

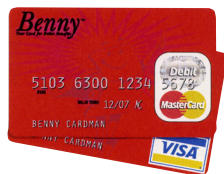
# Healthcare Reform Effects on Flexible Spending Plans

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



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.