

CHANGES TO OTC Rules

OVERVIEW / NEW IN 2011



Background:

On March 23, 2010, President Barack Obama signed into law a massive piece of legislation aimed at reforming the nation's health care system. The new law, called the Patient Protection and Affordable Care Act (PPACA), contains numerous provisions, many of which will not go into effect for several years. An important part of the law, however, will go into effect on January 1, 2011. This particular provision changes how health flexible spending account (FSA), health savings account (HSA), and health reimbursement account (HRA) participants are reimbursed for certain types of over-the-counter (OTC) health care expenses. The following is a brief overview of the changes that will occur effective 1/1/2011. **Click here** <http://www.flex125.com/af_site/company_info/forms/OTC_FAQ.pdf> for a more detailed FAQ.

Summary of the new OTC law:

PPACA mandates that expenses incurred for OTC medicines and drugs (with the exception of insulin) will not be eligible for reimbursement under a health FSA or HRA unless you have a prescription.

Effective date:

The new OTC law will apply to all purchases made on or after January 1, 2011. The new law will apply to the tax year, not the plan year. This means that even if your plan year starts in November 2010, the rule will still apply to you (and everyone else) beginning January 1.

New claims reimbursement procedure:

Up until now, participants could use their AmeriFlex Convenience Card to pay for eligible health care expenses at a pharmacy or drug store, using funds from their health FSA or HRA.

Effective January 1, you will no longer be able to use your FSA/HRA debit card to pay for over-the-counter medicines and drugs, and you will need to obtain a prescription in order to receive reimbursement from your FSA/HRA for these items. That means that you will have to pay for these items out-of-pocket, and then file a manual claim along with a prescription in order to be reimbursed from your FSA or HRA.

What is considered an OTC "medicine or drug"?

The IRS did not provide specific guidance regarding what is to be considered a medicine or drug under this new law. Nevertheless, at this time we can be reasonably certain that certain categories of items will be considered medicines/drugs and therefore will require a prescription effective January 1, 2011 in order to receive reimbursement from an FSA or HRA. These include: allergy and sinus medications; cough, cold and flu medications; digestive aids; pain relievers; sleep aids; and stomach remedies. **Click here** <http://www.flex125.com/af_site/company_info/forms/OTC_FAQ.pdf> for a more detailed list.

When can I use my FSA/HRA debit card?

The good news is, you will still be able to use your FSA/HRA debit card for many common health care expenses that are not considered OTC medicines and drugs under the new law. These include: Band Aids; diabetic testing and aids; eye care and contact lens supplies; first aid supplies; insulin and diabetic supplies; reading glasses; and thermometers. **Click here** <http://www.flex125.com/af_site/company_info/forms/OTC_FAQ.pdf> for a more detailed list.

And remember, regular prescriptions will not be subject to this rule, so you will still be able to pay for your prescription drugs with your AmeriFlex Convenience Card® just as you have in the past. You will also be able to use your AmeriFlex Convenience Card for doctor and hospital visits, as well as dental and vision care, provided such items are covered under your plan(s).

We are here to help:

Please feel free to contact us with any questions or concerns that you may have.

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