



Health Care Reform

Over-the-counter drugs and HSAs, HRAs, FSAs and MSAs

The health care reform legislation will bring changes to what is considered a qualified medical expense for FSAs, HSAs, HRAs and Archer MSAs.

- **Currently over-the-counter (OTC) medications are considered eligible medical expenses for reimbursement/distribution from:**
 - o Health flexible spending accounts (FSAs)
 - o Health reimbursement arrangements (HRAs)
 - o Health savings accounts (HSAs)
 - o Archer medical savings accounts (Archer MSAs)
- **Beginning January 1, 2011, OTC drugs will no longer be considered qualified medical expenses for any of those health accounts**
 - o Insulin is the one exception to this rule
 - o For any other OTC drug, employees cannot use funds from any of those accounts, unless it is prescribed by a physician
- **Currently, if employees use funds from an HSA or Archer MSA for non-qualified medical expenses, they are subject to an excise tax (10 percent for HSAs, 15 percent for MSAs).**
 - o This tax increases to 20 percent on January 1, 2011.