

The 125Company, Inc.

www.125company.com

Examples of Eligible Expenses

- ✓ **Adoption - Medical Expense (incurred before adoption is finalized)**
- ✓ **Alcoholism Treatment**
- ✓ **Ambulance**
- ✓ **Artificial Limbs**
- ✓ **Artificial Teeth**
- ✓ **Braille Books/Magazine (difference between regular material and Braille materials)**
- ✓ **Car Controls for Handicapped**
- ✓ **Chiropractic Services**
- ✓ **Christian Science Practitioners (payments for medical care)**
- ✓ **Coinsurance Amounts and Deductibles**
- ✓ **Contact Lenses and Solution**
- ✓ **Crutches**
- ✓ **Dental Treatment**
- ✓ **Diagnostic Tests**
- ✓ **Drug Addiction Treatment**
- ✓ **Eye Examinations and Eyeglasses**
- ✓ **Guide dog or Other Animal (purchase, training, and care of animal)**
- ✓ **Hearing Aids and Examinations**
- ✓ **Hospital Services**
- ✓ **Injections**
- ✓ **Insulin**
- ✓ **Laboratory Fees**
- ✓ **Lasik Eye Surgery**
- ✓ **Learning Disabled Child: Special School/Teacher**
- ✓ **Medical Monitoring and Testing Devices (if prescribed by physician for a particular ailment).**
- ✓ **Medicines (If prescribed by physician to treat a specific ailment and if only available by prescription.)**
- ✓ **Occlusal Guards (to prevent teeth grinding)**
- ✓ **Operations (Legal operations which treat a specific ailment)**
- ✓ **Optometrist**
- ✓ **Orthodontia (unless for cosmetic purposes)**
- ✓ **Osteopath**
- ✓ **Oxygen**
- ✓ **Peridontal Fees**
- ✓ **Physical Exams (except for employment-related physicals)**
- ✓ **Physical Therapy (for specified medical purpose)**
- ✓ **Prescription Sunglasses**
- ✓ **Private Hospital Room**
- ✓ **Psychiatric Care**
- ✓ **Psychoanalysis**
- ✓ **Psychologist**
- ✓ **Radial Keratotomy**
- ✓ **Surgery**
- ✓ **Telephone for the Deaf**
- ✓ **Transplants**
- ✓ **Transportation for Seminar on Medical Condition**
- ✓ **Cost of Seminar on Medical Condition**
- ✓ **Vaccinations**
- ✓ **X-Rays**

This list is non-inclusive and does not represent all allowable or non-allowable charges. You may refer any further questions regarding allowable and non-allowable charges to your service provider and SPD.

Notice:

New Regulations Regarding OTC Medications Effective 1/1/2011

The Internal Revenue Service recently issued Notice 2010-59, which describes the new eligibility limitations of over-the-counter drugs and medicines for tax-free reimbursement under an employer-sponsored health plan.

The new ruling states that beginning January 1, 2011, specific OTC medicines and drugs must be prescribed in order to qualify for reimbursement from an employer sponsored health plan (such as an FSA or HRA) and HSAs. The implementation of both eligible and ineligible items will be handled by merchants, through IIAS and will be coordinated by SIGIS (Special Interest Group for IIAS Standards).

This will impact the way that many OTC items are purchased. Consumers may begin to schedule additional office visits to obtain prescriptions for newly excluded OTC products or request more expensive prescription alternatives. There may be a rise in manual claims as consumers submit receipts, with prescriptions, for OTC items that are not allowed for debit card by their merchant's point of sale system.

Which OTC categories will require prescriptions?

The new regulations require prescriptions for the following over-the-counter (OTC) categories:

- Acid Controllers • Digestive Aids
- Allergy & Sinus • Feminine Anti-Fungal/Anti-Itch
- Antibiotic Products • Hemorrhoidal Preps
- Anti-Diarrheals • Laxatives • Anti-Gas • Motion Sickness
- Anti-Itch & Insect Bite • Pain Relief
- Anti-Parasitic Treatments • Respiratory Treatments
- Baby Rash Ointments/Creams • Sleep Aids & Sedatives
- Cold Sore Remedies • Stomach Remedies • Cough, Cold & Flu

Which OTC purchases will still allow debit card use?

Event with these changes, over 27,000 OTC items will remain eligible without a prescription.

Such as: • Band Aids • Elastic Bandages & Wraps

- Braces and Supports • First Aid Supplies
- Catheters • Ostomy Products
- Contact Lens Supplies & Solutions
- Insulin & Diabetic Supplies
- Denture Adhesives • Reading Glasses
- Diagnostic Tests & Monitors
- Wheelchairs, Walkers, Canes

The full updated list of items will be provided by SIGIS by 12/15/2010.

The ruling also allows for continued use of debit cards for any purchases at 90% merchants as they do not have an IIAS system and therefore do not substantiate medical items at the point of sale.

- **Substantiation will continue to be required for all purchases at 90% merchants. The list of eligible 90% merchants is available on the SIGIS website.**

The IRS ruling states that debit card systems are not able to differentiate between prescribed and non-prescribed items, and therefore the impacted OTCs cannot be purchased with a debit card. However, there are Inventory Information Approval Systems (IIAS) that can delineate between OTC and "RX" OTC items, substantiating only the prescribed purchases.

While this should meet the IRS requirements, an additional ruling would be helpful. **SIGIS is working with the IRS to obtain an update.**

Source: Lighthouse1 and 125Company October, 2010