



January 4, 2011

## Debit Cards for Over-the-Counter (OTC) Medicines Permitted

The IRS has issued new guidance ([IRS Notice 2011-5](#)) to allow participants to continue to use flexible spending account (FSA) and health reimbursement arrangement (HRA) debit cards to purchase prescribed over-the-counter (OTC) medicines and drugs. The new guidance modifies previous guidance and provides that participants can continue to use debit cards for OTC medicines without prescriptions until January 15, 2011 (as previously permitted).

The new guidance provides that after January 15, 2011, debit cards may also still be used to purchase OTC medicines or drugs at drug stores and pharmacies, at non-health care merchants that have pharmacies and at mail order and web-based vendors that sell prescription drugs, so long as a valid prescription for the medication is presented to the pharmacist (or mail-order or web-based vendor), the medication is dispensed by the pharmacist and given an Rx number, and proper documentation (Rx number, patient name, date of purchase and amount) is retained by the pharmacy or contracted vendor. The guidance also allows purchases of OTC medicines and drugs from health care providers other than pharmacies and mail order and web-based vendors (such as physicians or hospitals), and the procedures provide that Health FSA and HRA debit cards may also continue to be used to purchase OTC medicines and drugs at "90 percent pharmacies" but only as provided in [IRS Notice 2010-59](#).

Note that the new health reform law still generally prohibits the use of FSAs, HRAs, and Health Savings Accounts to purchase OTC medicines (other than insulin) without prescriptions. The prescription requirement applies to purchases made on or after January 1, 2011, and not to purchases made in 2010 even if reimbursed after December 31, 2010. The requirement applies only to OTC medications, and does not apply to other health care expenses such as medical devices, eye glasses or contact lenses. See updated [answers to frequently asked questions](#) on IRS.gov, for further details on health FSA and HRA debit card and OTC drug purchases.

Should you have any questions, please contact your Conner Strong account representative toll free at 1-877-861-3220. For a complete list of Legislative Updates issued by Conner Strong, visit our online [Resource Center](#).

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