

Qualified Expenses and Premiums

The below list of qualified expenses and premiums is not a complete list, but it does contain many examples of the types of expenses and premiums eligible for reimbursement from your Montana VEBA HRA account. The most common include co-pays, coinsurance, deductibles, retiree insurance premiums (including Medicare Part B and Part D and Medicare supplement plans), and tax-qualified long-term care insurance premiums (subject to IRS limits).

Internal Revenue Code § 213(d) defines qualified expenses, in part, as “medical care” amounts paid for insurance or “for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body...” Expenses solely for cosmetic reasons generally are not considered expenses for medical care (e.g. facelifts, hair transplants, hair removal (electrolysis)). Expenses that are merely beneficial to your general health, such as vacations, are not medical care expenses.

| <u>GENERAL EXPENSES</u> | | | <u>Items not eligible:</u> | |
|--|---|---|---|------------------------------------|
| Acupuncture | Organ transplants | Antacids | Cosmetics; face creams | Hospice care |
| Alcoholism and drug treatment center costs | Orthodontia | Aspirin | Medicated shampoos | Hospital stay |
| Birth control pills | Osteopathy | Cold medicines | Tooth brushes (including electronic) | Outpatient hospital services |
| Chiropractic | Physical therapy | Cough suppressants | Vitamins (most cases) | Skilled nursing facility stay |
| Christian Science | Prescription medicines | Dietary supplements | | TRICARE (military retirees) |
| Contact lenses, solutions, etc. | Preventive care | Eye products (e.g. Visine®) | | Co-pays |
| Co-pays | Psychiatric | First aid creams/liquids | | Coinsurance |
| Coinsurance | Retirement home (costs allocable to medical care) | Herbal medicines | INSURANCE PREMIUMS | Deductibles |
| Deductibles | Stop smoking programs | Nicotine gum/patches | Medical | Vision |
| Dental | Transportation (subject to IRS limits) | Pain relievers | Dental | Miscellaneous |
| Eye glasses | Vaccines | Sinus medications | Vision | Premiums: |
| Fertility treatments | Vasectomy | Sleeping aids | Long-term care (tax-qualified; subject to IRS limits) | EXTRA |
| Gynecology/Obstetrics | Vision | St. John's Wort | Medicare Part B | Medicare Part B |
| Hearing aids & batteries | Wheelchair | Weight loss drugs | Medicare Part D | Medicare Part D |
| Immunizations | | | Medicare supplement plans | PRIME (HMO) |
| Laser eye surgery | OVER-THE-COUNTER (OTC) | No prescription required (non-medicine items): | | PRIME supplement |
| Lifetime care at medical facility | Prescription required (medicines and drugs): | Bandages | MEDICARE | Retiree dental |
| Medical supplies and equipment | Acne medications | Crutches | Co-pays | Standard |
| Naturopathic | Allergy medicines | Insulin | Coinsurance | |
| | | Diagnostic devices (e.g. blood sugar kits) | Deductibles | |
| | | | Home health care | |

IMPORTANT NOTICE REGARDING OTC DRUGS AND MEDICINES: To be eligible for reimbursement, federal healthcare reform requires that OTC medicines and drugs purchased on or after **January 1, 2011** be prescribed by a medical professional or accompanied by a note from a medical practitioner recommending the item or service to treat a specific medical condition. Thus, OTC medicines and drugs such as aspirin, antihistamines, and cough syrup must be prescribed. Eligible OTC medicines and drugs purchased on or before **December 31, 2010** remain reimbursable without a prescription. The prescription requirement applies only to medicines and drugs, not to other types of OTC items such as bandages and crutches.

A fully completed **Claim Form** along with proper documentation is required when requesting reimbursements. Claim Forms are available online at www.montanaveba.org or by contacting the third-party administrator. The **Definition of Dependent** handout, also available online, describes who's covered under your HRA VEBA plan. Please note the following:

1. Qualified expenses and premiums you submit for reimbursement must be incurred after you become a claims-eligible participant.
2. If you are a participant in a Section 125 healthcare flexible spending account (FSA), you must exhaust your FSA benefits before submitting eligible claims.
3. Qualified insurance premiums are reimbursable beginning with the month in which you become a claims-eligible participant.
4. **IRS regulations provide that insurance premiums paid by an employer, or premiums that are or could be deducted pre-tax through a Section 125 plan, are not eligible for reimbursement.** If you request reimbursement of premiums deducted from your (or your spouse's) paycheck, you should include a letter from the employer which confirms that a pre-tax option for the payment of such premiums is not available.
5. Systematic reimbursement of recurring qualified insurance premiums may be set up by submitting a **Systematic Payment Form**.

Questions? Contact the Montana VEBA HRA third-party administrator at montana@rehnonline.com or 1-800-832-2101.