



REYNOLDS & REYNOLDS INC.

Over the Counter (OTC) and Debit Cards

The IRS recently issued new guidance allowing consumers the continued use of health flexible spending accounts (FSA), health reimbursement arrangements (HRA) and health savings accounts (HSA) debit cards for the purchase of prescribed OTC medicines.

Beginning January 1, 2011, the new guidance requires strict adherence to certain record keeping requirements in order for debit card transactions to be approved at the time of sale. All of the following must be met:

- Prior to the purchase, the prescription for the OTC medicine is presented (in any format, i.e. electronic or paper) to the pharmacist.
- The pharmacist must dispense the OTC medication according to applicable state laws and assign an Rx number.
- The debit card system will not accept a charge for an OTC medicine unless an Rx number has been assigned.
- The pharmacy must comply with IRS record-keeping requirements and make records available to employers or their agents upon request.

The clarification allows the use of a debit card to pay for OTC medicines. The prescription must be presented to the pharmacist and filled by the pharmacist at the time of sale.

Affect on Members

Members now have two methods of payment as they have in the past:

- FSA, HRA, or HSA debit cards with payment at the point of sale.
- Manually submit claim forms and be reimbursed by the administrator.

Things to Consider

- Some pharmacies may not accept debit card transactions.
- Please remember to keep a copy of your receipt as your administrator may request further substantiation of claims.

The content in this article is intended for general information purposes as a service to you. While some of the information deals with legal issues, it does not constitute legal advice. Legal advice depends on the specific facts and circumstances of each individual situation. If you have specific questions related to the information available in this article, you are encouraged to consult an attorney who can investigate the particular circumstances of your situation.