

QUALIFIED MEDICAL EXPENSES

Effective January 1, 2020, the IRS expanded the definition of eligible expenses to include over-the-counter drugs (even without a prescription), menstrual care products, and personal protective equipment to limit the spread of COVID-19.

IRS Publication 502, "Medical and Dental Expenses," lists expenses that are considered "qualified medical care expenses" as defined in Section 213(d). Most of these expenses qualify for tax-free withdrawal from a health savings account (HSA) or a health flexible spending account (FSA), unless the expenses were reimbursed by an individual's healthcare coverage (e.g., an employer-sponsored health insurance plan). Further, effective January 1, 2020, the IRS expanded the definition of eligible expenses to include over-the-counter drugs (even without a prescription), menstrual care products, and personal protective equipment to limit the spread of COVID-19.

Generally, HSA and health FSA funds can be used to pay for anything that health insurance plans (including HSA-qualified high deductible health plans) consider a "covered charge," including charges not paid by the health insurance plan because they were subject to a copay, deductible, or coinsurance. Note, however, that employers can limit the types of expenses that are reimbursable from a health FSA, provided such limitations are memorialized in the health FSA plan document. For further information about differences between HSAs and health FSAs, see the PPI publication [Quick Reference Chart: HSAs, Health FSAs, and Traditional HRAs](#).

Covered expenses must be substantiated in order to be reimbursed. For HSAs, the HSA account holder is responsible for substantiating expenses and should retain expense records in connection with their individual federal income tax filings. For FSA plans, employers or plan administrators must substantiate claims during the plan year and throughout the run-out period in order for reimbursement requests to be processed.

The following is a sample list of medical expenses that qualify for tax-free withdrawal from an HSA or health FSA. The list is provided only as a reference and is not meant to be comprehensive. Many items that are not on the list may also be covered.

Sample list of medical expenses that can be paid from an HSA or FSA:

- Acupuncture
- Alcohol and drug treatment
- Ambulance costs
- Anesthesia
- Artificial limbs and teeth
- Automobile modifications for people with disabilities
- Bandages
- Birth control pills
- Braille books and magazines
- Chiropractic care
- Christian Science practitioners
- Contact lenses and solutions
- Copays, deductibles, and coinsurance
- Corrective eye surgery
- COVID-19-related masks, hand sanitizer, and sanitizing wipes
- Crutches
- Dental fees, including exams and cleanings
- Dental implants
- Diagnostic tests
- Eye examinations
- Eyeglasses, including prescription sunglasses and reading glasses
- Fertility enhancement
- Guide dogs (purchase, training, and maintenance)
- Hearing aids and batteries
- Hospital services
- Inpatient therapy

- Insulin injections
- Laboratory fees
- Medicare premiums
- Menstrual products
- Mental/behavioral health
- Nursing care
- Obstetrical expenses
- Orthodontic treatment (restrictions apply)
- Oxygen and equipment
- Periodontal fees
- Prescription drugs
- Psychiatric care
- Smoking-cessation programs
- Telephone for people with hearing or speech impairments
- Transportation for medical care
- Vaccinations
- Walkers
- Weight loss treatments (restrictions apply)
- Wheelchairs
- X-rays

Sample list of over-the-counter (OTC) purchases that can be paid from an HSA or FSA, even without a prescription, effective January 1, 2020:

- Acid controllers
- Allergy and sinus
- Antibiotic products
- Anti-diarrheals
- Anti-fungal
- Anti-gas
- Anti-itch and insect bite
- Antiparasitic treatments
- Baby rash ointments/creams
- Cold sore remedies
- Cough, cold, and flu
- COVID-19 antigen test kits
- Digestive aids
- Hemorrhoidal preps
- Laxatives
- Motion sickness
- Pain relief
- Respiratory treatments
- Sleep aids and sedatives
- Stomach remedies

HSA funds (but not FSA funds) can be used to pay for the following insurance premiums:

- Long-term care insurance premiums (restrictions apply)
- Health insurance premiums while unemployed
- COBRA continuation premiums

Sample list of items that generally are NOT covered under an HSA or FSA:

- Cosmetic surgery and procedures
- Diaper services
- Domestic help fees (for nonmedical services)
- Electrolysis
- Funeral expenses
- Health insurance premiums (with certain exceptions)
- Homeopathic items
- Illegal operations and treatments
- Liposuction
- Marriage counseling
- Maternity clothes
- Medigap premiums
- Personal use items
- Physical or massage therapy for general health
- Swimming and dancing lessons, even if recommended by a doctor
- Teeth whitening

RESOURCES

[SIGIS Eligible Product List Criteria](#)

[IRS Publication 502, Medical and Dental Expenses](#)

[IRS Announcement 2021-7](#)