



“Bringing out the Best in Benefits”

IRS Issues New Guidance on Use of Debit Cards for OTC Medications

In IRS Notice 2011-5 the IRS says that health care debit cards (i.e. CBI Flex Card) can still be used to buy doctor prescribed Over-The-Counter (OTC) medications. Effective January 1, 2011, the CBI Flex Card will be able to be used for purchasing OTC **drug and medicine items that require a doctor's prescription** as long as the prescription is presented at the Rx counter for fulfillment.

To accept FSA and HRA debit cards, drug stores, pharmacies, non-health care merchants that have pharmacies (i.e. WalMart), mail order and web-based vendors that sell prescription drugs (i.e. Drugstore.com) must:

- Check the prescription for the OTC medication
- Assign the proper Rx number for the prescription
- Store the Rx number, the name of the patient and the date and amount of the purchase
- Make the records available to employers and their agents (i.e. CBI) upon request

Participants cannot, however, take an OTC item off the shelf and present it at the prescription counter expecting to pay with their CBI Flex Card. The items taken off the shelf have bar codes identifying them as OTC items. The ones dispensed at the Rx counter have bar codes that identify them as prescription drugs. Only OTC items properly labeled with the Rx number are eligible to be paid for with the CBI Flex Card. The vendor must make sure the debit card system is set up in such a way that the system will accept a charge for an OTC drug only if a Rx number has been assigned.

Please check out our website at www.conceptsinbenefits.com for our FAQs concerning HealthCare Reform.

Sincerely,

CBI® Administration

email: cbi@conceptsinbenefits.com

voice: 1-800-224-7688