



GUIDELINES FOR THE USE OF FSA, HRA, and HSA FUNDS TO PURCHASE OVER THE COUNTER PRODUCTS AFTER 1/1/11

Dear Participant:

The recently enacted Patient Protection and Affordable Care Act of 2010 has changed the rules for the purchase of over the counter (OTC) products using your Flexible Spending Account (FSA) or Health Reimbursement Arrangement (HRA) pre-tax funds.

The IRS currently allows OTC medicine and drugs to be reimbursed using your FSA or HRA dollars. However, as of **January 1, 2011**:

1. FSA or HRA funds can **no longer be used to purchase OTC medicine and drugs** unless a medicine or drug is prescribed. 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.

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

The following categories of items do not need a prescription to be paid from your FSA and HRA:

- Denture adhesives
- Diagnostic tests and monitors
- Elastic bandages and wraps
- Eye care and contact lens supplies
- Family planning kits
- Fiber laxatives
- First aid supplies
- Hearing aid batteries
- Infant electrolytes and dehydration solutions
- Infant teething pain supplies
- Insulin and diabetic supplies
- Nebulizers
- Orthopedic aids
- Ostomy products
- Reading glasses
- Smoking deterrents
- Syringes
- Thermometers
- Wheelchairs, walkers, and canes

2. If you have a prescription for an OTC medicine or drug, you must pay out of pocket at point of sale and then submit a manual claim requesting reimbursement. **You cannot use your Prepaid Benefits Card for this purchase.** (NOTE: Some retail merchants may remove OTC drugs and medicines from their list of eligible items prior to the January 1 effective date, in which case these items will not be approved on the prepaid benefits card at those merchants.)
3. You can continue to use your FSA or HRA funds to purchase OTC items that are not considered a medicine or drug (e.g. bandages, splints, contact lens solution, etc.) Please note that **insulin remains an eligible expense** with or without a prescription. **So, your Prepaid Benefits Card can continue to be used for these purchases.**
4. Remember to consider these new OTC rules when estimating the dollar amount to put in your FSA or HRA account for the next plan year.

The Preferred Group · 24 Madison Avenue Extension · Albany, NY 12203
Toll-Free: (800) 573-7474