



Health Savings Accounts

Examples of Ineligible Expenses

The products and services listed below are examples of expenses **NOT** eligible for payment under your **Health Savings Account**, according to the Internal Revenue Service. Typically, expenses for items that promote general health are not eligible expenses. Please note that this list is not all-inclusive, and is subject to change.

In addition, the following expenses may not be reimbursed from an HSA:

- ◆ Premiums for Medicare supplemental policies;
- ◆ Expenses covered by another insurance plan; or
- ◆ Expenses incurred prior to the date the HSA was established.*

While the trustee is not required to determine if a claim submitted for reimbursement is an eligible expense, ineligible expenses reimbursed from an HSA must be included in the account holder's taxable income and is subject to a 10% penalty, unless funds are distributed as a result of the account beneficiary's death, disability, or after he or she is eligible for Medicare, the 10% penalty does not apply.

Plans that do not allow reimbursement of ALL eligible medical expenses as defined by the IRS and Dept. of Treasury must customize this brochure prior to use.

- Babysitting/childcare/nursing services for a normal, healthy baby – even if the expenses allow for other household members to receive medical treatment
- Controlled substances in violation of federal law, such as “medical marijuana”
- Cosmetic surgery – if unnecessary and not resulting from surgery or disfigurement
- Dancing lessons, even if recommended by a doctor
- Diaper service
- Diet drinks
- Electrolysis/Hair removal
- Flexible spending account
- Funeral expenses
- Future medical care – except in situations where it is purchased in connection with obtaining lifetime care or long-term care, as described in “HSA Eligible Expenses”
- Hair transplant
- Health club dues
- Health coverage tax credit
- Health savings accounts
- Household help, even if recommended by a doctor – does not include nursing services
- Illegal operations and treatments
- Insurance premiums (some)
- Maternity clothes
- Medical savings account
- Medicines/Drugs from other countries
- Nutritional supplements
- Personal use items, such as a toothbrush or toothpaste
- Swimming lessons
- Teeth whitening
- Veterinary fees, except for guide dogs or other animal aids
- Weight-Loss program – if the purpose of the weight loss is for general well-being and health; refer to “HSA Eligible Expenses”

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* IRS Rev. Ruling 2004-25 provides transitional relief for individuals that have purchased a qualifying high-deductible health plan but have been unable to establish an HSA because they cannot locate a trustee or custodian willing to establish an HSA. Eligible individuals that established an HSA account on or before April 15, 2005, may pay or reimburse on a tax-free basis an otherwise qualified medical expense if the expense was incurred on or after the later of a) January 1, 2004, or b) the first day of the first month that the individual became eligible to contribute to an HSA. The IRS ruling does not provide transitional relief to individuals that have been unable to locate an insurance carrier that offers a qualifying high-deductible health plan.