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## Benefit Strategies, LLC

April 23, 2010

The Patient Protection and Affordable Care Act (H.R. 3590), was signed into law Tuesday, March 23, 2010 by President Obama after a yearlong quest for health reform. This act affects Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and Health Savings Accounts (HSAs) by eliminating over-the-counter (OTC) drugs, medicines, and biological treatments as eligible expenses.

### Over-The-Counter (OTC) Eligibility

Under this new Health Care Reform Act OTC drugs, medicines and biologicals will be eligible for reimbursement only if the request is accompanied by a doctor's directive. The change could affect, but is not limited to, the list of items below\*.

**\*Benefit Strategies will be providing updates as more information is presented as to the items affected**

- 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

### Eligibility Time Frame

The OTC change applies to the taxable year and not the employer's plan year should it begin after January 1, 2011. This OTC change will affect everyone at the same time, no matter what the company's plan year is. If a plan has a non-calendar plan year, the OTC elimination would be handled as a mid-year change.

OTC eligible expenses incurred between now and December 31, 2010 will not need a doctor's directive. Expenses incurred on or after January 1, 2011 will require a doctor's directive. OTC eligible expenses will be determined based on the date incurred.

### Debit Card Usage

This change will also impact how participants use their benefits debit card. OTC drugs, medicines

and biologicals will no longer be eligible for payment using the benefits debit card at IIAS\*\* locations because of the doctor's directive requirement. Participants will need to purchase OTC items using another form of payment and then submit a reimbursement request along with the doctor's prescription for the OTC drug, medicine or biological purchased. The change to OTC does not mean IIAS goes away completely. SIGIS (Special Interest Group for IIAS Standards) estimates that approximately one-third of the items on the IIAS list would be affected.

*\*\*IIAS is an IRS approved inventory information approval system that allows for automatic adjudication of an expense at a pharmacy by comparing an item's SKU to an approved list of eligible expenses.*

Benefit Strategies is currently updating materials to incorporate this change and they will be posted on the web site as they are completed.

Benefit Strategies will provide updates as more information is given about the items affected and the procedure to be reimbursed by a doctor's directive.

**We will provide updated information as it becomes available.  
This change takes effect beginning January 1, 2011**

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