

Health Care FSA (HCFSA) or HRA funds may be applied toward certain special equipment installed in a home or for medically necessary home improvements, if the main purpose is medical care for you, your spouse, or your dependent. The cost of permanent medically necessary improvements that increase property value may be partly included as eligible expenses. The cost of the medically necessary improvement is reduced by the increase in the value of your property. See worksheet example below.

The cost difference is a medical expense. If the value of your property is not increased by the improvement, the entire cost of the home improvement is included as a medical expense. The amount of your reimbursement is equal to the cost of the medical expense divided by the number of individuals living in the home.

Certain improvements made to accommodate a home for a disabled condition, such as the addition of wheelchair ramps, do not usually increase the value of the home, and the cost can be included in full as eligible expenses.

IMPORTANT: If you incur eligible expenses to adapt your home for a medical condition, please submit an FSA or HRA claim, supporting documentation, a Letter of Medical Necessity and the worksheet on the following page. You must also provide written supporting documentation from a third party that verifies of the home improvement.

Use the worksheet on the next page to calculate the amount of capital expense to include in your medical expenses. For help, refer to the Worksheet Example below.

WORKSHEET EXAMPLE

Let's say you have a heart condition. Your doctor recommends adding an elevator in your home so you do not have to climb stairs. The elevator costs \$10,000. A professional appraisal shows the elevator increases the value of your home by \$5,000. There are three other individuals living in your home who have no medical conditions, but they may also use the elevator. Here's how to determine your eligible medical expenses:

1	Enter the amount you paid for the home improvement.	\$ 10,000
2	Enter the value of your home immediately after the improvement.*	\$ 155,000
3	Enter the value of your home immediately before the improvement.*	\$ 150,000
4	Subtract line 3 from line 2. This is the increase in the value of your home due to home improvement. <ul style="list-style-type: none"> If line 4 is more than, or equal to, line 1, the cost of the home improvement is not an eligible expense. Stop here. If line 4 is less than, or equal to, line 1, go to line 5. 	\$ 5,000
5	Subtract line 4 from line 1.	\$ 5,000
6	Divide line 5 by the number of individuals living in your home. The total is what you may submit on a claim as eligible medical expenses.	\$ 1,250

*A professional appraisal must be used to determine the before and after value of your home.

OPERATION AND UPKEEP

The operation and upkeep costs of a capital asset qualify as medical expenses, as long as the main reason for it is medical care. This rule applies even if none, or only part, of the original cost of the capital asset qualified as a medical expense.

Example: If, in the previous example, the elevator increased the value of your home by \$10,000, you would have no eligible medical expense for the cost of the elevator. However, the cost of the electricity to operate the elevator and any costs to maintain it are eligible medical expenses as long as the elevator exists because of a valid medical reason. You would need to provide documentation explaining the operating cost of the elevator separately from your household utility bill from your utility provider.

YOUR WORKSHEET

Complete the amounts below and submit this page along with your completed FSA or HRA claim. Be sure to also include a Letter of Medical Necessity form and supporting documentation from a third party.

1	Enter the amount you paid for the home improvement.	
2	Enter the value of your home immediately after the improvement.*	
3	Enter the value of your home immediately before the improvement.*	
4	Subtract line 3 from line 2. This is the increase in the value of your home due to home improvement. <ul style="list-style-type: none"> • If line 4 is more than, or equal to, line 1, the cost of the home improvement is not an eligible expense. Stop here. • If line 4 is less than, or equal to, line 1, go to line 5. 	
5	Subtract line 4 from line 1.	
6	Divide line 5 by the number of individuals living in your home. The total is what you may submit on a claim as eligible medical expenses.	

*A professional appraisal must be used to determine the before and after value of your home.