Important Update:

CHANGE TO MEDICAL SPENDING ACCOUNTS

This announcement is in accordance with the Affordable Care Act (ACA) signed into law on March 23, 2010, and its revisions contained in the Health Care and Education Tax Credit Reconciliation Act, signed into law on March 30, 2010.

For the tax year beginning on January 1, 2011, most over-the-counter (OTC) medicines or drugs (e.g. aspirin, ibuprofen, cough syrup) are **NOT** eligible for reimbursement under a Flexible Spending Account (FSA), Health Reimbursement Arrangement (HRA), or Health Savings Account (HSA). These items will only be eligible for reimbursement with a doctor's prescription, which will be required once a year for claims payment. The Internal Revenue Service states: "For purposes of §§ 106(f), 223(d)(2)(A) and 220(d)(2)(A) only, a "prescription" means a written or electronic order for a medicine or drug that meets the legal requirements of a prescription in the state in which the medical expense is incurred and that is issued by an individual who is legally authorized to issue a prescription in that state." Certain non-drug related products, such as bandages, wound care, contact lens solution and others may continue to be eligible for reimbursement.

Due to this change, it will be important that you carefully consider your Flexible Spending Account annual contribution during the upcoming open enrollment period. Remember, with an FSA, all funds must be used during the plan year or they will be forfeited (lost). This change may also affect the optional contribution amount you may choose to make to a Health Savings Account. However, unused funds in HSAs are not forfeited.

More information on changes resulting from health care reform will be provided to you as the information becomes available. If you have questions about this notice, please contact your human resources representative.

COVENTRY Health Care

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