



DID YOU KNOW?

New Over-The-Counter (OTC) Rules for 2011

The IRS issued new guidance allowing the continued use of health flexible spending account (FSA), health reimbursement arrangement (HRA) and Health Savings Account (HSA) debit cards for the purchase of prescribed OTC medicines and drugs.

Beginning January 1, 2011, health FSA, HRA and HSA debit cards may continue to be used or purchase OTC medicines or drugs if:

- Prior to the purchase, the prescription for the OTC medicine is presented (in any format, i.e. electronic or paper) to the pharmacist;
- the OTC medicine is dispensed by the pharmacist in accordance with applicable law;
- an Rx number is assigned;
- the pharmacy must retain a record of the Rx number, the name of the purchaser (or name of the person for whom the prescription applies) and the date and amount of the purchase;
- all of these records are available to the employer or its agent upon request;
- the debit card system will not accept a charge for an OTC medicine unless an Rx number has been assigned; and
- all the requirements of this guidance is met.

What does this mean? Actually, the rules have not changed that much. A prescription, written by a physician, must be obtained for OTC medicines and drugs in order for them to be paid from flexible spending accounts.

This clarification allows the use of a debit card to pay for OTC medicines and drugs. The prescription must be presented to a pharmacist and the prescription must be filled by the pharmacist. The same rules apply as they do for any other “prescribed” drug, comparable to a prescription for an antibiotic. The pharmacist reads the prescription and fills it according to instructions outlined by the physician.

How does the debit card know the difference between and OTC Rx and an Rx for an antibiotic? The answer is – it doesn’t have to. Both are prescriptions, delivered through the pharmacy and will automatically be coded as an Rx.

Want more information? Go to <http://www.irs.gov/pub/irs-drop/n-11-05.pdf> to view the entire Notice.



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