

## **Over-the-Counter Products**

**Effective January 1, 2011**, the rules for the purchase of over-the-counter (OTC) products using funds from Flexible Spending Accounts (FSAs) and Health Reimbursement Accounts (HRAs) will change.

**Here are some of the key changes to remember:**

1. OTC items are classified as either “drugs and medicine” or “not drugs and medicine”.
2. There are no changes to the “not drugs and medicine” items. These items will continue to be covered by FSA and HRA Plans. If part of your Plan’s program, the EBS Flex Card will continue to be accepted as a method of payment for these items (dependent on the merchant’s IIAS participation).
3. Items classified as “drugs and medicine” will only be covered by FSA and HRA Plans if (1) the drug or medicine requires a prescription (e.g., antibiotic), (2) is available without a prescription (e.g., over-the-counter cough medicine) and the participant obtains a prescription, or (3) is insulin. (Note: A prescription means a written or electronic order for a drug or medicine 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 (e.g., a physician).
4. Items classified as “drugs and medicine” that are allowable due to the physician’s prescription must be paid for at the point of sale, and a Reimbursement Request form must be submitted for repayment. The EBS Flex Card cannot be used to pay for “drugs and medicine”, per the IRS rules.

**Participants should:**

1. Consider the new OTC rules when determining FSA and HRA elections for the next Plan year.
2. Plan ahead and possibly purchase “drugs and medicine” items before January 1, 2011 to properly spend down the current Plan year election. (Note: Stockpiling OTC “drug and medicine” items is not allowed and requests for quantities deemed to be stockpiled will be denied).
3. Remember that the prescription requirement for “drugs and medicine” purchase is effective on January 1, 2011. This applies to all purchases in 2011 even if they are attributable to a prior year’s account balance. (Note: January 1, 2011 is a set date, and is not tied in any way to your Plan year).

## **Flexible Spending Account Maximum**

**Effective January 1, 2013**, each employee will be limited to a \$2,500 maximum pre-tax health care FSA election (or less if the employer specified maximum is less than \$2,500). This maximum also applies to Plan years that begin in 2012 and end in 2013 (e.g., July 1 – June 30). This amount may be indexed in future years.

*It is important to note that these rules are subject to interpretation and changes to the rules may occur between now and the effective date. Please continue to check EBS-RMSCO’s [myebsaccount.com](http://myebsaccount.com) website for updated information.*