

IMPORTANT NOTIFICATION OF HSA/HRA REIMBURSEMENT CHANGES FOR 2011

In March, President Obama signed the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively "the Act"). The Act includes a number of modifications to employee benefit programs.

One provision that will affect employee participants beginning January 1, 2011 is the requirement that over-the-counter (OTC) drugs, medicines, and biologicals must be accompanied by a physician's prescription in order to be reimbursed under a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA) account. Below is a summary of how this change will impact HDHP members.

CHANGES TO OVER-THE-COUNTER ELIGIBILITY FOR REIMBURSEMENT

Under the Act, OTC drugs, medicines, and biologicals will continue to be eligible for reimbursement as long as the request is accompanied by a doctor's prescription. This means items such as cough medicines, pain relievers, acid controllers, and diaper rash ointment will now require a doctor's prescription to be submitted along with the reimbursement request. Insulin and other OTC items, such as band-aids, will continue to be eligible without a prescription.

Since this change applies to all expenses incurred on or after January 1, 2011 it will affect all plans and participants at the same time, regardless of the plan year. OTC drug expenses incurred on or after January 1, 2011 will require a doctor's prescription in order to be reimbursed under a HSA or HRA; expenses incurred prior to January 1, 2011 will not.

For example, for a calendar year plan with a claim-it-by date of March 31, 2011, an OTC drug

purchased on December 31, 2010 could be submitted before a plan's claim-it-by date of March 31, 2011 and still be reimbursed without a prescription.

This provision will also impact the use of all health care debit cards. Beginning January 1, 2011, merchants who are IAS certified will need to modify the list of items eligible for payment. The list will be shorter; this is because of the doctor's prescription requirement. With the shorter list, fewer purchases will be authorized and auto substantiated at the point-of-sale. Purchases of OTC drugs, medicines, and biologicals will require another form of payment and then the employee can submit a claim or request for reimbursement along with the doctor's prescription for the OTC drug, medicine, or biological purchased.

This change affects only OTC drugs, medicines, and biologicals - bandages, home health-aids, and other OTC items will still be eligible and can be purchased using the card without further documentation.

<p>✓ The following are examples of items that will require a doctor's prescription and cannot be purchased using a health care debit card:</p>		
<ul style="list-style-type: none"> • Acid Controllers 	<ul style="list-style-type: none"> • Baby Rash Ointments/Creams 	<ul style="list-style-type: none"> • Motion Sickness Remedies
<ul style="list-style-type: none"> • Allergy & Sinus Medications 	<ul style="list-style-type: none"> • Cold Sore Remedies 	<ul style="list-style-type: none"> • Pain Relievers
<ul style="list-style-type: none"> • Antibiotic Products 	<ul style="list-style-type: none"> • Cough, Cold & Flu 	<ul style="list-style-type: none"> • Respiratory Treatments
<ul style="list-style-type: none"> • Anti-Diarrhea Medications 	<ul style="list-style-type: none"> • Digestive Aids 	<ul style="list-style-type: none"> • Sleep Aids & Sedatives
<ul style="list-style-type: none"> • Anti-Gas 	<ul style="list-style-type: none"> • Feminine Anti-Fungal/Anti-Itch 	<ul style="list-style-type: none"> • Stomach Discomfort Remedies
<ul style="list-style-type: none"> • Anti-Itch & Insect Bite Ointments 	<ul style="list-style-type: none"> • Hemorrhoid Preps 	
<ul style="list-style-type: none"> • Anti-Parasitic Treatments 	<ul style="list-style-type: none"> • Laxatives 	

<p>✓ The following are examples of some of the OTC items that will remain available without a doctor's prescription and may be purchased with a health debit card:</p>		
<ul style="list-style-type: none"> • Band Aids 	<ul style="list-style-type: none"> • Denture Adhesives 	<ul style="list-style-type: none"> • Ostomy Products
<ul style="list-style-type: none"> • Birth Control 	<ul style="list-style-type: none"> • Diagnostic Tests & Monitors 	<ul style="list-style-type: none"> • Reading Glasses
<ul style="list-style-type: none"> • Braces & Supports 	<ul style="list-style-type: none"> • Elastic Bandages & Wraps 	<ul style="list-style-type: none"> • Wheelchairs, Walkers, Canes
<ul style="list-style-type: none"> • Catheters 	<ul style="list-style-type: none"> • First Aid Supplies 	
<ul style="list-style-type: none"> • Contact Lens Supplies & Solutions 	<ul style="list-style-type: none"> • Insulin & Diabetic Supplies 	