GBS Compliance

Over-the-Counter (OTC) Medicines, Drugs and Menstrual Care Products and Telehealth Services

April 28, 2020

The evolution of the COVID-19 epidemic is constantly evolving. The information in this document is based on what known at this time. As things change, we will continue to update you as it affects employee benefits compliance rules.

Health Savings Accounts (HSA), Health Reimbursement Arrangement (HRA), and Health Flexible Spending Accounts (FSA) generally allow payment or reimbursement for medical expenses tax-free as long as the expense is a "qualified medical expense."

"Qualified medical expenses" are amounts paid (or reimbursed) for medical care that are not covered by a health plan. Starting with January 1, 2011, the Affordable Care Act (ACA) narrowed the definition of "qualified medical expenses" and excluded medicine or drugs that were not prescribed. As a result, over the counter (OTC) medicines and drugs (except insulin) were not qualifying medical expenses that could be paid for (or reimbursed) through an HSA, HRA and/or an FSA. In addition, menstrual products were not considered "qualifying health expenses."

Changes Due to COVID-19

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) eliminated the requirement that "qualified medical expenses" include only prescription medicine or drugs, and also added as a "qualified medical expense" menstrual care products. Menstrual care products include tampons, pads, liners, cups, sponges or similar products used for menstruation. These changes are effective for expenses incurred on or after January 1, 2020.

In other words, the CARES Act provides that:

- Over-the-counter drugs and medicines without a prescription can be paid for (or reimbursed) tax free through an FSA, HRA or HSA.
  - Please note some HRA plan designs don't reimburse all "qualified medical expenses" allowed under the rules (e.g. may be limited to reimbursing a portion of deductible expenses of a group health plan) so please contact your HRA administrator to confirm
- Menstrual care products are now considered a "qualified medical expense" and can be purchased tax free (or reimbursed) through an FSA, HRA or HSA.

Another change due to COVID-19 includes expanded services for Telehealth (and/or other remote care services)

- Telehealth (and/or other remote care services) for Covid-19 related services is now covered before you meet your deductible. Some plans may also now cover telehealth for services unrelated to COVID-19, so please contact us for more information.

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