

Benefits Buzz

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Deadline Approaching to Amend Plan Documents for New OTC Rules

One of the provisions of the Patient Protection and Affordable Care Act changes the rules regarding over-the-counter drugs and health spending accounts.

Beginning Jan. 1, 2011, over-the-counter drugs are no longer eligible medical expenses under an FSA, HSA or HRA, unless accompanied by a prescription (with the exception of insulin). This effective date applies regardless of when the employer's plan year begins and regardless of any grace period for health FSAs.

This rule does not include medical equipment and supplies, such as crutches, bandages and blood sugar test kits, which may still be reimbursed without a prescription.

Employers are required to amend their cafeteria plan documents to conform to

this new requirement. Generally, such cafeteria plan amendments may be effective only prospectively.

However, guidance released by the IRS allows employers to amend their plan documents to conform to the new OTC drug requirements, effective retroactively for expenses incurred after Dec. 31, 2010, as long as the amendments are adopted no later than June 30, 2011.

If you have not already amended your cafeteria plan document to comply with the new OTC regulations, you should make necessary changes by June 30, 2011.

The official IRS notice regarding this guidance may be found at:
www.ecfc.org/files/legislative-news/n-10-59.pdf

DID YOU KNOW

The U.S. Treasury Department in conjunction with the IRS recently announced the new Health Savings Account (HSA) annual contribution limits for 2012.

The 2011 HSA contribution limit is \$3,050 for an individual and \$6,150 for a family.

The 2012 HSA contribution limit is \$3,100 for an individual and \$6,250 for a family.

CMS Issues Revised Medicare Part D Model Disclosure Notices

Group health plan sponsors that provide prescription drug coverage are required to provide a notice of creditable or non-creditable prescription drug coverage to Medicare Part D eligible individuals who are covered under the entity's prescription drug plan.

The Centers for Medicare and Medicaid Services (CMS) provides model notices and recently released updated model disclosure notices for use on or after April 1, 2011. These updated notices comply with the new health care reform provision that changes the Medicare Part D Annual Coordinated Election period to Oct. 15 through Dec. 7 of each year.

Updated model notices are available in English and Spanish at:
www.cms.gov/CreditableCoverage/Model%20Notice%20Letters.asp#TopOfPage

