



SUBSTANTIATION OF HEALTH FSA CLAIMS

Important information you should know about changes coming to Health Care Flexible Spending Plans effective January 1, 2011

On March 23, 2010, the Patient Protection and Affordable Care Act was signed into law and on March 30, 2010, the Health Care and Education Affordability Reconciliation Act was enacted. Both Acts include language that will have an impact on Health Care Flexible Spending Accounts (FSA) beginning in January 2011.

Effective January 1, 2011, reimbursements for over the counter (OTC) medicines and drugs will no longer be eligible for reimbursement under a Health FSA Plan unless they are prescribed by a physician. It is important to note that not all items on the OTC list are affected. Only those items that represent drugs and medicines (that are not prescribed by a physician) are precluded from tax-free reimbursement. Items such as prescribed medications, office visit copays, deductibles, bandages, and non-cosmetic medical, dental and vision expenses, and many others will remain eligible expenses. Please note that **insulin remains an eligible expense** with or without a prescription. As a result, MedBen still recommends that you should encourage your employees to set aside money on a pre-tax basis for these items.

IRS regulations require that an employee furnish a written statement stating that the expense they are requesting reimbursement on has been incurred and they have not been reimbursed nor will they seek reimbursement under the Health Benefit Plan or any other Health Plan, Flexible Spending Plan, Health Reimbursement Arrangement Plan, or Health Savings Account Plan. The Participant does not have to prove the services were paid for; they only have to prove the services were incurred during the applicable Plan Year. The participant must provide supporting documentation from an independent third party, which includes the following:

- A bill or receipt (including date of service, name of patient, provider name-address, amount, and type of service) from a doctor, dentist, or other supplier;
- A prescription receipt (including the date prescription was filled, name of patient, pharmacy name-address, amount, and prescription name) from a pharmacy;
- Explanation of benefits (EOB) statement(s) indicating the deductible, co-insurance and amounts not covered by the medical/dental/vision plan(s) under which the employee or any eligible dependents are covered;
- Store receipts are acceptable for hearing aid batteries, contact lens solution, support braces, reading glasses and other eligible over the counter items. The receipt MUST HAVE the following information printed on the receipt: Store name, date of purchase, Product name and amount of product;
- To obtain reimbursement for OTC medications, a copy of a prescription for the medication will have to be submitted either prior to or at the time of filing the claim for reimbursement. A "prescription" means a written or electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and that is issued by an individual who is legally authorized to issue a prescription in that state.

Cancelled checks, handwritten receipts, credit/debit card transaction receipts or previous balance receipts cannot be used to verify an expense. We suggest that you keep their itemized receipts in one place so they're readily available when you receive a request.