

Healthcare Reform and Healthcare Flexible Spending Accounts

The Patient Protection and Affordable Care Act (PPACA) made the following changes to Healthcare Flexible Spending Accounts.



Over-the-Counter Expense Limitations

Over-the-counter (OTC) medicines and drugs now require a prescription to be reimbursed by a healthcare spending flexible account, even if the medicine or drug may also be purchased without a prescription.

OTC Categories Requiring a Prescription

Acid Control	Anti-Itch & Insect Bite	Digestive Aids	Pain Relief
Allergy & Sinus	Antiparasitic Treatments	Feminine Anti-Fungal/Anti-Itch	Respiratory Treatments
Antibiotic Products	Baby Rash Ointments/Creams	Hemorrhoidal Preps	Sleep Aids & Sedatives
Anti-Diarrheals	Cold Sore Remedies	Laxatives	Stomach Remedies
Anti-Gas	Cold, Cough & Flu	Motion Sickness	

Please note: Insulin is the only OTC item not subject to the prescription requirement at this time. Non-medical items such as medical equipment or supplies will continue to be eligible for reimbursement.

Dependent Eligibility through Age 26

The second change is the expansion of health insurance coverage for eligible dependent children through the end of the calendar year in which they turn 26, even if the dependent is married and regardless of whether the dependent resides with, or is financially dependent on, the covered employee.

Based on this change, you *may also* be allowed to claim out-of-pocket healthcare expenses for eligible dependents through age 26 with your healthcare flexible spending account. Be sure to adjust your annual election amount accordingly. Please note that the tax exclusion under your health FSA does not extend to the spouse of an adult dependent. This change does not impact dependent care FSAs—the criteria for eligible individuals remains as-is.

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OTC FAQs

Q When does the prescription requirement for OTC medicines go into effect?

A A prescription will be required for reimbursement of all medicines and drugs, except insulin, effective January 1, 2011. This prescription requirement applies even if the medicine or drug is available for purchase over-the-counter.

Q What exactly is meant by a “prescription”?

A A “prescription” means a written or electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and that is issued by an individual who is legally authorized to issue a prescription in that state. In other words, a prescription for an over-the-counter medicine or drug contains the same information as a prescription for a prescription-only medicine.

Q How often will I need to submit a prescription for an OTC medicine or drug in order for the claim to be considered for reimbursement under the plan?

A A copy of the pharmacy prescription receipt must be submitted with your claim form each time reimbursement is requested.

Q I have been diagnosed with diabetes. Will I be required to submit a prescription in order to purchase my insulin?

A No. Under the regulations, a prescription is not required to purchase insulin, even though it is available over-the-counter.

Q What about over-the-counter medical supplies, such as bandages or medical tape; will those items still be eligible, even without a prescription?

A The OTC restrictions apply only to medicines or drugs. Medical supplies such as Band-Aids®, medical tape, ACE™ bandages or items such as diabetic test strips or contact lens solution do not require a prescription.

Q What impact will healthcare reform have on reimbursement benefits for expenses relating to doctor’s office co-pays, dental co-pays, eye exams, and co-pays for regular prescriptions, such as prescription medication to treat insomnia?

A The new restrictions have no impact on spending account reimbursement for other eligible medical expenses such as co-payments, deductibles, or out-of-pocket amounts not covered by your health insurance plan.

Q If my plan issues a debit card for use in paying for healthcare expenses, can I still use my debit card to purchase OTC medicines or drugs?

A Your debit card can still be used to purchase OTC medicines or OTC drugs which now require a prescription, providing the following eligibility requirements are met: 1) prior to the purchase, the prescription for the OTC medicine or drug must be presented to the pharmacist, 2) the OTC medicine or drug must be dispensed by the pharmacist in accordance with the applicable laws and regulations pertaining to the practice of pharmacy, 3) an Rx number must be assigned, 4) in accordance with IRS record keeping requirements, the pharmacy or vendor must retain a record of the Rx number, the name of the purchaser or the person to whom the prescription applies, the date and amount of the purchase, and 5) all of these records must be available to the employer or its agent upon request. Examples of OTC medicines and OTC drugs that now require a prescription include allergy prevention and treatment, analgesics, antacids, antibiotics, antihistamines, cold and flu remedies, migraine relief, skin care, and sleeping aids. You may refer to the Eligible Expense Guide for a more detailed list of OTC items which may now require a prescription and any additional reimbursement criteria which may apply.

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Sample documentation

SAMPLE OF AN **ACCEPTABLE**
RECEIPT FOR REIMBURSEMENT
MUST INCLUDE:

- Patient's name
- Date of and amount of purchase
- Prescription number

ABC PHARMACY #K1000 Phone 800-123-4567 123 Main Street Anytown, USA 67890		Rx # 1234567 00
PATIENT NAME: DOE, JOHN E.		CUSTOMER RECEIPT Date: 1-5-11 Pay: \$ 26.71
DR. MARK SMITH, PhD 00000XXXXX XYZ MEDICINE 250MG TAKE 1 CAPSULE BY MOUTH 2 TIMES DAILY UNTIL GONE QTY: 20 Days Supply: 10 Refills: 1		
REFILLABLE 1 TIME BEFORE EXPIRATION OF 1-5-12 Return this slip for refill after 1-25-10		

SAMPLE OF AN **UNACCEPTABLE**
RECEIPT FOR REIMBURSEMENT

DR. MARK SMITH, PhD 123 Main Street Anytown, US- 67890 800-123-4567	
Patient: <i>John E. Doe</i>	
Prescription: <i>XYZ Medicine</i> <i>250mg - 10 caps 2x daily</i>	
Physician: <i>MSmith, MD</i>	