Health Care FSA Changes for 2011
Section 9003 of the Affordable Care Act revised the definition of qualified medical expenses for health plans, including health flexible spending arrangements.

Effective January 1, 2011, the new rule establishes a uniform definition for medical expenses. As a result, reimbursement will be made only if the medicine or drug 1) requires a prescription, 2) is available over the counter (OTC) and the individual obtains a prescription, or 3) is insulin.

The change does not affect purchases made of OTC medicines and drugs in 2010, even if they are reimbursed after December 31, 2010. However, this rule does affect purchases made in the 2½-month grace period for 2010 accounts (January 1 to March 15, 2011). OTC medicines and drugs purchased without a prescription (except insulin) on or after January 1, 2011, will not be eligible for reimbursement through the Health Care FSA.

This new rule does not apply to items for medical care that are not medicine or drugs. OTC medical supplies and devices such as bandages, crutches, and blood sugar test kits still qualify for the Health Care FSA without a prescription. Likewise, copays and deductibles continue to be reimbursable.

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FSA election for 2011
For Open Enrollment, carefully estimate your health care election and base it on known expenses such as prescription drug copays, office visit copays, planned dental work, eyeglasses, or contact lenses.

If you have a balance remaining in your 2010 account, you may want to use some of it to purchase appropriate amounts of OTC medications (no stockpiling*) by December 31, 2010.

*IRS regulations state that generally a one- to two-month supply is acceptable.

Definition of a Prescription:
A prescription means a written or electronic order for medicine or drug 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.