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# Revised Debit Card Guidance for OTC Drugs

Today, the IRS issued Notice 2011-5, which sets forth revised debit card rules for OTC drugs. The new notice revises the prior rules for OTC drugs from IRS Notice 2010-59 issued earlier this year. Both of these notices implement the change from the Affordable Care Act prohibiting reimbursement from a health FSA or HRA for an OTC drug, unless the participant has a written prescription. The new Notice 2011-5 provides that health FSA and HRA debit cards may continue to be used for OTC drugs if the OTC drug is dispensed by a pharmacist, the OTC drug has a prescription number, other requirements applicable to prescribed drugs are followed, and the applicable provisions of Notice 2010-59 are followed (unless modified by Notice 2011-5). Prior to Notice 2011-5 certain debit card vendors stated that they would have to turn off reimbursement for both prescribed and OTC drugs, because their systems could not differentiate between prescribed and OTC drugs. This Notice now allows reimbursements for prescribed drugs to continue as normal, as well as provides relaxed rules for OTC drugs that are fulfilled by a pharmacist.
http://www.irs.gov/pub/irs-drop/n-11-05.pdf