only if prescribed by a physician <sup>20B</sup>
<b>Pain relievers*</b>	Only if prescribed by a physician <sup>20C</sup>
<b>Patterning exercises (See Therapy)</b>	
<b>Personal trainer</b>	Only if prescribed by physician for a medical condition
<b>Physical exams</b>	Yes, except for employment-related physicals (See Employment-related expenses)
<b>†Pinworm treatment*</b>	Yes
<b>Pre-existing conditions</b>	Yes
<b>Pregnancy test</b>	Yes
<b>Prescription drugs (See Medicines)</b>	
<b>Private hospital room</b>	Yes
<b>PRK (photorefractive keratectomy) (See Radial keratotomy)</b>	
<b>Prosthesis (See Artificial limb)</b>	
<b>Psychiatric care</b>	Yes
<b>Psychoanalysis</b>	Yes
<b>Psychologist</b>	Yes
<b>Radial keratotomy</b>	Yes <sup>21</sup>
<b>†Reading glasses</b>	Yes
<b>Resort (See Spa or resort)</b>	
<b>Retin-A</b>	Yes, when prescribed by physician to treat a medical condition, but not cosmetic
<b>Rogaine</b>	Yes (same as above)

†Indicates new or revised material.

†Rubbing alcohol	Yes
†Saline nose drops*	Yes
Schools, special	Yes, if school use is its resources for treating the disability; this includes the cost of a school that teaches braille to a visually impaired child, lip-reading to a hearing-impaired child or provides remedial language training to correct a condition caused by a birth defect
Scientology “audits”	No
Service animals	Yes, if animal is primarily for medical care to alleviate a mental defect or illness and would not have been paid but for that defect or illness.**
Sexual counseling	Yes, if the counseling is provided to a husband and/or wife by psychiatrist
Shampoo, medicated	Maybe when used to treat specific medical condition; letter of medical necessity from physician needed
†Sinus medications*	Yes, sinus medications and allergy and homeopathic nasal spray
Smoking cessation program/drugs	Yes <sup>22</sup>
Spa or resort	Yes, but only the medical services costs
Special foods	No, however, prescribed special foods or beverages are if consumed primarily to alleviate or treat illness or disease, they are substantiated by a physician and are not part of normal nutritional needs; special foods purchased as part of a weight-loss program are not reimbursable expenses because reduced-calorie foods are substitutes for the food individuals would normally eat; <sup>22A</sup> special foods and beverages are reimbursable only to the extent that their cost is greater than the cost of the commonly available version of the same product; in a December 2001 letter ruling, the IRS set four standards for determining whether cayenne pepper qualifies under Code Section 213 <sup>22B</sup>
Sterilization	Yes
†Stomach care*	Yes, includes acid reducers and antacid gum, liquid and tablets
†Sublimated sulfur powder	Yes
Substance abuse (See Alcoholism and drug abuse)	
Sunburn relief and sunscreens	Yes
Sunglasses	Yes, for prescription; Yes to non-prescription if they meet the Section 213 definition of medical care <sup>23</sup>
Supplemental insurance policies	No <sup>24</sup>
Swimming lessons (See Dancing lessons)	
Taxes	Yes, for medical
Teeth guards	Yes, except for sports use
Teeth whitening	No <sup>24A</sup>
Telephone	Yes, special equipment that lets a hearing-impaired person communicate over a telephone

†Indicates new or revised material.

<b>Television</b>	Yes, equipment that displays the audio part of TV programs as subtitles for the hearing-impaired
<b>Tests</b>	Yes, if diagnostic or screening tests have a direct relationship between the test and a medical diagnosis <sup>24B</sup>
<b>Therapy</b>	Yes, as medical treatment and payments to individual for special exercises administered to a mentally retarded child
<b>†Toiletries</b>	No
<b>Transplants</b>	Yes, for surgical, hospital, laboratory and transportation expenses for a prospective or actual donor
<b>Transportation</b>	<p>†Yes, for medical care; transportation expenses of a parent who must accompany a child who needs medical care; transportation expenses of a nurse or other person who can give injections, medications or other treatment a patient requires who is traveling to get medical care and is unable to travel alone; transportation expenses for regular visits to see a mentally ill dependent if these visits are recommended as a part of treatment; transportation to attend outpatient meetings (including Alcoholics Anonymous, if attending on a doctor's advice); and transportation and registration fees (but not meals or lodging expenses) incurred to attend a medical conference on a chronic disease of the employee or a dependent.<sup>25</sup> Instead of actual expenses, it is acceptable to use a flat rate for each mile a car is used for medical purposes.<sup>26</sup></p> <p>†Beginning Jan. 1, 2011, it is 19 cents per mile for medical or moving travel.<sup>26A</sup> The medical expense mileage rate takes into account only out-of-pocket variable expenses (for example, gasoline and oil), not fixed expenses (for example, depreciation, lease payments, license and registration fees). The higher business mileage rate does. Therefore, it is improper to use the business mileage rate in reimbursing mileage for medical expenses.<sup>26B</sup></p>
<b>Trips</b>	Yes, if the trip is primarily for and essential to receiving medical services, but not for commuting to a job not explicitly prescribed as therapy for a medical condition <sup>27A</sup>
<b>Tuition</b>	Yes, if charges are separately stated in the tuition bill
<b>Tutors' fees (See Learning disability)</b>	
<b>Umbilical cord blood banking</b>	Yes, if there is an existing or imminently probable disease, physical or mental defect or illness (for example, stem cells) <sup>***</sup>
<b>†Upset stomach medications* (See Stomach care)</b>	
<b>Vacation (See Trips)</b>	
<b>Vaccines</b>	Yes
<b>†Vapor patch cough suppressant*</b>	Yes
<b>Vasectomy</b>	Yes
<b>Viagra</b>	Yes, if prescribed to treat impotence as a specific medical condition

†Indicates new or revised material.

<b>Vision care</b>	Yes, eyeglasses and lenses for medical reasons, and eye exams and expenses for contact lens solutions; No to premiums for contact lens replacement insurance
<b>Vitamins*</b>	Only if physician prescribes to treat medical condition <sup>27B</sup>
<b>Wage continuation policies</b>	No
<b>†Wart removal medications*</b>	Yes
<b>Weight-loss program</b>	No, unless prescribed by physician to treat a specific illness <sup>27C</sup>
<b>Well baby care (See Nursing services)</b>	
<b>Wheelchair</b>	Yes
<b>Wigs (See Personal use items)</b>	
<b>X-ray fees</b>	Yes

\*Under the Patient Protection and Affordable Care Act (PPACA, Pub. L. 111-148), effective Jan. 1, 2011, over-the-counter medicines or drugs are not eligible for reimbursement under a health FSA, HRA, HSA or Archer MSA without a doctor's prescription. Insulin remains reimbursable. The change appears in Section 9003 of the PPACA.

\*\*IRS Information Letter 2010-0129.

\*\*\*IRS Information Letter 2010-0017.

### Capital expenses

Medical expenses incurred by employees for special equipment installed in the home or for improvements are reimbursable under a health FSA (subject to the discussion below) if their main purpose is medical care. Under Section 213, the cost of permanent improvements that increase the value of the property may be partly deducted as a medical expense. The cost of the improvement is reduced by the increase in the value of the property; the difference is a deductible medical expense. If the value of the property is not increased by the improvement, the entire cost is deductible as a medical expense.<sup>28</sup> Depreciation on the property being improved may not be claimed as a medical expense.<sup>29</sup>

Improvements to accommodate a disability do not usually increase the value of the residence, and the full cost usually is reimbursable. These improvements include, but are not limited to:

- constructing entrance or exit ramps;
- widening doorways at entrances or exits;
- widening or otherwise modifying hallways and interior doorways;
- installing railing, support bars or other modifications to bathrooms;
- lowering or making other modifications to kitchen cabinets and equipment;
- moving or otherwise modifying electrical outlets and fixtures;
- installing porch lifts and other forms of lifts (but generally not elevators);
- modifying fire alarms, smoke detectors and other warning systems;
- modifying stairways;
- adding handrails or grab bars;
- modifying hardware on doors;
- modifying areas in front entrance and exit doorways; and
- re-grading the ground to provide access to the residence.

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