As you may have heard, there is new legislation going into effect on January 1, 2011 which impacts healthcare FSAs. Here’s what’s happening. Certain over-the-counter items will require a prescription* to be considered an eligible FSA expense. The information below is important for you to know as you begin to think about your healthcare FSA contribution for this year’s enrollment.

**How does this new legislation impact me?**
It impacts you two ways:

1. **Setting Your Contribution**
   Because OTC drugs and medicines will require a prescription beginning January 1, 2011, you might want to consider this when deciding on your healthcare FSA contribution.

2. **Using Your Account Dollars**
   **Through December 31, 2010:**
   - OTC drugs and medicines are eligible for reimbursement without a prescription.
   - Healthcare debit cards, (e.g., PayFlex Card™) can be used to purchase eligible OTC drugs and medicines.

   **Beginning January 1, 2011:**
   - Over-the-counter (OTC) drugs and medicines will be considered ineligible expenses unless you have a prescription from your physician.

   **OTC Drugs and Medicines Requiring a Prescription**
   - Acid Controllers
   - Allergy & Sinus
   - Antibiotic Products
   - Antidiarrheals
   - Anti-Gas
   - Anti-Itch & Insect Bite
   - Anti-Parasitic Treatments
   - Baby Rash Ointments/Creams
   - Cold Sore Remedies
   - Cough, Cold & Flu
   - Digestive Aids
   - Feminine Anti-Fungal/Anti-Itch
   - Hemorrhoid Preps
   - Laxatives
   - Motion Sickness
   - Pain Relief
   - Respiratory Treatments
   - Sleep Aids & Sedatives
   - Stomach Remedies

   - Healthcare debit cards, (e.g., PayFlex Card™) cannot be used to purchase OTC drugs and medicines. If a healthcare debit card is used to pay for these items after January 1, 2011, the transaction will be denied at the point-of-sale. In this case, you will need to pay for the expense out-of-pocket and submit a claim to receive reimbursement.

**Does this mean all OTC items will be ineligible after January 1, 2011?**
No, many OTC items will continue to be considered eligible expenses and will not require a prescription. See “Eligible Healthcare Expenses” within this communication for examples.

*Please note: The documentation required for a prescribed OTC drug or medicine is still being clarified by the IRS. More information will be provided as it becomes available.
Eligible Healthcare Expenses

Following is a condensed listing of eligible healthcare expenses. For a more complete listing, visit the participant portal. Please note this listing is subject to change at any time and without notice due to new legislation.

**NOTICE:**

Effective January 1, 2011, the list of items that will require a prescription includes, but is not limited to acne medicine; allergy medicine; cough, cold & flu medicine; eye drops; indigestion medicine; laxatives; nasal sprays, drops; ointment for cuts, burns, rashes; pain relievers.

Items that will remain eligible without a prescription include, but are not limited to band aids, birth control, braces & supports, contact lens solutions & supplies, elastic bandages & wraps, first aid supplies, and reading glasses.

- **Acupuncture**
- Alcoholism treatment
- Ambulance service
- Artificial limb/teeth
- Bandages, band-aids, wraps and splints
- Breast-reconstructive surgery following mastectomy
- Birth control pills (Norplant, ovulation kits)
- Braille books and magazines
- Chiropractor professional fees
- Christian Science Practitioner fees
- Cold medicine (see notice above)
- Contact lenses
- Contraceptives
- Crutches
- Dental treatment (includes exams, x-rays, fillings, root canals, gum disease treatment, crowns, bridges, dentures, implants, orthodontia; does not include cosmetic treatments such as teeth whitening, bonding, etc.)
- Diagnostic services and tests
- Drug dependency treatments
- Drugs (prescription drugs, insulin; see *Over-the-counter Drugs/Medicines*; does not include cosmetic drugs e.g., Retin-A, Renova, Propecia, etc.)
- Eye surgery (includes cataract, LASIK, corneal rings, etc.)
- Eyeglasses, prescription (includes prescription sunglasses and over-the-counter reading glasses)
- Fertility treatments (ovulation predictor kits and pregnancy tests, in vitro fertilization, surgery or operations to reverse a prior surgery that prevents you from having children)
- Flu Shots
- Guide dog or other animal used to assist persons with physical disabilities
- Health institute
- Hearing aids and batteries
- Hospital services
- Insulin, syringes
- Laboratory fees
- Lead-based paint removal
- Legal fees (fees you pay that are necessary to authorize treatment for mental illness)
- Lodging (see IRS Publication 502, Lodging)
- Meals (only as part of inpatient hospital care)
- Medical conference admission and transportation to/from (if concerns chronic medical condition of you, spouse or child)
- Nursing home (if necessary for medical care and only the portion for medical services)
- Nursing services
- Operations (legal operations that are not cosmetic in nature)
- Orthodontia
- Orthopedic devices
- Osteopath fees
- Oxygen equipment
- Pain reliever (for arthritis pain, head/back pain, menstrual pain, muscle or joint pain, e.g., aspirin, ibuprofen; does not include vitamins or herbal supplements) (see notice above)
- Physical therapy
- Pregnancy test kits
- Psychiatric care (for medical reasons)
- Psychologist fees
- Schools and education, special (for mentally impaired or physically disabled person - see IRS Publication 502)
- Special home for person adjusting from life in mental institution to community living
- Sterilization procedures (vasectomy or tubal ligation)
- Stop-smoking programs
- Surgical fees (for legal operations not cosmetic in nature)
- Therapy, physical or speech
- Transplants (donor expenses, if you pay those expenses)
- Transportation and related travel expenses for person seeking treatment (See IRS Publication 502, Transportation and Trips)
- Treatment for learning disability caused by mental or physical impairment or nervous system disorders (treatment must be recommended by physician - see IRS Publication 502, Learning Disability)
- Vaccinations
- Vasectomy
- Weight-loss program (only if medically necessary to treat existing disease (such as heart disease) and undertaken under physician's direction)
- Wheelchair
- Wigs (if purchased upon advice of physician for mental health of patient)
- X-ray fees