

Questions and Answers
Reimbursement of Over-the-Counter Medicines and Drugs
Through the Employee Reimbursement Accounts (ERA) Program

Q. How are the rules changing for reimbursing the cost of over-the-counter medicines and drugs from health flexible spending arrangements (FSAs) such as my ERA medical expense reimbursement account?

A. Section 9003 of the Affordable Care Act established a new uniform standard for medical expenses. Effective Jan. 1, 2011, health FSAs will be allowed to reimburse the cost of over-the-counter medicines or drugs only if they are purchased with a prescription. This new rule does not apply to reimbursements for the cost of insulin, which will continue to be permitted, even if purchased without a prescription.

Q. When will the changes become effective?

A. The changes are effective for purchases of over-the-counter medicines and drugs without a prescription after Dec. 31, 2010. The changes do not affect purchases of over-the-counter medicines and drugs in 2010, even if they are reimbursed after Dec. 31, 2010.

Q. How do I prove that I have purchased an over-the-counter medicine or drug with a prescription so that I can get reimbursed from my health FSA?

A. You would provide the prescription (or a copy of the prescription or another item showing that a prescription for the item has been issued) and the customer receipt (or similar third-party documentation showing the date of the sale and the amount of the charge) to FBMC, the plan administrator. For example, documentation could consist of a customer receipt issued by a pharmacy that reflects the date of sale and the amount of the charge, along with a copy of the prescription; or it could consist of a customer receipt that identifies the name of the purchaser (or the name of the person for whom the prescription applies), the date and amount of the purchase and an Rx number.

Q. How does this change affect over-the-counter medical devices and supplies?

A. The new rule does not apply to items for medical care that are not medicines or drugs. Thus, equipment such as crutches, supplies such as bandages, and diagnostic devices such as blood sugar test kits will still qualify for reimbursement by a health FSA if purchased after Dec. 31, 2010.

Q. Will I need a prescription to use my health FSA for insulin purchases after Dec. 31, 2010?

A. No. You can continue to use your health FSA to purchase insulin without a prescription after Dec. 31, 2010.

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Q. I use health FSA funds for my co-pays and deductibles, as well as dental expenses, eye glasses, contact lenses, and other medically-related expenses. Will I still be able to be reimbursed for those expenses after Dec. 31, 2010?

A. Yes. Co-pays and deductibles, as well as dental, vision, and other medical expenses continue to be reimbursable from a health FSA after Dec. 31, 2010.

Q. The ERA program provides a grace period until March 15 following the plan year. What happens if I purchase over-the-counter medicines or drugs without a prescription in 2010 but do not submit the claim for those expenses until January 2011? Will they qualify for reimbursement?

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

Q. What if I buy over-the-counter medicines or drugs without a prescription during the grace period of 2011? Can I still use the money left in my health FSA at the end of 2010 to reimburse those expenses?

A. No. The change applies to purchases made on or after Jan. 1, 2011. Thus, the cost of over-the-counter 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, even if you are using 2010 funds.

Q. Will I still be able to use the debit card to purchase over the counter medicines or drugs after Dec. 31, 2010?

A. Generally, no. However, you can seek reimbursement for these expenses by presenting the information described above in the answer to the question “How do I prove that I have purchased an over-the-counter medicine or drug with a prescription so that I can get reimbursed from my health FSA?” The debit card can still be used for medical, vision, and dental expenses, as well as prescription drugs.

More information about the reimbursement of eligible over-the-counter drugs will be posted on the FBMC and ETF websites as it becomes available.