



## **EXPANSION OF ALLOWABLE EXPENSES UNDER HEALTH CARE FLEXIBLE SPENDING ACCOUNTS TO INCLUDE OVER-THE-COUNTER MEDICINES AND DRUGS**

This is important news for health care flexible spending account participants and for employees electing to participate. Under this ruling, amounts paid by a participant for medicines and/or drugs purchased without a prescription may now be reimbursed tax-free. In the past, your health care flexible spending account allowed only for the tax-free reimbursement of qualified prescribed medicines and drugs.

**IMPORTANT:** Please keep in mind that the purchase of such medicines and/or drugs must be for medical care as defined under Section 213(d) of the Internal Revenue Code, and not merely to advance your general good health. Accordingly, effective for the 2005 Plan Year, expenses incurred by you for the purchase of over-the-counter medicines and/or drugs to treat a medical condition without a prescription are reimbursable from your health care FSA account, tax-free, upon substantiation of:

- Purchase within the plan year (receipt required);
- Evidence of the medicine and/or drug name (name on receipt required);
- Completion of a claim form with over-the-counter purchases detailed line by line (claim form to be provided following enrollment);
- The participant's certification that such medicine or drug is for medical care.

As a participant, this is a substantial expansion of the tax-free health care benefits provided to you and your family under your health care flexible spending account.

Please review the following lists of eligible and ineligible over-the-counter expenses to examine the additional tax-savings you will now enjoy from your active participation in your health care flexible spending account.

### **Allowable Expenses (Medical-Only List)**

Medical-only items are eligible over-the-counter expenses that are primarily for medical care. Expenses are reimbursable with proper documentation and participant's written statement (i.e. completed and signed claim form). Advance purchase of medicines and drugs for use in the near future (if the quantities are reasonable) are reimbursable without a practitioner's note.

**This communication does not constitute legal advice and is not intended for use without advice of legal counsel. It is also not a substitute for legal or other professional advice. You should consult your own legal counsel who has access to your particular circumstances and can advise you accordingly regarding the application of the law and this document as it applies to the IRS Revenue Ruling and your specific health plan.**

Allergy and asthma medicines, nasal sinus sprays  
Antacids, anti-gas, laxatives, stomach and intestinal medicines  
Antibiotics  
Antifungals  
Analgesics  
Asthma preparations  
Antihistamines  
Canker sore preparations  
Cold sore preparations  
Cough medicines, cough drops, throat lozenges, cough syrup, flu relief  
Decongestants  
Electrolyte drinks for child's dehydration  
Hemorrhoid preparations (i.e. suppositories and creams for hemorrhoids)  
Lice preparations  
Motion sickness pills  
Ophthalmic preparations (i.e. Visine, allergy eye drops, contact lens cleaning solution)  
Pain relievers- topical creams and oral medicines  
Psoriasis agents  
Sleeping pills (to treat occasional insomnia)  
Smoking cessation aids (i.e. nicotine gum or patches for stop-smoking purposes)  
Special ointment or cream specifically for sunburns  
Wound care products:

- antibiotic cream
- bandages, first aid kits
- bug bite medication
- calamine lotion
- cortisone cream
- first aid spray
- hot/cold packs for injuries
- rubbing alcohol

**Allowable with Doctor's Note (Dual Purpose List)**

Dual purpose OTC drugs (i.e. ones that may have both a medical purpose and a general health purpose) will not be reimbursed without a medical practitioner's note stating that the person has a specified medical condition and that the OTC drug is recommended to treat it and that the treatment is not a cosmetic procedure.

Acne treatment (products for regular skin care are considered cosmetic and not reimbursable)  
Dietary supplements to treat a specific medical condition (i.e. vitamin B prescribed for treatment of scurvy)  
Feminine hygiene products (i.e. for use after surgery, child birth)  
Fiber supplements to treat a specific medical condition for a limited time  
Joint supplements for diagnosed joint condition (i.e. arthritis)  
OTC hormone therapy  
Prenatal vitamins  
Sunscreen (i.e. for persons diagnosed with skin cancer)  
Weight-loss drugs to treat a diagnosed disease (i.e. obesity)

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**Excluded Items**

Ineligible expenses are primarily toiletries, cosmetics and any item determined to be primarily for general health and well being. These items will not be reimbursed under any circumstances. Non-reimbursable expenses include, but are not limited to:

- Chapstick
- Dietary supplements
- Face cream, moisturizers, suntan lotion
- Homeopathic medicines
- Illegal drugs, including any drug purchased in Canada or any foreign country
- Makeup, lipstick, eye cream
- Nutritional supplements
- One-a-day vitamins
- Perfume, body sprays, deodorants
- Shampoos and soaps (including medicated products)
- Toothpaste, toothbrushes, dental floss

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