

Helpful Information

For

UNREIMBURSED MEDICAL ACCOUNTS

MEDICAL EXPENSES REIMBURSEMENT WORKSHEET

This worksheet will help you estimate your annual medical costs which may not be reimbursed by health benefit plans. This list is not intended to be comprehensive, but it contains some of the more common medical expenses.

List all costs that are NOT reimbursed by health benefit plans incurred by you, your spouse or qualified dependents. DO NOT INCLUDE AMOUNTS PAID FOR HEALTH BENEFIT PREMIUMS:

QUALIFYING EXPENSE	ESTIMATED ANNUAL EXPENSE
Deductibles and coinsurance	\$ _____
Medical doctor's fees and co-pays	\$ _____
Annual physical examinations	\$ _____
Routine care & immunizations (check with your health carrier for available benefits)	\$ _____
Dental exams, cleanings, fillings, root canals, etc	\$ _____
Eye examinations, glasses, contact lenses and supplies	\$ _____
Hearing aids, examinations, and batteries	\$ _____
Legal Prescription drugs / co-pays / over the counter medications (some are listed below)	\$ _____
<p>Alavert, Claritin, Advil, Aspirin, Tylenol, Maalox, Prilosec OTC, Zantac, Neosporin, Benadryl, Cortaid, Sudafed, Robitussin, Dimetapp, Cough Drops, Desitin, Imodium, Kaopectate, Motrin, Preparation H, Midol, Dramamine, Nicoderm, Nicorette, Cepacol, Chloraseptic, EFFECTIVE JANUARY 1, 2011 <u>Only over the counter medicines and drugs that are "prescribed" will be eligible for reimbursement under a Medical FSA or HRA. The definition and explanation of "prescribed" can be found at the end of this information package.</u></p>	
X-rays & lab fees	\$ _____
Hospital services	\$ _____
Chiropractor fees (do not include nutritional supplements and vitamins, etc)	\$ _____
Surgery	\$ _____
Ambulance service	\$ _____
Psychiatrists	\$ _____
Psychologists	\$ _____
Acupuncturists	\$ _____
Orthodontist for non cosmetic purposes	\$ _____
Other	\$ _____
TOTAL ESTIMATED ANNUAL EXPENSES	\$ _____ (A)
NUMBER OF PAY PERIODS	<input type="checkbox"/> _____ (B)
AMOUNT OF REDUCTION PER PAY PERIOD (A/B)	\$ _____ (C)

QUALIFYING MEDICAL CARE EXPENSES

Under the plan, you will be reimbursed only for those types of medical expenses normally deductible on your federal income tax return (without regard to the 7.5% of adjusted gross income limitation). Medical care expenses include amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body. The expense must be primarily to alleviate or prevent a physical or mental defect or illness. Expense for solely cosmetic reasons generally are not expenses for medical care. Also, expenses that are merely beneficial to one's general health (for example, vacations) are not expenses for medical care. (See IRS Publication 502 for more specific descriptions of expenses as not all expenses that are qualifying medical expenses as a deduction on your income tax are eligible expenses under a Flexible Benefit Program.) These may include, for example, expenses you have incurred for:

1. Medicines, drugs, birth control pills, vaccines and vitamins that require a prescription to obtain. As well as over the counter medicines such as antacids, allergy medicine, pain relievers, and cold medications. Refer to the "Things you should know" flyer for Revenue Ruling 2003-102 for more guidance. Refer to IRS Pub 502 for information regarding exclusion of Medicines brought in, ordered or shipped from another country. **EFFECTIVE JANUARY 1, 2011 Only over the counter medicines and drugs that are "prescribed" will be eligible for reimbursement under a Medical FSA or HRA. The definition and explanation of "prescribed" can be found at the end of this information package.**
2. Medical doctors, dentist, eye doctors, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists and psychoanalysts (medical care only).
3. Medical examination, X-ray and laboratory service, insulin treatment and whirlpool baths the doctor prescribed.
4. Nursing help. If you pay someone to do both nursing and housework, you can be reimbursed only for the cost of the nursing help.
5. Hospital care (including meals and lodging), clinic costs and lab fees.
6. Medical treatment at a center for substance abuse.
7. Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, orthopedic shoes, crutches, wheelchairs, guide dogs and the cost of maintaining them.
8. Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim the current rate per mile. Add parking and tolls to the amount you claim under either method.

You cannot obtain reimbursement through an unreimbursed medical account for:

1. The basic cost of Medicare insurance (Medicare A).
2. Life insurance or income protection policies.
3. Accident or health insurance for you or members of your family.
4. The hospital insurance benefits tax withheld from your pay as part of the Social Security tax or paid as part of Social Security self-employment tax.
5. Nursing care for a healthy baby.

6. Illegal operations or drugs.
7. Travel your doctor told you to take for rest or change.
8. Cosmetic services and supplies.
9. Marriage counseling.
10. Medical expenses that were paid by an insurance company or other sources. This is true whether the payments were made directly to you, to the patient, or to the provider of the medical services.

Qualifying medical expenses include only those expenses incurred for:

Yourself.

Your spouse. To claim these expenses, you must have been married at the time your spouse **received** the medical services. (refer to the definition of "spouse" in your plan document for further guidance).

Your dependents. To claim these expenses, the person must have been your dependent at the time the medical **services were provided**. For a Flexible Benefit Program , you can include the medical expenses of any person who is your dependent who is your child, your stepchild, your adopted child or eligible foster child who will not yet turn 27 during the year, regardless of whether the child otherwise qualifies as a tax dependent.

The definition of a qualifying child or relative for income tax return purposes are more limited and specific than the definition of a dependent for Flexible Benefit Program purposes. Please refer to IRS PUB 502 when filing a tax return.

OVER THE COUNTER MEDICATIONS/SUPPLIES CHANGES FOR 2011

EFFECTIVE JANUARY 1, 2011 only over the counter medicines and drugs that are “prescribed” will be eligible for reimbursement under a Medical FSA.

On September 3, 2010, the IRS issued IRS Notice 2010-59. According to Notice 2010-59, expenses incurred after December 31, 2010 for a medicine or a drug should be treated as a reimbursement for medical expenses only if such medicine drug is a prescribed drug (determined without regard to whether such drug is available without a prescription) or is insulin.

Expenses incurred for medicines or drugs may be paid or reimbursed by an employer-sponsored plan, including a health FSA only if:

- 1) The medicine or drug requires a prescription.
- 2) The medicine or drug is available without a prescription and the individual obtains a prescription, or
- 3) The medicine or drug is insulin.

Expenses incurred for over-the-counter medicines or drugs purchased without a prescription before January 1, 2011 may be reimbursed tax-free. The changes do not affect purchases of OTC medicines and drugs in 2010, even if they are reimbursed after Dec. 31, 2010.

The effective date applies regardless of whether the plan year is a fiscal year or a calendar year, and regardless of any grace period for a health FSA.

What is the definition of a “prescription”?

A “prescription” means a written or electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and that is issued by an individual who is legally authorized to issue a prescription in that state.

The new rules do not apply to items that are not medicines or drugs, including equipment such as crutches, supplies such as bandages, and diagnostic devices such as blood sugar test kits.

An example of a prescribed OTC could be a customer receipt issued by a pharmacy which identifies the name of the purchaser (or the name of the person for whom the prescription applies), the date and amount of the purchase and an Rx number. Another example of a receipt without an Rx number but accompanied by a copy of the related prescription satisfies the substantiation requirements for OTC medicines or drugs. Either of these examples would satisfy the substantiation requirements.