

College Tax Strategy



***IRS Section 105
Health Reimbursement Account***



Business Tax Strategy # 1

– The Medical Reimbursement Account

Section 105 of the United States tax code allows self employed and home based business owners to create their own medical reimbursement plans and realize the same tax advantages for health costs as big corporations. The result is a significant tax savings on federal, state, and 15.3% self-employment taxes.

The IRS Code Section 105 Health Reimbursement Account (HRA) allows you to deduct 100 percent of your family's health insurance premiums and out-of-pocket medical, vision and dental expenses not covered by insurance. To install an HRA, a self-employed or home based business owner merely offers an employed spouse a medical reimbursement package, which covers all qualified health and medical costs for any family member, including you – the employer.

The employee (which in most cases is just the spouse and maybe the children) gets reimbursed from the business. Since the business owner can not participate in a Section 105 HRA plan, the spouse can be reimbursed for family medical expenses. In this case, the owner/employer benefits as well.

Note: The following information assumes a self-employed professional or business owner is adapting a Health Reimbursement Account for family employees only. If non-family participants are involved, there may be medical privacy issues involved in reimbursing those participants' expenses.

How To Qualify For The HRA Strategy

To qualify for the HRA a business owner must legitimately employ his or her spouse in the business. Those who qualify include sole proprietors, partnerships, limited liability companies and corporations (including sub-chapter S corporations). The business owner provides the employed spouse a compensation package that usually includes a reasonable wage for business duties and a benefit package that includes reimbursement of all family health care expenses. However, the minimum compensation package the employer

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must provide is the total amount of health care expenses reimbursed to the spouse under the HRA. Once the HRA is set up, these health care expenses are considered legitimate business expenses and are 100 percent deductible to the business. Generally, to set the HRA up the employer must:

- Complete the necessary tax forms
- Formalize an employment contract with the spouse
- Establish a checking account for the spouse that is completely separate from the business checking account
- Reimburse all eligible employees (spouse) for family medical insurance premiums, and other qualified expenses
- File the necessary tax documents and keep good records

Benefits Of The HRA Strategy

An HRA allows the business owner to deduct 100% of the health care expenses for eligible employees and their family (including the business owner), such as:

- Health insurance and dental insurance premiums, including qualified long-term care insurance premiums and all deductibles and co-pay expenses,
- Uninsured (out-of-pocket) medical, dental, and vision care,
- Life insurance (up to \$50,000),
- Disability income insurance,
- Medicare Parts A, B, & D,
- Medicare Supplemental insurance,
- Optical/Vision/Hearing costs,
- School/Sports insurance, and
- Cancer insurance
- And much more!

For a complete list of qualified expenses (and expenses not qualified) under an HRA, please go to APPENDIX A.

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Tax Savings Involving The HRA Strategy

The Health Reimbursement Account offers real and significant tax savings for business owners. It allows the self-employed individual to deduct (shield) 100% of his/her family's health costs from the business tax return, which reduces federal and state income taxes and any self-employment taxes. Currently, the tax law only allows for health insurance premiums to be deducted on an individual's 1040 tax return, which reduces only the federal and state income taxes (not self-employment taxes). As a result, deducting 100% of all health costs from the business return will allow the self-employed individual to achieve a substantial amount of additional tax savings each year.

Example Of The HRA Strategy

Tom is a self-employed business owner. Tom's wife, Mary, provides a valuable service to the business by keeping the books, answering the phones, typing, filing, etc. Tom decides to formally employ Mary and take advantage of the Health Reimbursement Account. Tom evaluates Mary's duties and compensates her \$10,000 total per year in the following way:

Reimbursement for family health insurance premiums:	\$ 8,000
Reimbursement for uninsured medical expenses:	\$ 3,000
Reimbursement for one-time LASIC surgery:	\$ 4,500
W-2 cash wages:	\$ 3,000
TOTAL	
\$18,500	

Based on federal (25%), state (6%), and self-employment (15.3%) tax rates on the \$15,500 of reimbursed expenses, Tom would receive \$7,177 ($\$15,500 \times 46.3\%$) in actual tax savings by taking advantage of the HRA plan.

Implementing The HRA Strategy

- Step 1: Prepare a corporate resolution – If you have a corporation, a partnership, or a Limited Liability Company (LLC) you should have an attorney draw up the resolution to incorporate the HRA as an employee benefit into your articles of incorporation.
- Step 2: Obtain a federal employer identification number (FEIN) – If you operate as a sole proprietor (you file IRS form Schedule C or F) you should

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apply for a federal employer identification number. You can apply for the FEIN by using IRS SS-4 Form (go to www.irs.gov to get these forms).

- Step 3: Notify your health insurance carrier that you will be changing the name of the primary policyholder of your current health insurance plan to your spouse/employee.
- Step 4: Determine the eligible employees (in this case your spouse and your children if they are also employees) for the HRA plan and the eligible health expenses (a list of qualified expenses can be found in Appendix A).
- Step 5: Develop a reasonable compensation for the spouse and set up a systematic payroll (bi-weekly, monthly, quarterly, or yearly).

Note: Under IRS guidelines, the employer can minimize the spouse/employee compensation package to the total amount of health care expenses reimbursed to the spouse under the HRA. If this is the case, then you do not need to establish a payroll account and file payroll forms.

- Step 6: Execute an employment agreement with the spouse/employee – When hiring your spouse you need a formal hiring process that should include the completion of a standard Employment Application, W-4 form, and an I-9 form.
- Step 7: Determine the HRA plan start date – This plan start date should go into any corporate resolution.
- Step 8: Draft the HRA plan documents.
- Step 9: Give a copy of the plan documents to the spouse/employee.
- Step 10: Set up a separate checking account in the spouse/employee's name to deposit the earnings and the reimbursement check for the HRA health expenses. This account must be separate from the business bank account.
- Step 11: Record the spouse/employee's services performed using a monthly time sheet.
- Step 12: Reimburse the spouse/employee by business check each month for the qualified HRA health costs they incur for the entire family.
- Step 13: Deduct the HRA reimbursements on your IRS business tax return.

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Documents Used To Implement The HRA

These are the documents you will need to implement the Health Reimbursement Account:

- Employer identification number (IRS SS-4 Form)
- Employment Application, W-4 form, and an I-9 form
- HRA Plan documents
- Monthly time sheets
- Monthly payroll tax forms (IRS form 941)
- Issue IRS form W-2 to the spouse each year

For a list of qualified and non-qualified expenses under Section 105 of the code, go to **APPENDIX A**.

IRS Publications & Forms References

IRS Publications

Employer's Tax Guide to Fringe Benefits

Publication 15-B – Medical Reimbursement Plans

<http://www.irs.gov/publications/p15b/ix01.html>

Tax Favored Health Plans

Publication 969 Tax-Favored Health Plans

<http://www.irs.gov/publications/p969/ix01.html>

Qualified Medical & Dental Expenses

Publication 502, Medical and Dental Expenses

<http://www.irs.gov/publications/p502/ar01.html>

IRS Forms SS-4, W-2, W-4, I-9, and 941

<http://www.irs.gov/app/picklist/list/formsInstructions.html>

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Sample Documents
Health Reimbursement Account

The following documents are needed in order to implement the “Health Reimbursement Account” strategy and follow the IRS procedures and guidelines.

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Employment Agreement (Spouse)

Employment Agreement, between _____ (the "Company") and
_____ (the "Employee").

For good consideration, the Company employs the Employee on the following terms and conditions:

1) Term of Employment

Subject to the provisions for termination set forth below this agreement will begin on _____, 20____, unless sooner terminated.

2) Compensation

The Company shall pay Employee a salary of \$_____ per year, for the services of the Employee, payable at regular payroll periods.

3) Duties and Position

The Company hires the Employee in the capacity of _____. the Employee's duties may be reasonably modified at the Company's discretion from time to time.

4) Employee to Devote Time to Company

The Employee will devote time, attention, and energies to the business of the Company, and, during this employment, will not engage in any other business activity, regardless of whether such activity is pursued for profit, gain, or other pecuniary advantage. Employee is not prohibited from making personal investments in any other businesses provided those investments do not require active involvement in the operation of said companies.

5) Confidentiality of Proprietary Information

Employee agrees, during or after the term of this employment, not to reveal confidential information, or trade secrets to any person, firm, corporation, or entity. Should Employee reveal or threaten to reveal this information, the Company shall be entitled to an injunction restraining the Employee from disclosing same, or from rendering any services to any entity to whom said information has been or is threatened to be disclosed, the right to secure an injunction is not exclusive, and the Company may pursue any other remedies it has against the Employee for a breach or threatened breach of this condition, including the recovery of damages from the Employee.

6) Reimbursement of Expenses

The Employee may incur reasonable expenses for furthering the Company's business, including expenses for entertainment, travel, and similar items. The Company shall reimburse Employee for all business expenses after the Employee presents an itemized account of expenditures, pursuant to Company policy.

7) Vacation

The Employee shall be entitled to a yearly vacation of _____ weeks at full pay.

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8) Disability

In the event that the Employee cannot perform the duties because of illness or incapacity for a period of more than ____ weeks, the compensation otherwise due during said illness or incapacity will be reduced by _____ (____ percent) . The Employee's full compensation will be reinstated upon return to work. However, if the Employee is absent from work for any reason for a continuous period of over ____ months, the Company may terminate the Employee's employment, and the Company's obligations under this agreement will cease on that date.

9) Termination of Agreement

Without cause, the Company may terminate this agreement at any time upon ____ days' written notice to the Employee. The Employee may terminate employment upon _____ days' written notice to the Company. Employee may be required to perform his or her duties and will be paid the regular salary to date of termination but shall not receive severance allowance. Notwithstanding anything to the contrary contained in this agreement, the Company may terminate the Employee's employment upon _____ days' notice.

10) Effect of Prior Agreements

This Agreement supersedes any prior agreement between the Company or any predecessor of the Company and the Employee, except that this agreement shall not affect or operate to reduce any benefit or compensation inuring to the Employee of a kind elsewhere provided and not expressly provided in this agreement.

11) Oral Modifications Not Binding

This instrument is the entire agreement of the Company and the Employee. Oral changes have no effect. It may be altered only by a written agreement signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.

Signed this ____ day of _____ 20____.

Company

Employee

**HEALTH REIMBURSEMENT ACCOUNT
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Employee (Spouse) Timesheet

Employee: _____ Month: _____ Year: _____

MONTH / DAY	DUTIES	TIME
1		
2		
3		
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6		
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26		
27		
28		
29		
30		
31		
Total		

**HEALTH REIMBURSEMENT ACCOUNT
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Employer Health Reimbursement Plan Resolution

Whereby, _____ (Employer) desires to provide medical care benefits to its Employees relating to expenses not covered under a medical insurance policy;

- 1) The _____ (Employer) establishes a Health Reimbursement Arrangement (HRA) effective _____, 20____ for the benefit of all full-time employees (working at least 30 hours or more per week) and their dependents (Employee's spouse and minor children) under Section 105(b), (e) of the Internal Revenue Code;
- 2) The health reimbursement account shall be maintained for each full-time employee so that the covered expenses (as defined in Section 213 of the Internal Revenue Code and Revenue Ruling 2003-102) for the employee or their dependents shall be reimbursed. Employer-funded reimbursements to an employee shall not exceed \$ _____ during one calendar year.
- 3) The submission of medical expenses must be with a claim form and be in sufficient detail to meet the requirements of the Employer. Expenses may be submitted until April 1st for the previous calendar year.
- 4) The plan shall be administered in a nondiscriminatory manner (as defined in Section 105(h) of the Internal Revenue Code) and shall remain in effect until modified or terminated by a later resolution.
- 5) The plan shall reimburse former employees for medical care expenses up to an amount equal to the unused reimbursement amount remaining at retirement or other termination of employment.

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Employer Health Reimbursement Plan Contract

_____ ("Employer") hereby establishes this Medical Expense Reimbursement Plan (the "Plan") for the exclusive benefit of its employees.

1) Medical Expense Reimbursement Effective as of ____/____/____, Employer shall reimburse all eligible employees on a monthly basis for medical expenses included in Part 3, below, that they incur on behalf of themselves, their spouses, and their dependents (as defined in Internal Revenue Code Section 152).

2) Eligibility All part-time employees shall be eligible except:
Those who work more than ____ hours per week
Those who work more than ____ months per year
Those over age ____ and have worked for the Employer for more than ____ years

3) Qualifying Benefits "Medical expenses" shall include any expense qualifying under Internal Revenue Code Section 213(d).

4) Maximum Benefits Employer shall limit reimbursement to any employee to \$_____ per calendar year.

5) Reimbursement Employer may reimburse employee for eligible expenses or pay medical providers directly. Employees applying for reimbursement shall submit all premium notices and eligible bills not more than 45 days after the end of the month in which they are paid. Failure to comply with this requirement may terminate employees' right to reimbursement for expenses not timely submitted.

6) Coordination with Insurance Employer shall reimburse employee only in the event and to the extent that such expenses are not covered by any insurance policy, policies, or benefits, whether owned by Employer or employee, provided under any other accident or health insurance plan, or provided by federal or state governments or agencies.

7) Amendment and Termination Employer reserves the right to amend or terminate the Plan at any time. Such action shall not deny any employee's right to claim reimbursement for expenses incurred before such amendment or termination. Employer shall give employees written notice of amendment or termination not more than 60 days before such termination.

8) Notice of Plan Document Employer shall provide all eligible employees with a copy of this Plan within 60 days of eligibility.

9) Exclusions Employer intends that this Plan and all benefits payable under this Plan shall qualify for exclusion from eligible employees' gross income under Internal Revenue Code Sections 105 and 106. Employer reserves the right to amend or terminate this Plan in the event that such benefits no longer qualify for such exclusion.

In witness whereof, the Employer adopts this plan on: ____/____/_____.

Signature: _____

Print Name and Title: _____

Deductible Expenses Under The HRA

- Abortion - Medical expenses associated with a legal abortion.
- Acne laser treatment - Expenses paid for acne treatment.
- Acupuncture - Medical expenses paid for acupuncture.
- Adoption - Services related to adoption including pre-adoption counseling.
- Adult diapers - Expenses paid for diapers.
- After-sun gel/lotions with aloe - Expenses for medicated gels and lotions to treat effects of sun exposure.
- Airplane air contaminant protection - Expenses paid for over-the-counter medications to prevent the spread of airborne contaminants while flying.
- Alcoholism and drug abuse - Medical expenses paid to a treatment center for alcohol or drug abuse. This includes meals and lodging provided by the center during treatment.
- Ambulance - Medical expenses paid for ambulance service.
- Artificial limb - Medical expenses paid for an artificial limb.
- Artificial teeth – Medical expenses paid for artificial teeth.
- Automobile - Medical expenses for special hand controls and other special equipment installed in a car for the use of a person with disabilities. Also, the amount by which the cost of a car specially designed to hold a wheelchair exceeds the cost of a regular car is a reimbursable medical expense. The cost of operating a specially-equipped car is not reimbursable.
- Back brace - Expenses paid for a back brace when submitted with a member's explanation of necessity.
- Batteries - Expenses paid for the purchase of batteries when they are used for the sole purpose of an item that is also covered. This would include, but not be limited to, batteries for blood pressure machines, wheelchairs, and heart defibrillators.
- Birth control pills and devices - Medical expenses paid for birth control pills, injections and devices.
- Blood pressure monitor - Expenses paid for the purchase of the monitor.

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- Braille books and magazines - The amount by which the cost of Braille books and magazines for use by a visually impaired person exceeds the price for regular books and magazines.
- Breast augmentation - Medical costs related to the removal of breast implants that are defective or are causing a medical problem. However, cosmetic expenses related to breast augmentation are not reimbursable.
- Breast Pump, Shields, Gel Pads - These items are covered ONLY if there is a medical condition present for the nursing mother that prevents breast feeding of the infant.
- Breast reduction - Medical expenses related to breast reduction surgery are reimbursable only with a physician's diagnosis letter explaining that the procedure is medically required and not for cosmetic purposes (that is, to prevent or treat an illness or disease).
- Breathing strips - Expenses paid for the purchase of the strips are reimbursable.
- Chair - The cost of a reclining chair purchased on the advice of a physician to alleviate a heart, back or other condition.
- Childbirth classes - Expenses for childbirth classes, but are limited to expenses incurred by the mother-to-be. Expenses incurred by a "coach"- even if that is the father-to-be - are not reimbursable.
- Chiropractor - Expenses paid to a chiropractor for medical care.
- Clinic - Medical expenses for treatment at a health clinic.
- Clothing - Prescribed special clothing purchased to alleviate or treat an illness or disease is reimbursable only to the extent that the cost is greater than the cost of the item(s) commonly available.
- COBRA premiums - COBRA premiums.
- Coinsurance amounts - Medical coinsurance amounts and deductibles.
- Composite Fillings - White (composite) fillings.
- Compound medications - Medications produced by medical professionals to treat a medical condition.
- Conferences for Chronic Disease - Amounts paid by an individual for admission and transportation expenses to a medical conference relating to the chronic disease of the individual or individual's eligible dependent if the costs are primarily for and essential to the medical care of the chronic disease. The claim submission must include the diagnosis.
- Contact lenses.

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- Copies of medical records or radiographs - Payments required to duplicate medical records or radiographs.
- Corn pads - Expenses paid for the purchase of corn pads.
- Cosmetic procedures - Medical expenses for cosmetic procedures are reimbursable only if the procedure is necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease. Medical expenses paid for other cosmetic procedures are not deductible medical expenses.
- CPAP (Sleep Apnea) machine supplies.
- CPR classes - Expenses paid for CPR classes as part of birthing classes are reimbursable, otherwise a physician's diagnosis letter for the family member is required.
- Crutches - Medical expenses paid to buy or rent crutches.
- Cushions - The cost of cushions prescribed by a physician to treat a medical condition.
- Day-after pill - Expenses paid for the purchase of pills to eliminate pregnancy risk.
- Deductibles - Medical insurance deductibles and coinsurance amounts under the employer's plan.
- Dental Enamel Bleaching – This service is only covered when recommended by a healthcare professional to treat a medical condition.
- Dental treatment - Medical expenses for dental treatment are reimbursable. This includes fees paid to dentists for X-rays, models and molds, fillings, braces, extractions, dentures, dental implants and the difference in cost from insurance-approved restorations and alternative materials, etc. Veneers are covered only when medically necessary, but are not covered for purely cosmetic reasons.
- Diaper service - Payments for diapers or diaper services, only if they are needed to relieve the effects of a particular disease.
- Donor egg extraction - Procedural expenses paid for the process of donor egg extraction to treat infertility.
- Driving Lessons - Service is only covered when recommended by a healthcare professional in order for the handicapped person to learn to use special vehicle equipment
- Dry cast, protectors - Expenses paid for the purchase of dry casts and bandage protectors.

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- Ear molds - Expenses paid for the purchase of ear molds.
- Ear wax removal - Expenses paid for the purchase of ear wax removal kits.
- Electric toothbrush - Expenses paid for the purchase of electric toothbrushes when submitted with a physician's diagnosis letter.
- Embryo storage - Expenses paid for embryo storage.
- Exercise equipment - The cost of exercise equipment when the equipment is prescribed by a physician to treat specific medical conditions (e.g. diabetes). A physician's diagnosis letter is required.
- Fluoride, prescribed - Expenses paid for fluoride toothpaste or rinses prescribed to treat a specific medical condition. A physician's diagnosis letter is required.
- Forms Completion - Charges incurred by the member for provider completion of required forms (i.e. disability form).
- Gauze and/or Gauze Bandages
- Gloves, latex - Expenses paid for latex gloves used for medical conditions.
- Glycerin Shakes - Covered only when prescribed by a physician to treat a medical condition.
- Guardianship fees - Fees associated with establishing guardianship for an incapacitated individual.
- Guide dog or other animal - The cost of a guide dog or other animal used by the visually impaired, hearing impaired, or to assist persons with other physical disabilities.
- Hair Transplant - Service is only covered when prescribed by a physician to treat a medical condition.
- Hand sanitizer - Expenses paid for hand sanitizers.
- Hearing aids - Medical expenses for a hearing aid, repairs and batteries.
- Heart defibrillator - Expenses paid for heart defibrillators.
- Herbs - The cost of herbs taken to alleviate a specific medical condition. A physician's diagnosis letter required.
- Home urine test kit - Expenses paid for home urine test kits.
- Hospital - Expenses incurred as a hospital in-patient or out-patient for laboratory, surgical and diagnostic services qualify as medical expenses.

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- Hot pads, creams and patches - Expenses paid for hot pads, creams and patches.
- Household help - The cost of household help paid to an attendant providing nursing-type services.
- Human guide - Expenses for a human guide to take a blind child to school.
- Hypno-birthing classes - This is a childbirth method that focuses on preparing parents for gentle birth including techniques of deep relaxation, visualization, and self-hypnosis.
- Hypnotherapy - Expenses paid for hypnotherapy when prescribed by a physician as therapy to treat a medical condition. A physician's diagnosis letter required.
- Immigration Immunizations - Vaccinations required to immigrate.
- Implanon - Birth control injections.
- Impotence or sexual inadequacy - Medical expenses related to the treatment of impotence. A physician's diagnosis letter required.
- Infant formula - The cost of infant formula is not covered, even if the mother was not capable of breast feeding.
- Infertility - Medical expenses related to the treatment of infertility.
- Insect Repellant
- Insoles - Expenses paid for insoles to treat a medical condition. A detailed explanation of the necessity is required.
- Insulin - The cost of insulin.
- Insurance premiums - Premiums for any health plan.
- Invisible Braces - Orthodontic braces.
- Kits - Expenses paid for kits such as first aid, home test, snake bite and bee sting.
- Laboratory fees - Laboratory fees that are part of medical care.
- Lasik eye surgery - Radial keratotomy (RK), or other corrective eye surgery such as Lasik surgery is a deductible expense.
- Lead-based paint removal - The cost of removing lead-based paints from surfaces in a home to prevent a child who has (or has had) lead poisoning from eating the paint.
- Learning disability - Tuition payments to a special school for a child who has severe learning disabilities caused by mental or physical impairments, including nervous system disorders, are reimbursable. A doctor must recommend that the child attend

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the school. Also, tutoring fees paid on a doctor's recommendation for a child's tutoring by a teacher who is specially trained and qualified to work with children who have severe learning disabilities are reimbursable.

- Legal fees - Legal fees paid to authorize treatment for mental illness.
- Lifestyle drugs - Expenses paid for lifestyle drugs, such as impotence, when accompanied by a physician's diagnosis letter.
- Lip treatments - Expenses paid for lip treatments to treat a medical condition such as cold or canker sores.
- Lodging and meals - The cost of lodging and meals at a hospital or similar institution if the employee's main reason for being there is to receive medical care.
- Long-term care insurance premiums - Long-term care insurance premiums are not reimbursable under a Health FSA. However, see exceptions for HRA and HSA.
- Maintenance costs - Portion of expense incurred to maintain equipment used to treat a medical condition.
- Marriage counseling - Expenses for sexual inadequacy or incompatibility treatment, if the treatment is provided by a psychiatrist.
- Massage - Fees paid for massages, if used to treat a physical defect or illness. A physician's diagnosis letter required.
- Massage chair - Expenses paid for a massage chair to treat a medical condition. A physician's diagnosis letter required.
- Maternity support - Expenses paid for a maternity support band.
- Mattresses - Mattresses and mattress boards for the treatment of arthritis.
- Medical aids - Medical aids such as false teeth, hearing aids, orthopedic shoes, crutches and elastic hosiery.
- Medical alert programs - Expenses incurred to enroll in a medical alert program, when accompanied by a physician's diagnosis letter.
- Medical information plan - Amounts paid to a plan that keeps medical information so that it can be retrieved from a computer data bank for medical care.
- Medical services - Only legal medical services are reimbursable.
- Medicare Part A - The premium paid for Medicare Part A.
- Medicare Part B – The premiums paid for Medicare Part B.

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- Medicated soaps, powders and shampoos - Expenses paid for over-the-counter items that are medicated to treat a medical condition.
- Medicines - Amounts paid for prescribed medicines and drugs.
- Mentally retarded facilities – The cost of keeping a mentally retarded person in a special home (not the home of a relative) on the recommendation of a psychiatrist to help the person adjust from life in a mental hospital to community living.
- Mileage, Provider Fees - Mileage charges from the provider related to rendering care & patient observation for treatment plan development.
- Nasal Wash - Nasal wash systems used for the relief of sinusitis, nasal congestion, rhinitis and allergies.
- Nausea relief - Expenses paid for nausea relief such as nausea bands.
- Nightguard - This dental appliance used to treat TMJ or the clenching or grinding of teeth is covered.
- Nursing home - The cost of medical care in a nursing home or home for the aged for an employee, or for an employee's spouse or dependent. This includes the cost of meals and lodging in the home if the main reason for being there is to get medical care.
- Nursing services - Wages and other amounts paid for nursing services. Services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient's condition, such as giving medication or changing dressings, as well as bathing and grooming the patient.
- Nursing service meals - Amounts paid for a nursing attendant's meals are reimbursable. This cost may be calculated by dividing a household's total food expenses by the number of household members to find the cost of the attendant's food, then apportioning that cost in the same manner used for apportioning an attendant's wages between nursing services and all other services.
- Nursing service upkeep - Additional amounts paid for household upkeep because of a nursing attendant are reimbursable. This includes extra rent or utilities paid because of having to move to a larger apartment to provide space for an attendant.
- Nursing service social security, unemployment (FUTA) and Medicare taxes paid for a nurse, attendant or other person who provides medical care.
- Oral syringe - Expenses paid for an oral syringe used to dispense medication.
- Orthodontia services
- Orthodontia wax - Expenses paid for orthodontia wax.

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- OSHA Compliance Fees - Fees charged by the provider to meet OSHA compliance requirements.
- Over-the-counter medicines and drugs - Expenses are generally reimbursable unless used for general well-being or for purely cosmetic purposes. Eligible expenses may include, but are not limited to acetaminophen, acne products, allergy products, antacid remedies, antibiotic creams/ointments, anti-fungal foot sprays/creams, aspirin, baby care products, cold remedies, (including shower vapor tabs and vapor units), cough syrups and drops, contraceptive and family planning items, eye drops and contact lens solutions, ear drops, ibuprofen, laxatives, migraine remedies, nasal sprays, pain relievers, peroxide and rubbing alcohol, sleep aids, and topical creams for itching, stinging, burning, pain relief, sore healing or insect bites. See Kits and Vapor units and refills.
- Over-the-counter supplies - Expenses paid for bandages, ACE wraps, hot pads, Q-tips, cotton balls, first aid kits, gauze bandages, home test kits (e.g. diabetic, pregnancy), and snake bite and bee sting kits are reimbursable.
- Ovulation Predictor Test - Test kits to assist in identification of ovulation.
- Oxygen - Amounts paid for oxygen or oxygen equipment to relieve breathing problems caused by a medical condition is reimbursable.
- Pastoral Counseling – This service is only covered when recommended by a healthcare professional to treat a medical condition such as depression.
- Personal Trainer - Service is only covered when recommended by a healthcare professional to treat a medical condition.
- Personal use items - Items that are ordinarily used for personal, living, and family purposes are reimbursable to the extent they are used to prevent or alleviate a physical or mental defect or illness. For example, the cost of a wig purchased at the advice of a physician for the mental health of a patient who has lost all of his or her hair from cancer is reimbursable.
- Physical exams - Physical exams, except for employment-related physicals.
- Pill Crusher - Devices to crush medications.
- Pill cutter - Expenses paid for the purchase of a pill cutter.
- Pillows for treatment of fevers - Expenses paid for the purchase of special pillows manufactured specifically to treat a medical condition (chiropractic pillow).
- Plane tickets - Expenses paid for the purchase of a plane ticket for a related hospitalization.
- Potty pager - Expenses paid for the purchase of a potty pager.

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- Pre-Adoption Counseling - This counseling is covered as are all services related to adoption.
- Pre-existing conditions - Medical expenses not covered because of the plan's pre-existing condition limitation.
- Private hospital room - The extra cost of a private hospital room.
- Psychiatric care - Expenses for psychiatric care. These expenses include the cost of supporting a mentally ill dependent at a specially-equipped medical center where the dependent receives medical care.
- Psychoanalysis - Expenses for psychoanalysis.
- Psychologist - Expenses for psychological care.
- Radial keratotomy - Radial keratotomy, or other corrective eye surgery such as Lasik surgery.
- Radon remediation - Expenses incurred to remove radon from the residence.
- Reasonable and customary charges in excess of the medical plan's reasonable and customary charges.
- Retin A - Expenses are reimbursable when prescribed by a physician for treatment of acne, but not aging. Physician's diagnosis letter required.
- Rogaine - Reimbursable when prescribed by a physician for a specific medical condition, but not for cosmetic purposes (that is, to stimulate hair growth). Physician's diagnosis letter required.
- Saddle Soap - Service is only covered when recommended by a healthcare professional to treat a medical condition.
- Scar treatments - Expenses incurred for the treatment of scars.
- School expenses - Expenses paid to a special school for a mentally impaired or physically disabled person, if the main reason for using the school is its resources for treating the disability. This includes the cost of a school that teaches Braille to a visually impaired child; or teaches lip-reading to a hearing-impaired child; or provides remedial language training to correct a condition caused by a birth defect.
- Sexual counseling - Expenses for counseling regarding sexual inadequacy or incompatibility, if the counseling is provided to a husband and/or wife by a psychiatrist.
- Shampoo, medicated - Expenses paid for the purchase of medicated shampoos used to treat a scalp condition.

HEALTH REIMBURSEMENT ACCOUNT IMPLEMENTATION PACKAGE

- Shipping charges - Shipping charges incurred when paying for an eligible expense.
- Shower chair - Expenses incurred for the purchase of a shower chair, when accompanied by a physician's diagnosis letter.
- Smoking drugs - The cost of drugs to stop smoking for the improvement of general health.
- Smoking program - The cost of a program to stop smoking for the improvement of general health.
- Spa or resort - Only the costs of the medical services provided at a spa or resort are reimbursable, not the cost of transportation.
- Special foods - The costs of special foods and/or beverages, if they are consumed primarily to alleviate or treat an illness or disease, and not for nutritional purposes. Special foods and beverages are reimbursable only to the extent that their cost is greater than the cost of the commonly available version of the same product. Claim submission should include the normal cost of the item.
- Sperm storage - Expenses incurred for sperm storage.
- Sports Gear - Special protective equipment purchased and used during sports activity to protect from injury.
- Sports mouth guard - Expenses incurred for the purchase of a sports mouth guard.
- Sports orthotics - Expenses paid for sports orthotics, when submitted with a physician's diagnosis letter.
- Sterilization - The cost of a legal sterilization (a legally-performed operation to make a person unable to have children).
- Stethoscope - Expenses incurred for the purchase of a stethoscope.
- Sunscreen - Expenses incurred for the purchase of sunscreen.
- Supplements – Only the cost of supplements taken to alleviate a specific medical condition. A physician's diagnosis letter required.
- Telephone - The costs of purchasing and repairing special telephone equipment that lets a hearing-impaired person communicate over a regular telephone.
- Television - The cost of equipment that displays the audio part of TV programs as subtitles for the hearing-impaired.
- Therapy - Amounts paid for therapy received as medical treatment.
- Thermometer - Expenses for purchase of a thermometer or thermometer covers.

HEALTH REIMBURSEMENT ACCOUNT IMPLEMENTATION PACKAGE

- Toilet seat covers - Expenses incurred for the purchase of toilet seat covers.
- Transplants - Payments for surgical, hospital, laboratory and transportation expenses for a prospective or actual donor of a kidney or other organ.
- Transportation - Amounts paid for transportation primarily for, and essential to medical care are reimbursable. Reimbursable transportation expenses include:
 - Bus, taxi, train or plane fare, or ambulance service;
 - Actual car expenses, such as gas and oil (but not expenses for general repair, maintenance, depreciation and insurance);
 - Mileage charges from the service provider related to rendering care and patient observation for treatment plan development;
 - Parking fees and tolls;
 - Transportation expenses of a parent who must accompany a covered member who needs medical care;
 - Transportation expenses of a nurse or other person who can give injections, medications or other treatment required by a patient who is traveling to get medical care and is unable to travel alone;
 - Transportation expenses for regular visits to see a mentally ill dependent if these visits are recommended as a part of treatment.
 - Instead of actual expenses, it is acceptable to use an IRS approved flat rate per mile for each mile a car is used for medical purposes. The cost of tolls and parking may be added to this amount.
- Tubal ligation - Expenses incurred for a tubal ligation.
- Tuition - Charges for medical care included in the tuition of a college or private school, if the charges are separately stated in the tuition bill.
- Ultrasound – Any ultrasound, except that which is used for the purpose of identifying the sex of the fetus.
- Vaccines - Expenses for vaccines.
- Vapor units and refills - Expenses paid for the purchase of vapor units such as plug-in units or their refill cartridges.
- Vasectomy - Medical expenses related to a vasectomy or a vasectomy reversal.
- Vent cleaning - Expenses paid for the cleaning of your home's vent system. Explanation of necessity is required.

HEALTH REIMBURSEMENT ACCOUNT IMPLEMENTATION PACKAGE

- Vision care - Optometric services, eye exams, contact lenses and solutions and expenses for eyeglasses and contact lenses needed for medical reasons are reimbursable. Other vision services that are covered are:
 - Contact lens cases
 - Corrective swim goggles
 - Eye charts
 - Eyeglass cases
 - Eyeglass cleaning supplies such as cleaning cloths
 - Reading glasses
 - Eyeglass repair or repair kits
 - Safety glasses when the lens correct visual acuity
 - Sunglasses or sunglass clips when the lens correct visual acuity
 - Vision shaping

- Vitamins taken to treat a specific medical condition, such as pre-natal vitamins. Physician's diagnosis letter is required.

- Walker and accessories - Expenses paid for a walker to aid mobility and their accessories such as baskets for carrying items.

- Weight loss aids - Expenses paid for aids to weight loss are reimbursable when the weight loss program is to treat a medical illness. Aids include pedometers, mixers, scales, action planners, recipe books and audio tapes. Physician's diagnosis letter required.

- Weight loss programs, treatments and prescriptions - The cost of weight loss programs, treatments and prescriptions for general health, if the program, treatment or prescription is prescribed by a physician to treat a medical illness (e.g., heart disease). Physician's diagnosis letter required.

- Wheelchair - Amounts paid for a wheelchair used mainly for the relief of sickness or disability.

- Wheelchair accessories - Expenses paid for accommodation accessories such as wheelchair backpacks.

- X-ray fees - Amounts paid for X-rays taken for medical reasons.