

Healthcare Reform Updates: Over-the-Counter Medications Guidance (9/7/2010)



Effective Jan. 1, 2011, certain over-the-counter medicines and drugs no longer qualify as tax-favored medical expenses under qualified reimbursement accounts including FSA's, HSA's, HRA's and Archer MSA's.

The Internal Revenue Service has [issued guidance](#) reflecting changes regarding the use of certain tax-favored arrangements to pay for over-the-counter medicines and drugs.

The Affordable Care Act established a new uniform standard that, effective Jan. 1, 2011, applies to FSAs and health reimbursement arrangements (HRAs). Under the new standard, the cost of an over-the-counter medicine or drug cannot be reimbursed from the account unless a prescription is obtained. The change does not affect insulin, even if purchased without a prescription, or other health care expenses such as medical devices, eye glasses, contact lenses, co-pays and deductibles. The new standard applies only to purchases made on or after Jan. 1, 2011, so claims for medicines or drugs purchased without a prescription in 2010 can still be reimbursed in 2011, if allowed by the employer's plan. A similar rule goes into effect on Jan. 1, 2011 for Health Savings Accounts (HSAs), and Archer Medical Savings Accounts (Archer MSAs). Employers and employees should take these changes into account as they make health benefit decisions for 2011.

Partial List of Items Available Without Prescription after Jan. 1, 2011:

- Insulin and diabetic supplies
- Band aids
- Birth control
- Reading glasses
- First aid supplies
- Contact lens solution and cleaner

Partial List of Items Available With Prescription after Jan. 1, 2011:

- Allergy medications
- Antacid medications
- Cough/cold/flu medications
- Pain relief medications
- Sleep aids