What Changed?

In March, 2010, Congress passed H.R. 3590, the Patient Protection Affordable Care Act. Section 9003 of that legislation amended previous legislation regarding what is considered eligible over-the-counter healthcare expenses for the purposes of tax-advantaged benefits plans, such as HRAs, FSAs, and HSAs. The language made the following change, “…reimbursement for expenses incurred for a medicine or drug shall be treated as a reimbursement for medical expenses only if such medicine or drug is a prescribed drug (determined without regard to whether such drug is available without a prescription) or is insulin.”

What Does This Mean to Me?

Interpreted literally and for the purposes of your DirectPay Uninsured Medical Plan this is then defined as:

a. All medically necessary medicines will continue to be HRA eligible; however some items may require additional substantiation.

b. Over-the-counter medicines and drugs are HRA ineligible as of December 31, 2010, unless you retain a prescription or letter of medical necessity from your physician, or if it’s insulin.

c. Over-the-counter health related supplies continue to be HRA eligible after December 31, 2010.

If you require a medicine or drug for a medical condition you will need to request a prescription or letter of medical necessity for such from your health provider. This physician authorization will then render the expense(s) eligible under your DirectPay HRA Plan.

This change for over-the-counter medicines will most likely affect only a small percentage of your medical HRA reimbursements. It is highly likely that these funds will simply be used for reimbursement of other expenses in lieu of those now deemed ineligible due to this change.

What is a “Letter of Medical Necessity”?

A letter of medical necessity is basically a note from your doctor. If you require certain OTC medications to treat a condition you will need to have your doctor provide a letter stating:

- The medicine you (or your family member) require.
- The frequency in which it is needed (weekly, monthly, etc.)

For example, if you require a packet of acid reflux medication each month for twelve months, the note or prescription must clearly state this. Be sure to note the individual’s name and dosage for each family member/patient.

Important Points

- Over-the-counter (OTC) medicines and drugs purchased after December 31, 2010, require a prescription or Letter of Medical Necessity.

SEE PAGE 2 FOR A LIST OF EXAMPLES

- OTC medical supplies will continue to be eligible after December 31, 2010.
- Only a small percentage of your total HRA reimbursements should be affected.

TASC offers a complete suite of quality services, including the following:

COBRA | ERISA | FSA | FMLA | HRA | HSA
What Should I Do For the Remainder of This Plan Year?

The new rules go into affect December 31, 2010. Therefore, you may continue to make your normal medical expense purchases under the current eligibility rules through December 31, 2010. If you incur OTC expenses after December 31, 2010, you will need to obtain a prescription or letter of medical necessity from your physician.

Examples of Expense Types

Examples of items that will require a prescription or letter of medical necessity AFTER December 31, 2010.

<table>
<thead>
<tr>
<th>Acid Controllers</th>
<th>Anti-Itch and Insect Bite</th>
<th>Digestive Aids</th>
<th>Pain Relief</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allergy and Sinus</td>
<td>Antiparasitic Treatments</td>
<td>Feminine Anti-Fungal/Anti-Itch</td>
<td>Respiratory Treatments</td>
</tr>
<tr>
<td>Antibiotic Products</td>
<td>Baby Rash Ointments and Creams</td>
<td>Hemorrhoidal Medications</td>
<td>Sleep Aids and Sedatives</td>
</tr>
<tr>
<td>Anti-Gas and Diarrheals</td>
<td>Cough, Cold and Flu</td>
<td>Laxatives</td>
<td>Stomach Remedies</td>
</tr>
</tbody>
</table>

Examples of items that will remain eligible without physician authorization.

<table>
<thead>
<tr>
<th>Bandages &amp; First Aid Dressings</th>
<th>Contact Lens Solution</th>
<th>Heating Pads</th>
<th>Orthopedic Aids</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birth Control Products</td>
<td>Denture Products</td>
<td>Hot, Cold &amp; Steam Packs</td>
<td>Pregnancy &amp; Fertility Kits</td>
</tr>
<tr>
<td>Blood Pressure Kits</td>
<td>Diabetes Testing Supplies</td>
<td>Incontinence Products</td>
<td>Splints, Supports &amp; Braces</td>
</tr>
<tr>
<td>Canes &amp; Walkers</td>
<td>Durable Medical Equipment</td>
<td>Insulin</td>
<td>Thermometers</td>
</tr>
<tr>
<td>Contact Lenses</td>
<td>Hearing Aid Batteries</td>
<td>Nebulizers</td>
<td>Wheelchair &amp; Accessories</td>
</tr>
</tbody>
</table>

How Does This Change Affect Benefit Card Purchases?

If your employer offers you the DirectPay Benefits Card, you will need to be aware of this change after December 31, 2010. Medicine and drug purchases that you could previously make using your Card at the point-of-purchase may no longer work because these items will be removed from the governing IIAS merchant system. Though inconvenient at the point-of-purchase, this does not mean the expense in ineligible under your DirectPay Uninsured Medical Plan account. If you have retained a prescription or letter of medical necessity from your physician for the item(s) you may still request reimbursement for the expense, but you may need to use a different request method.

DirectPay Participants who use the Benefits Card may continue to do so to automatically differentiate and substantiate eligible expenses. During the point-of-purchase, if the automatic eligibility of certain expenses is called into question based on the potential need for a prescription (or other physician authorization), you may choose to file a manual Request for Reimbursement (RFR) by completing and submitting a RFR Form along with copies of the necessary substantiation paperwork (receipt and prescription/physician letter). Contact your company’s DirectPay Plan contact person or DirectPay to obtain a copy of the RFR Form.

REMEMBER! This change only applies to items defined as medicines or drugs (except insulin); medical supplies will remain eligible after December 31, 2010, so you will still be able to purchase these items using your Benefits Card (if they fall under the IIAS auto-substantiation guidelines) or the manual Request for Reimbursement form method.