

# New OTC Rule Fact Sheet

## For Health Care Account Participants

### Background

In early 2010, the Affordable Care Act was passed as part of the health care reform initiative. Included in the law was a new rule that requires a doctor's prescription for the reimbursement of Over-the-Counter (OTC) drugs and medicines from a health flexible spending or savings account.

### What Accounts Are Affected by the New OTC Rule?

The law applies to Health Flexible Spending Accounts (FSAs) and Health Savings Accounts (HSAs). FSA participants will need to submit either a receipt listing an Rx number or the prescription along with a receipt detailing the purchase in order to be reimbursed. HSA participants will need to keep the prescription along with the receipt for their tax records in order to avoid IRS penalties.

### When Does the Change Take Effect?

The law takes effect on January 1, 2011, which means that any OTC drug or medicine purchase made in 2011 will require a doctor's prescription before it can be reimbursed from one of the covered health care accounts.

### What about FSA Plans with a Grace Period?

If your employer's FSA plan includes a grace period that extends the reimbursement period into 2011, you will still need to get a doctor's prescription for any OTC drug or medicine purchased in 2011.

### What Does the Change Mean for FSA Accountholders?

To put it simply, the new rule adds an extra step in the process. Prior to 2011, eligible purchases could be debited directly from the account at a merchant that met IRS-rules for the use of debit cards. And, for purchases at other merchants, all that was required for reimbursement was a valid receipt. Now any accountholder seeking reimbursement will have to first go to a doctor for a prescription, which will then need to be submitted to the administrator along with the receipt. It's important to remember that you will still be able to use your account for the same OTC drugs and medicines as before. You will just need a doctor's prescription before you can be reimbursed.

### What Exactly Is a Prescription for an OTC Drug or Medicine?

A prescription for an OTC drug or medicine should be exactly the same as one for a drug or medicine that can only be obtained with a doctor's prescription. When you go to the doctor, simply ask him or her to write you a prescription for the item for which you want to be reimbursed. The prescription will need to comply with state prescription laws, but generally, if the prescription is written on a prescription pad, it should be sufficient.

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