

Know Your Medical FSA Eligible and Ineligible Expenses

A medical flexible spending account (FSA) is an IRS-sanctioned benefit, meaning you can use pre-tax dollars to cover eligible expenses. The IRS defines eligible healthcare expenses as amounts paid for the diagnosis, cure, mitigation or treatment of a disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness.

To help you better understand what is and isn't eligible for reimbursement (from an FSA) we've developed the following list. It is not meant to be all-inclusive, and other expenses not specifically mentioned may also qualify.

Eligible Expenses

Dental Services:

- Dental X-rays (not employment related)
- Dentures
- Exam/Teeth Cleaning
- Extractions
- Fillings
- Gum Treatment
- Oral Surgery
- Orthodontia/Braces
- Physical Exam

Lab Exams/Tests

- Blood Tests
- Cardiographs
- Laboratory Fees
- Metabolism Test
- Spinal Fluid Tests
- Urine/Stool Analysis
- X-rays

Vision Services

- Artificial Eyes
- Contact Lenses
- Eye Exams
- Eyeglasses
- Laser Eye Surgeries
- Prescription Sunglasses
- Radial Keratotomy/LASIK
- Reading Glasses

Medical Treatments/Procedures

- Acupuncture
- Alcoholism (inpatient treatment)
- Exercise/Fitness Programs (if necessary and prescribed by your doctor)
- Hearing Exams
- Hospital Services
- Infertility Treatment
- In Vitro Fertilization
- Norplant Insertion/Removal
- Physical Exam (not employment related)
- Reconstructive Surgery (if medically necessary due to congenital defect or accident)
- Rolfing
- Speech Therapy
- Sterilization
- Transplants (including organs)
- Treatment for Substance Abuse (alcoholism and drug addiction)
- Vaccinations/Immunizations
- Vasectomy and Vasectomy Reversal
- Weight Loss Programs (as prescribed by your doctor)
- Well Baby Care

Medical Equipment Supplies and Services

- Abdominal/Back Supports
- Ambulance Services
- Arches/Orthopedic Shoes
- Contraceptives, prescribed
- Crutches
- Guide Dog (for visually/hearing impaired)
- Hearing Devices and Batteries
- Hospital Bed
- Learning Disability Support (special school/teacher)
- Medic Alert Bracelet or Necklace
- Oxygen Equipment
- Prosthesis
- Splints/Casts or Support Hose (requires medical necessity)
- Syringes
- Transportation Expenses (essential to medical care)
- Tuition Fee at Special Schools for disabled child
- Weight Loss Drugs (to treat specific disease)
- Wheelchair
- Wigs (hair loss due to disease)

Medication

- Insulin
- Prescribed Birth Control and Vitamins
- Prescription Drugs

Obstetric Services

- Lamaze Class
- Midwife Expenses
- OB/GYN Exams
- OB/GYN Prepaid Maternity Fees (reimbursable after date of birth)
- Prenatal and Postnatal Treatments

Practitioners

- Allergist
- Chiropractor
- Christian Science
- Dermatologist
- Homeopath
- Naturopath
- Osteopath
- Physician
- Psychiatrist
- Psychologist

Over-the-Counter Items

The Patient Protection and Affordable Care Act of 2010, better known as healthcare reform, places new restrictions on FSA reimbursement for over-the-counter (OTC) drugs and medications. Beginning Jan. 1., 2011, members will be required to provide a copy of a prescription from a physician in order to obtain reimbursement for OTC items, such as these:

- :: Acid controllers
- :: Allergy & sinus treatments
- :: Antibiotic products
- :: Anti-diarrheals
- :: Anti-gas remedies
- :: Anti-itch & insect bite remedies
- :: Antiparasitic treatments
- :: Baby rash ointments/creams
- :: Cold sore remedies
- :: Cough, cold & flu remedies
- :: Digestive aids
- :: Feminine anti-fungal/anti-itch
- :: Hemorrhoidal preparations
- :: Laxatives
- :: Motion sickness remedies
- :: Pain relief
- :: Respiratory treatments
- :: Sleep aids & sedatives
- :: Stomach remedies

Please note: Because of the prescription requirement, debit cards linked to FSAs, such as the Benny Card, can no longer be used for OTC medications, effective Jan. 1, 2011.

Ineligible Expenses

Expenses to promote general health are not eligible expenses unless prescribed by a physician for a specific medical ailment. This list is not meant to be all-inclusive. The IRS does not allow the following expenses to be reimbursed under FSAs:

- Cosmetic Surgery/Procedures
- Diaper Service
- Hair Loss Medications
- Hair Transplants
- Health Club Dues (if exercise is not prescribed by your physician)
- Insurance Premiums
- Long-Term Care Premiums
- Marriage Counseling
- Maternity Clothes
- Vitamins or Nutritional Supplements
- Teeth Whitening/Bleaching

Healthcare Reform Effects on Flexible Spending Plans

Healthcare reform legislation changed Medical Flexible Spending Arrangement (FSA) reimbursement rules for over-the-counter (OTC) medications and imposed new limits on employee contributions to the plans.

OTC Reimbursement Changes

Members can still be reimbursed for OTC medications under these plans. Based on the current interpretation of the legislation, however, effective Jan. 1, 2011, OTC drugs, medicine and biologicals (medical therapy derived from a biological source such as antibodies, enzymes and hormones) will require a physician directive, such as a written prescription or letter from a physician, before reimbursement can be made. Currently, a physician directive is not needed for reimbursement. The OTC medications that may be affected by this change include but are not limited to:

- :: Acid controllers
- :: Allergy & sinus treatments
- :: Antibiotic products
- :: Anti-diarrheals
- :: Anti-gas remedies
- :: Anti-itch & insect bite remedies
- :: Antiparasitic treatments
- :: Baby rash ointments/creams
- :: Cold sore remedies
- :: Cough, cold & flu remedies
- :: Digestive aids
- :: Feminine anti-fungal/anti-itch
- :: Hemorrhoidal preparations
- :: Laxatives
- :: Motion sickness remedies
- :: Pain relief
- :: Respiratory treatments
- :: Sleep aids & sedatives
- :: Stomach remedies



Because of the physician directives requirement, the legislation also mandates that debit cards linked to these plans, such as the Benny Card from CoreSource, can no longer be used for OTC medications, effective Jan. 1, 2011. Debit cards can continue to be used for prescription drugs, medical supplies and other qualified medical expenses.

Changes to plans administered by CoreSource

Effective Jan. 1, 2011, members of FSAs administered by CoreSource who want to be reimbursed for any of the medications listed above, will need to provide a physician letter or written prescription with their claims. If the expense is eligible, members will be reimbursed via direct deposit or paper check.

Employee Contributions

Effective Jan. 1, 2013, the legislation caps annual employee contributions to a medical FSA at \$2,500. Beginning in 2014, that amount will be adjusted annually for inflation.

Please note: This material may not be construed as legal or compliance advice.

Important Information About Your

Prepaid Benefits Card

GUIDELINES FOR THE USE OF FSA and HRA FUNDS TO PURCHASE OVER THE COUNTER PRODUCTS AFTER 1/1/11

Dear Participant:

The recently enacted Patient Protection and Affordable Care Act of 2010 has changed the rules for the purchase of over the counter (OTC) products using your Flexible Spending Account (FSA) or Health Reimbursement Arrangement (HRA) pre-tax funds.

The IRS currently allows OTC medicine and drugs to be reimbursed using your FSA or HRA dollars. However, **as of January 1, 2011:**

1. FSA or HRA funds can **no longer be used to purchase OTC medicine and drugs** unless you have a Note of Medical Necessity (NMN), or a prescription, from your doctor. The OTC items affected include items in the following categories:
 - Acid controllers
 - Allergy & Sinus
 - Antibiotic products
 - Anti-diarrheals
 - Anti-gas
 - Anti-itch & insect bite
 - Antiparasitic treatments
 - Baby rash ointments/creams
 - Cold sore remedies
 - Cough, cold & flu
 - Digestive aids
 - Feminine anti-fungal/itch
 - Hemorrhoidal preps
 - Laxatives
 - Motion sickness
 - Pain relief
 - Respiratory treatments
 - Sleep aids & sedatives
 - Stomach remedies
2. If you have an NMN, or a prescription, for an OTC medicine or drug, you must pay out of pocket at point of sale and then submit a manual claim requesting reimbursement. Beginning 1/1/11, you will not be able to use your Card to purchase these items.
3. **You can continue to use your FSA or HRA funds to purchase OTC items that are not considered a medicine or drug (e.g. bandages, splints, contact lens solution, etc.). So, your Benny Prepaid Benefits Card can continue to be used for these purchases.**
4. Remember to consider these new OTC rules when estimating the dollar amount to put in your FSA, or HRA account for the next plan year.

If you have questions about this OTC change or need more information, please contact your Plan Administrator using the phone number listed on the back of your Card.