



Changes to OTC Drug Eligibility Effective January 1, 2011

In March, President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively "the Act"). The Act includes a number of modifications to employee benefit programs.

One provision that will affect your Health FSA beginning January 1, 2011 is the requirement for over-the-counter (OTC) drugs and medicines to be accompanied by a physician's prescription in order to be reimbursed. This means items such as pain relievers, cough medicines, acid controllers, and allergy medicine will now require a doctor's prescription to be submitted along with the reimbursement request. Insulin and other OTC supplies, such as contact lens solution will continue to be eligible without a prescription.

Since this change applies to all expenses incurred on or after January 1, 2011 it will affect all plans and participants at the same time, regardless of the plan year. At this point, however, the IRS has not clarified the definition of a "doctor's prescription." Guidance is expected to be released by early September of 2010.

OTC drug expenses incurred on or after January 1, 2011 will require a doctor's prescription (with medical necessity for a specific medical condition) in order to be reimbursed under a Health FSA. Expenses incurred prior to January 1, 2011 will not. For example, for a calendar year plan, an OTC drug purchased on December 31, 2010, could be submitted before the Plan's 3-month run-out period to submit claims of March 31, 2011, and still be reimbursed without a prescription.

Though the specific list of items affected has not been completely assessed, the following categories of items (including common examples) will require a doctor's prescription and thus, cannot be reimbursed:

- Allergy & Sinus (Claritin, Motrin Sinus)
- Antibiotic Products (Neosporin, Polysporin)
- Anti-Itch & Insect Bite (Cortaid, Lanacane)
- Cold Sore Remedies (Anbesol, Carmex)
- Cough, Cold & Flu (Advil Cold, Nyquil)
- Diaper Rash Ointment (A & D, Desitin)
- Digestive Aids (Maalox, Pepto-Bismol)
- Hemorrhoidal Preps (Preparation H)
- Laxatives (Dulcolax, Milk of Magnesia)
- Motion Sickness (Dramamine)
- Pain Relief (Aspirin, Tylenol, Motrin)
- Respiratory Treatments (Primatene)
- Sleep Aids (Nytol, Unisom)
- Stomach Remedies (Tums, Rolaids)

The following are examples of some of the items that will remain available without a doctor's prescription:

- Band Aids
- Bandages & Wraps/Supports
- Birth Control
- Contact Lens Solutions
- Denture Adhesives
- Diagnostic Tests & Monitors
- First Aid Supplies
- Insulin & Diabetic Supplies
- Reading Glasses
- Wheelchairs, Walkers, Canes

If you have any questions please do not hesitate to contact Arcadia Benefits Group at 1-866-329-4333 or by email at: info@arcadiabenefits.com.