



New Legislation for OTCs

Effective January 1, 2011

The health care reform legislation known as the *Patient Protection Affordable Care Act (PPACA)* was signed by President Barack Obama on March 23, 2010. Several provisions of this legislation have a direct impact on *Flexible Spending Accounts (FSA)*, *Health Reimbursement Arrangements (HRA)* and *Health Savings Accounts (HSA)*. Many of the changes take place over the next several years. However the first provision, which affects how *over-the-counter (OTC)* medicines or drugs can be reimbursed through these accounts, goes into effect January 1, 2011.

What has changed?

Currently, most OTCs medicines can be reimbursed without a prescription. PPACA mandates that expenses incurred for OTC medicines and drugs (with the exception of insulin) will not be eligible for reimbursement unless you have a prescription.

When does this go into effect?

The new OTC provision will apply to all purchases on or after January 1, 2011. Please note, this law applies to the tax year and not the plan year. This means that even if your plan starts October 2010, the law still applies beginning January 1, 2011.

What is considered an OTC “medicine or drug”?

There is currently no definitive list that describes which OTC drugs are subject to this requirement and which are not. However, below is a preliminary list of some OTC drugs for which a prescription will be required on and after January 1st, 2011.

| OTC Medicine or Drug - Requires Rx | |
|------------------------------------|--------------------------------|
| Antacids | Digestive aids |
| Allergy and sinus medications | Feminine anti-fungal/anti-itch |
| Anti-biotic products | Hemorrhoidal preps |
| Anti-diarrheals | Laxatives |
| Anti-gas | Motion sickness medication |
| Anti-itch and insect bites | Pain Relief |
| Baby rash ointments and creams | Respiratory treatments |
| Cold sore remedies | Sleep aids & sedatives |
| Cough, cold and flu medications | Stomach remedies |

| OTC Health Product - No Rx Required | |
|--|--|
| Adult incontinence products | Heat wraps |
| Birth Control Products (i.e. condoms, pregnancy tests) | Heating pads, hot water bottles |
| Catheters | Insulin and diabetic supplies |
| Denture adhesives | Medicine dropper/spoon |
| Diabetic testing and aids | Nebulizers |
| Diagnostic tests and monitors | Orthopedic aids |
| Elastic bandages and wraps | Ostomy products |
| Eye care and contact lens supplies | Reading glasses |
| Family planning kits | Smoking deterrents |
| First aid supplies (i.e. Band-Aids) | Support/braces (i.e. ankle, knee, wrist therapeutic glove) |
| Health monitors (i.e. blood pressure, thermometers) | Syringes |
| Hearing aid batteries | Wheelchairs, walkers and canes |



New Legislation for OTCs (continued)

What if my plan has the “Grace Period” to incur expenses for 2 ½ months after the plan year ends?

The change applies to purchases made on or after January 1, 2011. Thus, even if the plan includes the 2 ½ month grace period provision, the cost of OTC medicines and drugs purchased without a prescription during the first 2 ½ months of 2011 will not be eligible to be reimbursed by a health FSA.

Can I submit my 2010 OTC expenses without a prescription during the Run-Out Period after the plan year ends?

Yes. The new restriction on plan reimbursements for the cost of OTC medicines or drugs without a prescription applies only to purchases that are made after 2010.

Can I still use the *mySourceCard* debit card?

You can still use your *mySourceCard* debit card for thousands of OTC *health products* that are not considered an OTC medicine or drug. These include but are not limited to Band Aids, eye care and contact lens supplies, diabetic supplies and family planning products.

Of course, regular prescriptions can still be purchased with the debit card and you will still be able to use the card for co-pays, deductibles as well as dental and vision expenses.

How does the IRS require me to submit OTC medicines and drugs for reimbursement?

In order to receive reimbursement for OTC medicines with a prescription, a Claim Form along with documentation will need to be completed and filed for reimbursement with Human Resource Administrators, Inc. A reimbursement will be made directly to you.

The IRS indicates that there are two acceptable forms of documentation that will qualify a “prescribed” OTC item as an eligible expense under an FSA.

1. A customer receipt indicating the name of the purchaser (or the name of the person for which the prescription applies) the date, the amount of the purchase and the Rx number. (This would be the prescription stub from the pharmacy.)
2. If the customer receipt does not indicate an Rx number then a copy of the doctor’s prescription must accompany the customer receipt when submitting the claim.

Please note: Because OTC medications can be purchased “off-the-shelf”, you may choose to have the OTC medications dispensed through the pharmacy as you would a regular prescription (thereby receiving an Rx number). Or, you may purchase medicines over-the-counter and submit a paper claim with a receipt and a copy of the prescription. In either case, the prescription should include the name of the prescribed OTC item, the date the prescription begins and the number of refills allowed, if applicable.



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