

## Eligible Medical Expenses (for HSA Distributions)

- Abdominal supports
- Abortion
- Acupuncture
- Air conditioner (when necessary for relief from difficulty in breathing)
- Alcoholism treatment
- Ambulance
- Anesthetist
- Arch supports
- Artificial limbs
- Autoette (when used for relief of sickness/disability)
- Birth Control Pills (by prescription)
- Blood Tests
- Blood transfusions
- Braces
- Cardiographs
- Childbirth/Delivery
- Chiropractor
- Christian Science Practitioner
- Contact Lenses
- Contraceptive devices (by prescription)
- Convalescent home (for medical treatment only)
- Crutches
- Dental Treatment
- Dental X-rays
- Dentures
- Dermatologist
- Diagnostic fees
- Drug addiction therapy
- Drugs (prescription)
- Elastic hosiery (prescription)
- Eyeglasses
- Fees paid to health institute prescribed by a doctor
- FICA and FUTA tax paid for medical care service
- Fluoridation unit
- Guide dog
- Gum treatment
- Gynecologist
- Hearing aids and batteries
- Hospital bills
- Hydrotherapy
- Insulin treatment
- Lab tests
- Lead paint removal
- Legal fees
- Lodging (away from home for outpatient care)
- Metabolism tests
- Neurologist
- Nursing (including board and meals)
- Obstetrician
- Operating room costs
- Ophthalmologist
- Optician
- Optometrist
- Oral surgery
- Organ transplant (including donor's expenses)
- Orthopedic shoes
- Orthopedist
- Osteopath
- Oxygen and oxygen equipment
- Pediatrician
- Physician
- Physiotherapist
- Podiatrist
- Postnatal treatments
- Practical nurse for medical services
- Prenatal care
- Prescription medicines
- Psychiatrist
- Psychoanalyst
- Psychologist
- Psychotherapy
- Radium Therapy
- Registered nurse
- Special school costs for the handicapped
- Spinal fluid test
- Splints
- Sterilization
- Surgeon
- Telephone or TV equipment to assist the hard-of-hearing
- Therapy equipment
- Transportation expenses (relative to health care)
- Ultra-violet ray treatment
- Vaccines
- Vasectomy
- Vitamins (if prescribed)
- Wheelchair
- X-rays

## Ineligible Medical Expenses

- Advancement payment for services to be rendered next year
- Athletic club membership
- Automobile insurance premium allocable to medical coverage
- Boarding school fees
- Bottled water
- Commuting expenses of a disabled person
- Cosmetic surgery and procedures. Cosmetics, hygiene products and similar items
- Funeral, cremation, or burial expenses
- Health programs offered by resort hotels, health clubs, and gyms
- Illegal operations and treatments
- Illegally procured drugs
- Maternity clothes
- Non-prescription medication
- Premiums for life insurance, income protection, disability, loss of limbs, sight or similar benefits
- Scientology counseling
- Social activities
- Special foods and beverages
- Specially designed car for the handicapped other than an autoette or special equipment
- Swimming pool
- Travel for general health improvement
- Tuition and travel expenses a problem child to a particular school
- Weight loss programs



# Health Savings Accounts

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Member  
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# Midland National Bank Health Savings Accounts

(See disclosures for detailed account information about terms, fees, and interest rates)

**Funds in the account can grow tax-free through compounded earnings, just like an IRA!**

## Health Savings Accounts

A Health Savings Account, or HSA, is a tax-exempt account with a financial institution in which funds accumulate to pay for medical expenses.

HSAs were created in response to the rising cost of health care and to give the consumer back the control of their health care costs. HSAs also give financial incentives for employers of all sizes to provide health insurance and for individual consumers to own health insurance. HSAs allow you to enjoy tax reductions while having affordable health insurance premiums.

Health Savings Accounts (HSAs) were created by Public Law 108-173, the "Medicare Prescription Drug, Improvement and Modernization Act of 2003" signed into law on December 8, 2003.

Health Savings Accounts will change the way millions meet their health care needs because they are designed to help individuals save for qualified medical and retiree health expenses on a tax-advantaged basis.

Any adult who is covered by a high-deductible health plan (and has no other first-dollar coverage) may establish an HSA.

To encourage saving for health expenses after retirement, individuals age 55 and older are allowed to make additional catch-up contributions to their HSAs.

Once an individual enrolls in Medicare they are no longer eligible to contribute to their HSA. Amounts contributed to an HSA belong to the account holder and are completely portable. Funds in the account can grow tax-free through investment earnings, just like an IRA.

Funds distributed from the HSA are not taxed if they are used to pay qualified medical expenses. Unlike amounts in Flexible Spending Arrangements that are forfeited if not used by the end of the year, unused funds remain available for use in later years.

## Tax Advantages

Midland National Bank's Health Savings Accounts offer a variety of tax benefits:

- Funds grow on a tax-deferred basis, and if the funds are used for an eligible medical expense, the funds are tax-free
- Contributions are 100% tax-deductible
- Funds roll over from year to year. Any funds used after age 65 may be used tax-free for eligible medical expenses.
- Funds used for any other reason will be taxed according to your normal tax rate.

## Contribution Limits

Health Savings Accounts (HSA) provide tax benefits for the funds that you contribute. However, the Internal Revenue Service limits the amount you are able to contribute to an HSA for each tax year. If you contribute more than the IRS allows, you could incur tax penalties. To avoid making excess contributions, be sure to coordinate your contributions with others being made to your account by an employer or other third-party.

## What are the 2011 Contribution Limits?

The Internal Revenue Service (IRS) reviews and determines the HSA contribution limits on an annual basis. An account holder is able to contribute 100% of their qualified High-Deductible Health Plan (HDHP) deductible, up to the IRS contribution limit.

Single Policy	\$3,050
Family Policy	\$6,150
Catch-up (55 or Older)	\$1,000

Additional catch-up contributions are available to individuals over the age of 55 who are not enrolled in Medicare.

*\*Contributions in the first year are prorated, thus dividing the maximum contribution by 12 and multiplying the number of months remaining in the year.*

## New IRS guidelines for using HSA funds to pay for over the counter medicines

The IRS has clarified how tax exempt funds held in HSA accounts may be used to purchase over the counter medicines. Prior to the passage of the Affordable Care Act, any over the counter medicines could be paid for with the funds in an HSA. Section 9003 of the new law changed that. Now the IRS, which is the controlling authority over the tax exempt and tax deferred funds, has issued specific guidelines.

## Tax favored funds may be used to purchase over the counter drugs with a prescription

The new regulations allow the purchase of over the counter medications, **if the consumer has a doctor's prescription for that medication.** This will be particularly helpful for those who take drugs such as **Claritin** or **Prilosec** which can be purchased over the counter. There are many similar medicines which began as prescription only drugs but are now available without a prescription.

If the consumer/patient is advised by their doctor to take these medications, they can still use their HSA tax exempt funds to pay **if their doctor writes a prescription.**

## Documentation is important!

As with most IRS rulings, **documentation will be the key to correctly using tax exempt funds** to pay for over the counter medications

Be sure and keep copies of your prescription together with your receipts for the purchase. Ideally the pharmacy will issue the same sort of receipt it now gives for prescription medications. The ideal receipt from the pharmacy would include:

- the date of sale,
- the amount of the charge,
- a copy of the prescription or prescription number,
- the name of the patient, and
- the name of the doctor

## Diabetes supplies and other medicinal devices not affected

The new law **does not affect insulin or other diabetes diagnostic devices** such as blood sugar test kits and strips which will continue to be qualified purchases for which HSA funds may be used.

Other medical devices such as eye glasses, hearing aids, contact lenses, crutches and bandages also continue to be qualified expenses.