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CARES Act Expands Qualifying Medical Expenses

On March 27, 2020, the U.S. Congress passed the Coronavirus Aid, Relief and Economic Security Act ([CARES Act](#)) to provide \$2.2 trillion in federal funding to address the COVID-19 crisis. The president signed the CARES Act into law the same day.

In addition to providing direct financial assistance to Americans, the CARES Act repeals the Medicine Cabinet Tax provision of the Affordable Care Act (ACA), expanding the list of qualifying expenses that can be purchased with health savings accounts (HSAs), health reimbursement arrangements (HRAs) and flexible spending accounts (FSAs).

What Was the Medicine Cabinet Tax?

Under the ACA's Medicine Cabinet Tax, only prescription drugs were considered to be qualifying medical expenses. Over-the-counter medications like cold

and flu medicine, anti-inflammatories, allergy treatment and menstrual care products were not considered to be qualifying medical expenses. As a result, those with HSAs, HRAs or FSAs could only use their tax-advantaged accounts to pay for these expenses.

The CARES Act repeals the ACA's Medicine Cabinet Tax, allowing individuals to use their medical spending account to purchase over-the-counter products and medications.

CARES Act and Qualifying Medical Expenses

Under the CARES Act, the definition of a qualifying medical expense now includes certain over-the-counter medications and products. Specifically, the act treats additional over-the-counter medications, along with menstrual care products, as qualified medical expenses that may be paid for using HSAs or other tax-advantaged accounts.

As such, the CARES Act, which took effect on March 27, 2020, permits reimbursement of over-the-counter products and medications without the need of a prescription. You should follow the protocol for submitting a claim for reimbursement or use of your medical spending account as set forth by your plan's guidelines. For more information on your medical spending account, please contact your plan administrator.

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