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To All Employees Participating in the Medical Reimbursement Program

1. What Is a “Qualified Expense” That May Be Reimbursed?

Generally, expenses qualified for reimbursement under the Medical Reimbursement Program are out-of-pocket medical, dental, vision or hearing expenses, including medical plan deductibles and copayments, for you or an eligible dependent that are generally of the type that would qualify for the medical expense deduction on your federal income tax return. Only expenses for goods bought or services provided during the calendar year while you are a participant are eligible for reimbursement. In addition, when requesting reimbursement you must include documentation that provides the date of service and the amount owed by you after any insurance benefit.

The following are examples of reimbursable expenses:

- abortion;
- acupuncture;
- alcoholism treatment;
- ambulance service;
- artificial limbs;
- artificial teeth;
- birth control pills;
- certain nonprescription drugs and medicines;
- chiropractor’s fees;
- contact lenses;
- crutches;
- dental treatment (including exams, cleanings, X-rays, filings, extractions, root canals, bridges, dentures);
- diagnostic devices (such as a blood sugar test kit if you are diabetic)
- drug addiction treatment;
- eyeglasses, including examination fees;
- eye surgery;
- fertility enhancement;
- guide dogs;
- hearing aids and batteries;
- hospital services;

Reimbursable expenses, continued:

- laboratory fees;
- medical services;
- nursing services;
- operations;
- optometry services;
- organ transplants;
- orthodontia, except care for cosmetic purposes;
- osteopath services;
- oxygen and oxygen equipment to relieve breathing problems caused by a medical condition;
- prescription drugs;
- psychiatric care;
- psychologist's fees for medical care (i.e., to treat a medical condition as defined in Internal Revenue Code section 213);
- smoking cessation programs;
- sterilization;
- surgical fees;
- special telephone equipment for the hearing-impaired (cost and repair);
- therapy received as medical treatment (i.e., therapy to treat a medical condition as defined in Internal Revenue Code section 213);
- transplants;
- transportation expenses primarily for and essential to medical care;
- vasectomy;
- vision correction surgery;
- weight-loss programs for the treatment of a specific existing disease diagnosed by a physician;
- wheelchairs;
- X-rays.

2. What Expenses Are Not Covered

After reviewing IRS rules and guidelines, C&K has determined that some participants are submitting claims for reimbursement that are ineligible. The following items are examples of expenses that are not eligible for reimbursement under the Medical Reimbursement Program:

- baby-sitting, child care and nursing services for a normal, healthy baby;
- controlled substances;

Expenses Not Covered, continued:

- cosmetic surgery;
- dancing lessons;
- diaper service;
- electrolysis or hair removal;
- funeral expenses;
- future medical care;
- hair transplant;
- health club dues;
- health coverage tax credit;
- health savings accounts (HSA);
- household help;
- illegal operations and treatments;
- insurance premiums;
- long-term care expenses or premiums for long-term care insurance;
- maternity clothes;
- medical savings accounts (MSA);
- medicines and drugs illegally brought in (or ordered shipped) from a country outside the United States;
- nutritional supplements;
- personal-use items;
- swimming lessons;
- teeth whitening;
- veterinary fees;
- weight-loss programs if the purpose of the weight loss is the improvement of appearance, to maintain general health, or sense of well-being;
- expenses you incur before your participation in the Medical Reimbursement Program begins or after it ends.

3. Over-the-Counter Medications Not Covered

Over-the-counter medications not eligible for reimbursement include:

- bath products, cleansers and soap;
- creams, lotions and moisturizers;
- dental care products, including teeth whitening products;
- deodorants and antiperspirants;
- feminine hygiene products;
- foot care products;
- hair care products;
- hair-removal products;
- lip balm and lipstick;
- medicine dispensers;
- multivitamins;
- powders;
- shaving and grooming products;
- snoring aids;
- stimulants to stay awake;
- sunscreen, sunless tanning and after-sun products.

A discussion of expenses that may be considered eligible and ineligible is contained in IRS Publication 502 entitled *Medical and Dental Expenses*. Copies of IRS Publication 502 are available on the Web at: <http://www.irs.gov>

Caution: Certain information in IRS Publication 502 may not be applicable, since some of the laws governing Medical Reimbursement Accounts are different from the laws governing medical expense deductibility. One difference is that premiums for health insurance are never reimbursable from Medical Reimbursement Accounts.