

# The CARES Act effect on HRAs, HSAs, and FSAs

## What is the CARES Act?

---

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), is a bill passed by the U.S. federal government on March 27, 2020. The purpose of the act is to address certain issues pertaining to the Coronavirus and the U.S. economy.

The CARES Act has a number of provisions ranging from extending certain tax payment deadlines to revising payment rates for durable medical equipment under the Medicare program.

## CARES act effect on HRAs, HSAs, and FSAs

---

One of the major changes enacted by the CARES Act is the recognition of menstrual care products as medical care. As such, they are now reimbursable via account-based health plans like Health Savings Accounts (**HSAs**), Flex Spending Accounts (**FSAs**), and Health Reimbursement Arrangements (**HRAs**). Under the law, **menstrual care products are defined as tampons, pads, liners, cups, sponges or other similar items used in respect to menstruation.**

In addition, **Over the Counter (OTC) medications are now also reimbursable without a prescription or doctor's note.** The FDA defines **OTC** medications as a drug product marketed for use by a consumer without the need of a supervising health care professional in order to obtain the drug.

### Characteristics for OTC drugs include:

- The item or product has an acceptable margin of safety.
- The item or product has low potential for abuse/misuse when widely available.
- A healthcare practitioner is not needed for the safe and effective use of the product. The
- product is labeled adequately (active ingredients, purpose, instructions, warnings, expiration date, storage guidelines, etc.)

While **OTC** medications are now reimbursable without prescription, nutritional supplements, herbal remedies, and most vitamins are not considered drugs or medication by the FDA. These items are recognized as food and still require a doctor's note or prescription for reimbursement.

## Documentation for OTC reimbursement

---

Though prescriptions are no longer necessary for **OTC** medications to be reimbursed through an HRA, employees still need to provide documentation to show proof of a valid expense. The documentation should include the date the item was purchased, the cost of the item, and a description of the item. This information is generally provided on a grocery or drug store receipt.

## Effective date of change

---

The CARES Act was officially signed into law on March 27, 2020. While certain provisions are temporary, the provisions for **OTC** medications and menstrual products are both permanent and effective retroactively to January 1, 2020.

## HSA and HRA coordination

---

The CARES Act changes for **OTC** medications and menstrual care products affect both HSAs and HRAs. These plans must be coordinated to ensure the funds are used correctly. If an individual has an HSA and an HRA at the same time, they must exhaust their HSA funds first before using their HRA to be reimbursed for these items.

## Conclusion

---

The CARES Act is an impactful piece of legislation designed to stimulate the economy and provide economic and health care related relief to individuals and employers. The bill has expanded the use of HRAs, HSAs, and FSAs allowing employees enrolled in these benefits to best utilize their funds.

This is a major win for both employees and employers at organizations utilizing these types of benefits. Employers are able to continue to offer low-cost benefits with even greater value than before and employees can participate in a benefit that has more flexibility and freedom.