



Guidelines for the Use of Flexible Spending Account (FSA) Funds to Purchase Over-the-Counter (OTC) Drugs After 1/1/2011

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) pre-tax funds.

The Internal Revenue Service (IRS) previously allowed OTC medicines and drugs to be reimbursed using your FSA dollars. However, as of January 1, 2011:

1. FSA funds can no longer be used to purchase OTC medicines and drugs unless the 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.

2. ***NEW GUIDANCE ISSUED*** - If you have a prescription for an OTC medicine or drug, you can use your FSA debit card for this purchase as long as the prescription is filled by the pharmacist with an Rx number assigned. If your OTC prescription is not filled by a pharmacist, you must pay out of pocket and submit a manual claim requesting reimbursement.

3. You can continue to use your FSA funds to purchase eligible 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 FSA debit card can continue to be used for these purchases.

The OTC drugs and medicines affected include items in the following categories:

- Acid controllers
- Acne medications
- Allergy & sinus
- Antibiotic products
- Antifungal (Foot)
- Antiparasitic treatments
- Antiseptics & wound cleansers
- Anti-diarrheals
- Anti-gas
- Anti-itch & insect bite
- Baby rash ointments & creams
- Baby teething pain
- Cold sore remedies
- Contraceptives
- Cough, cold & flu
- Denture pain relief
- Digestive aids
- Ear care
- Eye care
- Feminine antifungal & anti-itch
- Fiber laxatives (bulk forming)
- First aid burn remedies
- Foot care treatment
- Hemorrhoidal preps
- Homeopathic remedies
- Incontinence protection/treatment
- Laxatives (non-fiber)
- Nasal sprays, drops, & inhalers
- Medicated respiratory treatments
- Motion sickness
- Oral remedies or treatments
- Pain relief (includes aspirin)
- Skin treatments
- Sleep aids & sedatives
- Smoking deterrents
- Stomach remedies
- Vapor products

If you have questions about this OTC change or need more information, please contact Swerdlin & Company at 866-353-9725.