

What is the Definition of an Eligible Claim as described in IRC Sec 213d?

IRC 213(d) Definition and for purposes of this section - **(1)** The term "medical care" means 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. Excerpt from *TITLE 26, Subtitle A, CHAPTER 1, Subchapter B, PART VII, Sec. 213.*

While the IRC Code is extensive and we cannot cover every circumstance, "the term "medical care" does not include cosmetic surgery or other similar procedures, unless the surgery or procedure is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease. **(B)** Cosmetic surgery defined. - For purposes of this paragraph, the term "cosmetic surgery" means any procedure which is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease." IRC 213d - Sec 9.

SAMPLE LISTING: THIS LIST IS NON-INCLUSIVE AND DOES NOT REPRESENT ALL ALLOWABLE EXPENSES

Adoption - Medical Expense (incurred before adoption is finalized)

Alcoholism Treatment - Ambulance - Artificial Limbs - Artificial Teeth

Braille Books/Magazine (difference between regular material and Braille materials)

Car Controls for Handicapped - Chiropractic Services - Christian Science Practitioners (payments for medical care)

Coinsurance Amounts and Deductibles - Contact Lenses and Solution - Crutches

Dental Treatment - Diagnostic Tests - Drug Addiction Treatment

Eye Examinations and Eyeglasses - Guide dog or Other Animal (purchase, training, and care of animal)

Hearing Aids and Examinations - Hospital Services

Infertility, IVF and related expenses (Potentially qualifying event)

Injections - Insulin - Laboratory Fees - Lasik Eye Surgery

Learning Disabled Child: Special School / Teacher

Medical Monitoring and Testing Devices (if prescribed by physician for a particular ailment)

Medicines (If prescribed by physician to treat a specific ailment and if only available by prescription)

Occlusal Guards (to prevent teeth grinding) - Operations (Legal operations which treat a specific ailment)

Optometrist - Orthodontia (unless for cosmetic purposes)

Osteopath - Oxygen - Periodontal Fees

Physical Exams (except for employment-related physicals)

Physical Therapy (for specified medical purpose)

Prescription Sunglasses - Private Hospital Room - Psychiatric Care - Psychoanalysis

Psychologist - Radial Keratotomy - Surgery - Telephone for the Deaf - Transplants

Transportation for Seminar on Medical Condition - Cost of Seminar on Medical Condition

Vaccinations - X-Rays

Effective January 1, 2011, you will be required to obtain a doctor's prescription for OTC - over the counter drug or medicine (other than insulin), which is medically necessary for you, in order to qualify for reimbursement. Details on our website.

For more information please contact our office @ 877-303-2529 or visit our website @ www.125Company.com

Beginning January 1, 2011, FSA, HRA and HSA debit cards may be continued to be used to purchase OTC medicine or drugs if:

- ✓ Prior to the purchase, the prescription for the OTC is presented (in any format, i.e. electronic or paper) to the pharmacy;
- ✓ The OTC medicine is dispensed by the pharmacist with applicable law
- ✓ The RX number is assigned
- ✓ The pharmacy must retain a record of the RX number, the name of the purchaser (or the name of the person for whom the prescription applies) and the date and the amount of the purchase
- ✓ All of the records are available to the employer or its agent upon request
- ✓ The debit card system will not accept a charge for an OTC medicine unless an RX number has been assigned and

all of the requirements of this guidance are met.

What does this mean? A prescription, written by a physician, must be obtained for OTC medicine and drugs for them to be paid from flexible spending accounts. Want more information? Go to <http://www.irs.gov/pub/irs-drop/n-11-05.pdf> 2010 MHMResources LLC

EXPENSES NOT ELIGIBLE: LIST IS NON-INCLUSIVE AND DOES NOT REPRESENT ALL NON –ALLOWABLE EXPENSES

Car Seats (However, if a special car seat is needed because of an infant's or child's medical condition, amounts above the cost of a regular car seat may qualify)

Cologne - Controlled substances in violation of federal law - Cosmetic or cosmetic procedures

Dental Floss - Deodorant - Dependent Care expenses (possible under the DC account only)

Diaper or diaper service - Diet foods (to the extent that they satisfy normal nutritional requirements)

Drug testing kits for home use - Ear piercing - Electrolysis or hair removal - Face Creams - Face Lifts

Feminine hygiene products (tampons, etc.) - Founder's fee (retirement home) - Funeral expenses

Hair colorants - Hair removal and transplants - Hand lotion - Household help

Illegal operations and treatments - Late fees (bills for medical services) - Lipsticks

Lodging while attending a medical conference - Makeup - Marijuana/other controlled substances in violation of fed law

Maternity clothes - Mattresses - Meals not at a hospital or similar institution - Meals of a companion

Missed appointment fees - Moisturizers - Mouthwash - Nail polish - Nursing services for a baby

One a Day vitamins - Perfume - Permanent Waves - Prepayments for services/items that have not yet been incurred

Prescription drugs and medicines obtained from other countries (may qualify if it is purchased and consumed in another country and is legal in both that country and the U.S. or the FDA announces that it can be legally imported by individuals)

Recliner chairs - Safety glasses - Shampoos - Shaving cream or lotion - Skin moisturizers

Soaps - Tanning salons and equipment - Teeth whitening - Toiletries - Toothbrushes - Toothpaste

POTENTIALLY QUALIFYING EXPENSES

These are expenses in one of the following categories:

- Expenses that are general known to be used for both a medical purpose and a personal, cosmetic, or general health purpose. These dual-purpose expenses qualify for reimbursement under a health FSA or HRA or a tax-free distribution from a HSA only if there is appropriate proof that the expense was incurred/obtained primarily for medical care. **In most cases, participants must show that the item or service is recommended by a medical practitioner to treat a specific medical condition.**
- Medicines or drugs (other than insulin) must be prescribed in order to qualify for reimbursement under a health FSA or HRA or a tax-free distribution from an HSA if incurred after December 31, 2010.