1. In March of 2023 the IRS provided further guidance on Section 213 of the Internal Revenue Code (Code) on whether certain costs related to nutrition, wellness, and general health are medical expenses that may be paid or reimbursed under a health savings account (HSA), health flexible spending arrangement (FSA), Archer medical savings account (Archer MSA), or health reimbursement arrangement (HRA).

2. You can use Health Savings Account (HSA), Flexible Spending Account (FSA), Archer Medical Savings Account (MSA), or Health Reimbursement Arrangement (HRA) to pay for some physical activity resources:
   a. It must be a medical expense – Used only to alleviate a physical or mental disability or illness
   b. It must be for medical care – Diagnosis, cure, mitigation, or treatment of disease for the purpose of effecting any structure or function of the body
      i. At this time, treatment for a disease is an eligible expense; however, disease prevention is not eligible.
   c. The beneficiary would not incur the physical activity expense “but for” the specific disease or condition and the expense must be for an activity that you did not pursue prior to the diagnosis. (see 3c.) (Needs new DX. Cannot be for pre-existing DX)

3. The licensed healthcare provider will need to make a diagnosis (e.g., obesity, hypertension, diabetes, heart disease, cancer, depression) and then prescribe supervised exercise therapy, an evidence-based program, or fitness center membership that will treat the disease (Not sports leagues or formal dance classes, but may include yoga, Tai Chi, or Pilates)
   a. For a patient to take advantage of the benefit a licensed healthcare provider needs to provide the patient with a letter of medical necessity
   b. The letter must include verbiage that the individual would not have incurred the expense if not for the disease.
   c. Examples of diagnoses that would qualify for this benefit would include:
      i. A new diagnosis of hypertension in a person with obesity
      ii. A new diagnosis of prediabetes or type 2 diabetes in a person with previously diagnosed obesity or hypertension
      iii. A new diagnosis of breast cancer in a person with any other underlying chronic conditions
   d. The letter must include content that distinguishes the expense as medical and not for general health or well-being.

4. The expense must be paid during the taxable year.

5. Healthcare providers will need to re-evaluate patients yearly to determine ongoing treatment needs, and a new letter of medical necessity needs to be submitted annually.

6. Employers (and payers) need to be educated regarding this IRS rule as most are not aware of this benefit. It is recommended that information be provided at open enrollment and employee onboarding. Employees should consider checking with their employee benefit manager or department to determine their awareness of this benefit.

7. It is recommended that patients review rules surrounding their personal HSA, FSA or HRA accounts to confirm if physical activity-related expenses would be eligible for reimbursement.

**EIM Expense Letter of Medical Necessity**

What information should be included?

1. Patient’s name
2. A specific diagnosis/treatment needed
   - The recommended treatment must be described by a licensed healthcare provider.
   - For example, a recommended exercise program through a gym membership to treat the patient’s hypertension.
3. Duration of the treatment
   - A provider may recommend a specific duration of treatment
     - If this is not available, the letter of medical necessity (LMN) is valid one year from the date it is written.
     - If the treatment extends beyond the stated time period, the member must submit a new LMN covering the new time period.
   - A LMN cannot exceed a 12-month period.
4. Must be signed by a licensed healthcare provider
5. An acceptable LMN
   - Must include the provider’s official letterhead
   - The LMN can be written on a prescription pad
   - The letter can be included as part of the hospital discharge paperwork.
   - [Here is a link](#) for an example LMN that can be used as a smart phrase and integrated into your EMR.
   - The LMN must be submitted to the HSA, FSA, HRA or Archer MSA administrator.
   - Note: the date of purchase or date of service must be AFTER the LMN has been received and approved.