

March 16, 2010

Federal Budget Change: Cosmetic Procedures no longer considered Tax-Exempt Medical Expense

The Medical Expense Tax Credit (METC) under the Income Tax Act provides tax recognition for medical products and services. For a product or service to be eligible under a Health Spending Account (HSA), Top-Up plan or an extra-contractual arrangement, it must qualify as a METC.

In the federal budget announced on March 4th, expenses incurred for purely cosmetic procedures will no longer be eligible under the METC. As such, these expenses will no longer be eligible for reimbursement under our HSAs, Top-Up plans or extra-contractual arrangements. Cosmetic procedures are not covered under any of our Extended Health plans and these plans are not impacted by this change.

Examples of cosmetic procedures are: liposuction, hair replacement procedures, botox injections, teeth whitening and rhinoplasty.

Exception: If the cosmetic procedure is required for medical or reconstructive purposes, such as deformities resulting from a congenital abnormality, injury or a disfiguring disease, the expenses will qualify under the METC and will therefore be considered an eligible medical expense under our HSAs, Top-Up plans or extra-contractual arrangements. When submitting a claim that meets the Exception criteria, policyholders must include a doctor's letter indicating that the procedure was required for medical or reconstructive purposes. Otherwise, claims for cosmetic procedures incurred after March 4, 2010 will be rejected.

The following procedures and prescription products are not impacted by this change and will continue to be covered under HSAs, Top-Ups, extra contractual arrangements. They may be covered under some Extended Health or Dental plans:

- laser eye surgery
- sclerotherapy and other procedures for removal of varicose veins laser therapy for acne performed by a medical doctor or dermatologist
- cyst removal
- acne cream (*Clindoxyl*)
- acne medication (*Accutane*)
- orthodontia (e.g., braces)

To determine if an expense qualifies as a METC, please contact the Canada Revenue Agency at 1-800-959-8281, or visit its website at www.cra.gc.ca and search for "eligible medical expenses." Note: as of this writing, the CRA had not updated its website to reflect changes related to the 2010 federal budget.

To inquire about coverage for products or services not listed here, please call us toll-free at **1-800-USEBLUE® (873.2583)** or 306.244.1192, or visit www.sk.bluecross.ca.