

HSA and FSA Overview

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Health Savings Account and Flexible Spending Account Eligible Expenses

Overview

Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs) are tax-advantaged health care spending accounts that allow you to pay for qualified medical expenses with pre-tax dollars, reducing your overall tax liability.

Important Disclaimer: This guide provides general information about commonly eligible expenses. Eligibility varies by individual plan design and employer policies. Always confirm with your plan administrator or accountant before making expense determinations, as rules are subject to change and IRS regulation updates.

Medical and Dental Services

Qualified medical and dental expenses include payments for services rendered by licensed healthcare practitioners.

Routine Medical Care

- Doctor visits and office visits
- Preventive care and screenings
- Lab work and blood tests
- Hospital care and inpatient procedures
- Urgent care and emergency room visits
- Nurse services and home health care
- Vaccinations and immunizations
- Physical examinations

Specialized Care

- Acupuncture and acupuncturists
- Chiropractic care and adjustments
- Mental health services (psychiatrist, psychologist, therapist)
- Physical therapy and rehabilitation
- Occupational therapy
- Speech therapy
- Massage therapy (with Letter of Medical Necessity)
- Hydrotherapy and water therapy

Dental Treatment

- Preventive cleanings and examinations
- X-rays and diagnostic services
- Fillings, crowns, and bridges
- Root canals and endodontic procedures
- Extractions and tooth removals
- Orthodontia (braces, aligners like Invisalign)
- Dentures and denture adjustments
- Prescription toothpaste (e.g., Prevident)
- Periodontal treatment
- Gum grafts and surgical procedures
- Teeth whitening (if medically necessary, typically not covered)

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Vision Care

- Eye examinations and optometry
- Prescription eyeglasses and lenses
- Contact lenses and solutions
- LASIK surgery and PRK procedures
- Cataract surgery
- Eye drops (prescription and some OTC formulations)
- Lens cleaning supplies and cases
- Polarized, photochromic, and specialty lenses

Medications and Pharmaceuticals

Prescription Medications

- All FDA-approved prescription drugs
- Insulin and diabetic medications
- Birth control and contraceptive pills
- Antibiotics and infection treatments
- Maintenance medications for chronic conditions

Over-The-Counter (OTC) Medications

Following the CARES Act (effective January 1, 2020), the following OTC medications are now eligible without a prescription:

- Pain relievers (ibuprofen, acetaminophen, naproxen)
- Allergy medications (Claritin, Zyrtec, Allegra, Benadryl)
- Cold and cough remedies (Robitussin, Mucinex, Sudafed)
- Antacids and heartburn relief (Tums, Tagamet, Pepcid, Nexium)
- Anti-diarrheal medications (Imodium)
- Laxatives and stool softeners
- Anti-nausea medications
- Indigestion and gas relief
- Nasal sprays and decongestants
- Anti-itch creams and hydrocortisone
- Acne treatments and medications
- Antibiotic ointments and first aid treatments
- Lozenges and throat sprays
- Children's medications and formulations

Vitamins and Supplements

- Vitamins and mineral supplements (varies by plan; some require Letter of Medical Necessity)
- Nutritional supplements prescribed by healthcare provider
- Probiotics (if medically recommended)
- Herbal supplements (if prescribed by provider)

Menstrual and Reproductive Health

- Menstrual pads and tampons
- Menstrual cups and reusable products
- Period underwear and absorbent products
- Feminine hygiene products
- Birth control treatments and supplies
- Contraceptive devices
- Pregnancy tests and fertility monitors
- Ovulation predictor kits
- In vitro fertilization (IVF) treatment
- Infertility treatment and services
- Sperm washing and preparation
- Egg donor costs
- Egg storage and cryopreservation
- Surrogate-related medical costs
- Vasectomy and sterilization procedures

Medical Equipment and Supplies

Durable Medical Equipment (DME)

- Crutches, canes, and walkers
- Wheelchairs and mobility aids
- Hospital beds and adjustable bed bases
- Artificial limbs and prosthetics
- Hearing aids and batteries
- Orthotic devices and braces

First Aid and Diagnostic Supplies

- Bandages, gauze, and wound care supplies
- Elastic bandages and wraps
- Ace bandages and compression wraps
- Braces and supports (knee, ankle, wrist, back)
- First aid kits and supplies
- Thermometers and temperature monitoring
- Blood glucose monitors and test strips
- Blood pressure monitors and cuffs
- Pulse oximeters
- Occlusal guards and night guards
- Heating pads and cold packs
- Arch supports and shoe inserts
- Abdominal supports and trusses

Specialty Medical Supplies

- Catheters and catheter supplies
- Ostomy supplies and pouches
- Incontinence supplies and protective garments
- Diabetic supplies (lancets, test strips, glucose monitors)
- Medical testing kits (home drug testing, allergy testing)
- Humidifiers and vaporizers
- Apnea monitors
- Continuous positive airway pressure (CPAP) machines
- Compression stockings

Mental Health and Wellness Services

- Psychiatry and psychiatric treatment
- Psychotherapy and counseling sessions
- Marriage and family counseling (medically necessary)
- Addiction treatment and rehabilitation
- Substance abuse counseling
- Smoking cessation programs and treatments
- Weight loss programs (medically prescribed)
- Weight loss medications (medically prescribed)
- Behavioral therapy

Physical Wellness and Recovery

Fitness and Exercise

- Gym memberships (with Letter of Medical Necessity for certain conditions)
- Personal training sessions (with medical recommendation)
- Fitness studio memberships (yoga, Pilates, spin classes with medical necessity)
- Fitness equipment (treadmills, exercise bikes, rowing machines, etc.)
- Home gym equipment (weights, resistance bands, kettlebells)
- Fitness shoes and specialized athletic footwear
- Recovery equipment (foam rollers, massage guns, percussion massagers)
- Vibration plates and circulation devices

Therapeutic Modalities

- Massage therapy (with Letter of Medical Necessity)
- Sauna and infrared sauna therapy (with medical recommendation)
- Meditation and mindfulness apps (if medically prescribed)
- Sleep aids and sleep improvement devices
- Temperature-controlled bedding or mattress toppers (medically necessary)
- Air purifiers (medically necessary for respiratory conditions)
- Humidifiers and air humidification devices

Additional Medical Expenses

Related Healthcare Costs

- Medical insurance deductibles
- Medical insurance copayments and coinsurance
- Long-term care insurance premiums
- Health insurance premiums (while unemployed or receiving COBRA)
- Certain long-term care services and insurance
- Medicare premiums and supplemental insurance (for retired individuals)
- Transportation to medical appointments (including airfare and lodging when away from home for outpatient care)
- Ambulance services
- Guide dogs and service animals (associated costs)

Preventive and Diagnostic Services

- Health screenings and preventive care
- COVID-19 diagnostic testing and treatment
- Flu shots and vaccinations
- Cancer screenings
- Pregnancy testing
- Diagnostic imaging (X-rays, MRI, CT scans)
- Pathology services

Special Circumstances

- Breast reconstruction following mastectomy
- Breast reduction surgery (if medically necessary)
- Lead paint removal and remediation (medically necessary)
- Surgical procedures
- Post-surgical care and rehabilitation
- Prosthetics and artificial body parts
- Artificial teeth and dentures
- Braille books and magazines (for visually impaired)

Items NOT Eligible for HSA/FSA Reimbursement

Important: The following are specifically NOT eligible for HSA or FSA distributions:

- Cosmetics and cosmetic procedures (unless medically necessary for reconstruction)
- Toothpaste and mouthwash (unless prescription formulation for medical condition)
- Facial creams and skincare products (unless prescribed for medical condition)
- Sunscreen and lip balm (general wellness use)
- General grooming supplies
- Hair loss treatments (unless prescribed for medical condition)
- Teeth whitening (unless medically necessary)
- Baby formula (general nutrition)
- Diaper service or diapers (general care)
- Maternity clothes
- Domestic help and housekeeping (general services)
- Educational classes (general knowledge)
- Exercise equipment for general fitness (without medical necessity letter)
- Gym memberships (without medical necessity letter)
- Diet foods (general nutrition)
- Dietary supplements (without medical necessity)
- Discount dental plans
- Illegal drugs and medications
- Life, disability, or income protection insurance premiums
- Swimming pools and hot tubs (general wellness)
- Funeral and burial expenses
- Car insurance premiums (medical portion excepted)
- Social activities
- Babysitting and childcare
- Travel for general wellness purposes

Documentation and Compliance

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Important Rules for HSA/FSA Spending

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Record Keeping Requirements:

- Maintain receipts and documentation for all purchases
- HSAs do not require submission of receipts to the custodian, but you must keep proof
- FSAs typically require more detailed substantiation from the employer
- Retain documentation for IRS audit purposes (generally 3-7 years)

Substantiation:

- Save itemized receipts showing the nature of the expense
- Retain explanations of benefits (EOBs) from insurance providers
- Document provider credentials for professional services
- Keep prescriptions for prescription medications

Letters of Medical Necessity:

- Some borderline expenses require a Letter of Medical Necessity (LMN) from a licensed provider
- Examples include: gym memberships for specific conditions, supplements for treatment, massage therapy
- Request LMN directly from your treating physician
- Submit to HSA/FSA administrator per plan instructions

Plan Variations

Rules and eligible items vary significantly by:

- Employer plan design
- FSA administrator policies
- HSA custodian interpretations
- State regulations
- Individual plan document terms

Always consult your specific plan documents and administrator before making determination of eligibility.

References

- [1] Internal Revenue Service. (2024). Publication 969: Health Savings Accounts and Other Tax-Favored Health Plans. <https://www.irs.gov/publications/p969>
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This document is provided for informational purposes only and does not constitute professional tax or legal advice. Healthcare professionals should consult with qualified tax advisors, compliance officers, and plan administrators regarding specific eligibility determinations for individual circumstances. Rules and eligible items are subject to change based on IRS regulations and plan modifications.

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