



IRS Update - Over-The-Counter (OTC) Restrictions

In March, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 became law. These sweeping healthcare reforms include a number of modifications to employee benefit programs.

One provision affects employee participants as of **January 1, 2011** is the requirement for over-the-counter (OTC) drugs, medicines and biologicals to be accompanied by a physician's prescription in order to be reimbursed under health flexible spending accounts (FSAs), health reimbursement arrangements (HRAs) and health savings accounts (HSAs).

This provision will impact the Verity National Star Card. Under the Act, OTC drugs, medicines and biologicals will continue to be eligible for reimbursement as long as the request is accompanied by a doctor's prescription. The change applies to ***all expenses incurred on or after January 1, 2011*** and will affect all plans and participants at the same time, regardless of the plan year.

Health FSA, HRA and HSA debit cards may continue to be used to purchase over-the-counter medicines or drugs at drug stores and pharmacies, at non-health care merchants that have pharmacies and at mail order and web-based vendors that sell prescription drugs, if:

- 1) the prescription (as defined in Notice 2010-59) for the over-the-counter medicine or drug is presented to the pharmacist;
- 2) the over-the-counter medicine or drug is dispensed by the pharmacist and an Rx number is assigned;
- 3) the pharmacy or other vendor retains a record of the Rx number, the name of the purchaser (or the name of the person for whom the prescription applies), and the date and amount of the purchase in a manner that meets IRS recordkeeping requirements;

You may also use another form of payment for OTC drugs or medicines and submit a copy of the prescription, the receipt and a Medical Expense Reimbursement Claim form to Verity National for reimbursement. ***Please remember, the debit card system will not accept a charge for an over-the-counter medicine or drug unless an Rx number has been assigned.***

In order to be eligible for reimbursement as of January 1, 2011, the following categories of OTC drugs and medicines now require a doctor's prescription:

- Acid Controllers
- Allergy & Sinus
- Antibiotic Products
- Anti-Diarrheals
- Anti-Gas
- Anti-Itch & Insect Bite
- Anti-parasitic Treatments
- Baby Rash Ointments/Creams
- Cold Sore Remedies
- Cough, Cold & Flu
- Laxatives
- Hemorrhoid Preps
- Feminine Anti-Fungal/Anti-Itch
- Digestive Aids
- Motion Sickness
- Pain Relief
- Respiratory Treatments
- Sleep Aids & Sedatives
- Stomach Remedies

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

- Band Aids
- Birth Control
- Braces & Supports
- Catheters
- Contact Lens Supplies & Solutions
- Denture Adhesives
- Elastic Bandages & Wraps
- First Aid Supplies
- Insulin & Diabetic Supplies
- Ostomy Products
- Reading Glasses
- Wheelchairs, Walkers, Canes

For additional assistance or any questions regarding this provision, or claim forms please refer to your Verity National Group web portal or contact customer service at (800) 840-3977 or email cs@veritynational.com.

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