

IMPORTANT INFORMATION FOR FSA PLANS AND HEALTH CARE REFORM

Updated 12.29.2010

The recent enactment of the health care reform legislation represents some impact to health care FSA plans. ADP wants to ensure that you have the most current information available. Please be sure to review this information carefully.

The below information will be updated as necessary so please be sure to check this information regularly for updates.

Eligibility for Over-The-Counter (OTC) Items

As part of the new Health Care Reform legislation, the requirements for reimbursement of OTC medicines and drugs have changed. For expenses incurred on or after **January 1, 2011**, all OTC medicines and drugs must be prescribed by an authorized healthcare provider to be eligible for reimbursement from an FSA account. Prescriptions for OTC medicines and drugs must meet the same requirements as any prescription medicine or drug for the state in which the expense is incurred.

Since the new legislation is effective January 1, 2011 for any OTC drugs or medicines purchased in 2011, the new requirement will apply to items purchased during an annual grace period for unused participant FSA balances in 2010.

While we cannot provide specific product name brands, the below categories of OTC medicines and drugs will require prescriptions as of January 1, 2011. These include both ingested and topical forms.

- Acid Controllers
- Allergy & Sinus Medications
- Antibiotic Products
- Anti-Diarrheal Drugs
- Anti-Gas
- Anti-Itch & Insect Bite
- Antiparasitic Treatments
- Rash Ointments/Creams (including baby)
- Cold Sore Remedies
- Cold, Cough & Flu
- Digestive Aids
- Feminine Anti-Fungal/Anti-Itch Products
- Hemorrhoid Preps
- Laxatives
- Motion Sickness
- Pain Relief
- Respiratory Treatments
- Sleep Aids & Sedatives
- Stomach Remedies

Again, while we cannot provide specific product brand names, the below categories of OTC items are not medicines or drugs. These items represent some of the most common OTC reimbursement requests and will not require a prescription. The below items are still eligible for reimbursement in 2011 and beyond.

- Bandages
- Blood Pressure Monitor
- Carpal Tunnel Wrist Supports
- Knee Supports
- Cholesterol Tests
- Colorectal Cancer Screening Tests
- Contact Lenses Cleaning & Storage Supplies
- Crutches & Mobility Aids
- Diabetes Monitors & Supplies, including insulin
- Ear Wax Kit
- Eye Drops & Eye Lubricants
- Hot/Cold Packs
- Incontinences Supplies
- Nasal Strips
- One Touch
- Orthotic Supplies
- Pregnancy Tests
- Reading Glasses
- Thermometers

FOR PAPER CLAIMS:

What you need to know about submitting claims for reimbursement

Once a valid prescription is obtained for an OTC medicine or drug by an authorized provider, you may then choose one of the following methods to submit your claim.

The preferred method of submission

- You should ask your pharmacist to “fill” the prescription you receive for the OTC medicine/drug (just as you do any prescription) and assign an Rx number to the item. The Rx number will display on the pharmacy receipt just as it does for a medicine which requires a prescription.
- You may then file the pharmacy receipt (containing the Rx #), along with your claim form, and it will be considered for reimbursement as an eligible prescription medicine or drug.
- This method increases the chance of claim approval without the need for further documentation.

If a prescription cannot be “filled” by a pharmacist and assigned a Rx number

- You may purchase OTC medicines and drugs at any register or location and then submit a copy of the prescription along with a valid receipt showing the date, amount and product information. This documentation will then be considered for reimbursement.
- The prescription must meet the state requirements for a prescription including BOTH of the following:
 - it may be written only by those authorized to write prescriptions (e.g. physician)
 - It must include expiration limits
- The applicable state law is determined by where the product was purchased (not where the product is used).

What you need to know about submitting substantiation

Under the guidance released, adequate substantiation is generally satisfied by providing BOTH of the following documents:

- the submission of the required third-party documentation (reflecting date of service or purchase, description and amount of item) AND
- the prescription (or a copy of the prescription)

If a prescription cannot be submitted, a pharmacy receipt with the name of purchaser (or person using the OTC medicine or drug), the date, the amount of the purchase and a Rx number can also be used to meet the substantiation requirements.

To summarize, you must submit along with your claim form either:

- 1) A receipt with a Rx number OR
- 2) A receipt without a Rx number and a prescription

FOR THE ADP DEBIT CARD (where available):

- Card purchases for OTC items will continue to be approved or denied at the point of sale (*excluding medicines and drugs without an Rx number – please see details below*).
- The IRS has mandated that all merchants update their systems (to reflect changes in eligible OTC items) to comply with the new regulations by January 16, 2011.
- ***New for OTC medicine and drugs:*** After January 15, 2011, Health Care FSA debit cards may continue to be used to purchase over-the-counter (“OTC”) medicines or drugs at drug stores and pharmacies, non-health care merchants that have pharmacies, and at mail order and web-based vendors that sell OTC medicines and drugs, ***if the following guidelines are met:***
 - A valid prescription is obtained by an authorized provider for the OTC medicine or drug and the prescription is presented to a pharmacist to “fill” and an Rx number assigned. The Rx number will display on the pharmacy receipt just as it does for a medicine which requires a prescription. At IAS merchants, this expense may be reimbursed for FSA using the ADP Health Care debit card to pay for this purchase. ***If these requirements are met, the debit card transaction will be considered fully substantiated at the time and point-of-sale.***

IMPORTANT: ***The debit card system will not accept a charge for an OTC medicine or drug unless an Rx number has been assigned. If an OTC medicine or drug is purchased with a method other than a Health Care FSA debit card, then a paper claim must be submitted along with a copy of the prescription and a valid receipt showing the date, amount and product information.***

You may obtain additional information on the websites noted below.

Health Care Reform: <http://adp.com/tools-and-resources/health-care-reform.aspx>

DOL: <http://www.dol.gov/ebsa/>

IRS: <http://www.irs.gov/newsroom/article/0,,id=222193,00.html>