

## Health Savings Account (HSA)

# Qualified medical expenses and your HSA

Paying for qualified medical expenses such as doctor's visits and prescription medications is simple and tax-free with your Wells Fargo HSA.<sup>1</sup> The money you contribute to your HSA is tax-deductible and can be used to pay for qualified medical expenses not only for yourself, but also for your spouse and tax dependents.

Once you put money in your HSA, you can use it to pay for qualified medical expenses now, or save and grow your balance to use later in life or in retirement—all tax-free. Remember to contribute up to the maximum annual amount allowed by the IRS to maximize your tax savings. The maximum allowed for 2012 is \$3,100 for single coverage and \$6,250 for family coverage.<sup>2</sup>

### What expenses qualify for tax-free reimbursement from my HSA?

To help you determine whether an expense qualifies for tax-free reimbursement under your HSA, Internal Revenue Code Section 213(d) states that eligible expenses must be made for "medical care." This is defined as amounts paid for the "diagnosis, cure, mitigation, treatment or prevention of disease, or for the purpose of affecting any structure or function of the body."

Qualified medical expenses are eligible for reimbursement through your HSA as long as they are not reimbursed through insurance or other sources. The examples and requirements stated in this flyer are subject to change by the IRS.

### Examples of qualified medical expenses

This list includes some examples of qualified medical expenses:

- Acupuncture
- Alcoholism treatment
- Ambulance services
- Artificial limb or prosthesis
- Artificial teeth
- Birth control pills
- Braille books/magazines (portion of costs)
- Car adaptations (for a person with a disability)
- Chiropractors
- Christian science practitioners
- Contact lenses (including saline solution and cleaner)
- Crutches
- Dental treatment (x-rays, fillings, extractions, dentures, braces, etc.)
- Diagnostic devices (such as a blood sugar test kit)

- Doctor's fees
- Drug addiction treatment
- Eyeglasses (including eye examinations)
- Eye surgery (including laser eye surgery)
- Fertility enhancement (including in-vitro fertilization)
- Guide dog (for visually-impaired or hearing-impaired)
- Hearing aids and hearing aid batteries
- Hospital services (including meals and lodging)
- Insulin
- Laboratory fees
- Lactation assistance supplies
- Prescription medicines or drugs
- Nursing home
- Nursing services
- Operations or surgery
- Psychiatric care
- Psychologist
- Telephone equipment for hearing-impaired
- Telephone equipment for visually-impaired
- Therapy or counseling
- Transplants
- Transportation for medical care
- Vasectomy
- Wheelchair
- X-rays

Together we'll go far



## Changes to over-the-counter medical expenses in 2011

As of January 1, 2011, expenses for over-the-counter (OTC) drugs are no longer eligible for payment or reimbursement from an HSA without a doctor's prescription. This change is a result of the 2010 healthcare reform legislation. A few examples of OTC medicines that will require a doctor's prescription for payment or reimbursement from an HSA are:

- Acid controllers
- Allergy and sinus medications
- Cold, cough, and flu medications
- Pain relief medications
- Sleep aids and sedatives

## Examples of other expenses that DO NOT qualify for reimbursement through an HSA

- Babysitting, childcare, and nursing services for a normal, healthy baby
- Controlled substances obtained in violation of federal law
- Cosmetic surgery
- Dancing lessons
- Diaper service
- Electrolysis or hair removal
- Funeral expenses
- Hair transplant
- Health club dues
- Household help
- Illegal operations and treatments
- Maternity clothes
- OTC medications (without a doctor's prescription)
- Personal use items
- Swimming lessons
- Teeth whitening
- Vacation or travel
- Veterinary fees
- Weight loss programs for improvement of appearance, general health, or sense of well-being

## A special note on insurance premiums

Insurance premiums are generally not considered qualified medical expenses. However, the following types of insurance premiums typically do qualify:

- Continuation coverage under federal law (i.e., COBRA)
- Qualified long-term care insurance contract
- Any health plan maintained while an individual is receiving unemployment compensation under federal or state law
- For accountholders age 65 and over (i.e., those eligible for Medicare), premiums for any health insurance (including Medicare and Medicare Part D premiums) other than a Medicare supplemental policy

## Important reminders about qualified medical expenses

- Items that are merely beneficial to an individual's general good health, such as vitamins or dietary supplements, are not qualified medical expenses.
- Drugs must be purchased legally.
- Remember to save your receipts and your doctor's prescriptions for OTC medicines for tax purposes.
- There may be situations when your doctor recommends a treatment that will be good for your health, but it still may be considered ineligible, such as a vacation.
- As the HSA owner, you are ultimately responsible for determining whether a healthcare expense is eligible for reimbursement from your HSA.
- Wells Fargo does not determine whether claims qualify for tax-free reimbursement.
- If an HSA expenditure is not used for a qualified medical expense, you will be required to pay income tax and a 20 percent penalty on the amount used. (The 20 percent penalty tax does not apply to payments made after your death or disability, or after you reach age 65.)

<sup>1</sup> Tax references are at the federal level. State taxes may vary. Please consult a tax advisor.

<sup>2</sup> The maximum IRS contribution limit for 2012 is \$3,100 for single coverage and \$6,250 for families. Accountholders age 55 and older can make additional \$1,000 catch-up contributions annually.

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*If you have additional questions about qualified medical expenses, please visit [wellsfargo.com/hsa](http://wellsfargo.com/hsa) or call Wells Fargo HSA Customer Service at 1-866-884-7374, Monday through Friday, from 7:00 a.m. to 8:00 p.m. Central Time.*

[wellsfargo.com/hsa](http://wellsfargo.com/hsa)

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