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Over the Counter Drugs Cannot be Purchased by Pre-tax Money

According to the new healthcare rules, starting in January you will not be allowed to purchase over-the-counter drugs and medicines using your Flexible Savings Account (FSA) anymore unless you have a doctor's prescription.

This new rule will inevitably cause people not to purchase drugs that may be essential to them like aspirins, cough medication or vitamins unless they are absolutely necessary, in which case they have to consult a doctor first. This might even affect people's purchases of heartburn cures, allergy medications or even nicotine gum to help stop smoking.

So when you calculate how much to deposit into your FSA for next year, you should bear these things in mind.

Many experts see this move as a revenue raiser. Because FSA employee contributions are made before taxes, they reduce your taxable income and therefore you pay less in taxes. According to the Joint Committee on Taxation, when the government imposes these rules, it would generate an estimated revenue of \$5 billion through 2019. This figure represents revenue not only from FSAs, but also health savings accounts, health reimbursement arrangements and Archer medical savings accounts, all of which are also included in the new healthcare rules.

Under the new laws, reimbursement changes apply to expenses incurred for all drugs purchased over-the-counter but with the exception of insulin. But you can still buy medical equipment like crutches or supplies like bandages and diagnostic devices like high blood pressure gauges or blood sugar test kits.

27% of employers offer FSA benefits in companies with less than 500 employees. On the other hand, for bigger companies that employ 500 or more employees, 85% of them offer FSAs. The average employee contribution to the FSA last year was \$1,424. Although the IRS does not restrict the amount of contributions made into FSAs, most employers impose a \$5,000 ceiling on contributions. Starting 2013, FSA contributions will be capped at \$2,500.

Obviously, certain categories of patients like those suffering from heartburn, allergies or those with minor heart problems who require small doses of aspirin will be most affected by the new rules. To get antihistamines or antacid, you will need your doctor's prescription.

Seven years ago, when the present FSA rules were implemented, there was concern over reduced tax revenue. Now the other extreme is taking place.