

Over-the-Counter Medicines & Drugs

Over-the-Counter (OTC) Medications and Drugs May Now Be Reimbursed by Health FSAs. The IRS has announced in the OTC Drug Ruling that the cost of OTC medicines and drugs may be reimbursed by health FSA plans if they are purchased to alleviate or treat personal injuries or sickness of the employee or the employee's spouse or dependents. The OTC Drug Ruling does not, however, permit the reimbursement of dietary supplements (e.g., vitamins) that are "merely beneficial to the general health" of an employee or the employee's spouse or dependents.

Claims Procedures – OTC Drugs and Medicine

In addition to existing documentation and claim requirements, claims for over the counter drugs or medicines must include the following:

- IRS officials have said that an administrator must obtain documentation establishing what, who, when and how much.
- Receipts for OTC drugs should contain the name of the drug and the date and amount of the expenses.
- To claim vitamins, herbs or nutritional supplements, you must have been diagnosed by a medical practitioner with a medical condition that necessitates these expenses.

Over-the-Counter Medicines & Drug Lists

The following lists are provided as an aid for determining whether an over-the-counter (OCT) medicine or drug is a qualifying expense under a medical flexible spending account (FSA). These lists are not intended to be all-inclusive. Please consult your specific plan document or plan summary for further guidance/restrictions. Please utilize the following definitions to understand the classification in the lists below.

Medical-Only List

Medical-only items are those OTC drugs that Kazdon generally determines to be solely or primarily for medical care (reimbursable). Consequently, reasonable quantities can be reimbursed without a medical practitioner's note. The following are examples of some items on the medical-only list:

Allergy Medication
Antacid
Anti-itch creams
Cold Medicine
Diarrhea medicine
Laxatives
Motion sickness pills
Pregnancy test kits

Analgesics
Antihistamine
Aspirin
Decongestants
Hemorrhoid treatments
Menstrual pain relievers
Pain relievers
Sinus medications

Sleep Deprivation Medicine
Throat lozenges

Stop-Smoking Medications
Toothache & teething pain relievers

Dual-Purpose Expenses

Dual-purpose expenses are those items that may have both a medical purpose (reimbursable) and a purpose that is personal, cosmetic or for general health (not reimbursable). For such items, adequate substantiation generally requires a medical practitioner's diagnosis of a medical condition and evidence that the item is recommended to treat the diagnosed condition. The following are examples of items on the dual-purpose list:

Herbal medications
Dietary supplements
Holistic or Natural medicines
Prenatal Vitamins
Weight Loss Medications

Calcium Supplements
Fiber supplements
Nasal Strips or Sprays
Vitamins

Personal-Only (Excluded) Expenses

Personal-only expenses are those expenses that are generally known to be primarily for personal, cosmetic or general health purposes. This category is sometimes called "excluded" expenses because they are not reimbursable under any circumstances since they are not reimbursable as expenses for medical care under the tax laws. The following are examples of some items on the list:

Chapstick and lipstick
Deodorant
Electrolysis or Hair Removal
Feminine Hygiene Products
Toiletries such as toothpaste, toothbrush

Cosmetics
Diet Foods
Face Creams and Moisturizers
Shampoo & Conditioner