

THE PATIENT PROTECTION AND AFFORDABLE CARE ACT AS IT RELATES TO SECTION 125 FLEXIBLE SPENDING ACCOUNTS

The Patient Protection and Affordable Care Act was recently signed into law and brings some changes in the way over-the-counter (OTC) medications will be reimbursed through Section 125 Medical Reimbursement Flexible Spending Accounts.

Starting January 1st, 2011, all OTC items eligible for reimbursement must be accompanied by a doctor's prescription. Below are answers to some common questions regarding this new legislation.

Will I still be able to use my FFA Benefits Debit Card to get reimbursed for my regular prescription medications?

Yes, prescription drug reimbursements will not be affected by this change, and you will still be able to purchase prescriptions with your FFA Benefits Debit Card.

When does this change go into effect?

*This change will go into effect **January 1, 2011**, and will apply to the taxable year, as opposed to the Section 125 Plan Year. Therefore, all plans and all participants will experience the change at the same time.*

My Section 125 Plan Year runs from June 1, 2010 through May 31, 2011. Can I get reimbursed for OTC items through the end of my Plan Year?

*No. Eligibility for OTC items **ends on December 31, 2010** regardless of plan end date. However, you may still use remaining funds for all other eligible expenses until the end of your plan year.*

If I do get a doctor's prescription for an OTC medication, can I still use my FFA Benefits Debit Card to get reimbursed?

According to IRS Notice 2011-5, the FFA Benefits Debit Card can be used to pay for any OTC items prescribed by a physician after January 15, 2011.

You can use our toll-free fax line (800) 298-7785 to submit your claim and enroll for automatic deposit to your bank account for faster service!

I am a diabetic. Do I need a doctor's prescription to get reimbursed for my insulin beginning January 1, 2011?

No. Insulin currently purchased OTC without a prescription will still be eligible for reimbursement.

What if I purchase an OTC item in November of 2010 but do not submit the expense until February 2011?

You will still be reimbursed for OTC items purchased through December 31, 2010. The new rule does not affect reimbursement of any purchases made prior to that time.

What are some of the OTC items that will no longer be eligible for reimbursement without a doctor's prescription under the new legislation?

The items no longer eligible for reimbursement under the new law will include item categories such as cough medicines, pain relievers, acid controllers, and allergy & sinus medications, sleep aids, etc.

This legislation will not affect other reimbursement benefits such as expenses related to doctor's office co-pays, dental co-pays, orthodontia, vision exams, eye glasses, and more. Participants will continue to enjoy the convenience of eliminating up-front, out-of-pocket costs on many other items covered under their plans.

On the horizon, we will see a cap in the maximum annual medical expense flexible spending account contributions. **Effective January 1, 2013, a participant will only be able to tax-exempt up to \$2,500 for the Section 125 medical expense reimbursement plan.**

We appreciate the opportunity to serve as your Third Party Administrator and are committed to keeping you informed of any legislative changes that might affect Section 125 Flexible Spending Account plans. If you have any additional questions or are unclear how this new law will affect your plan, please do not hesitate to contact us.

**IIAS is a point-of-sale technology and inventory system approved by the IRS to track the eligibility of purchases made by debit cards that are issued in conjunction with Flex Spending Accounts (FSAs).*