

Corporate & Financial Weekly Digest

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June 30 Deadline to Amend Cafeteria Plans

The Patient Protection and Affordable Care Act (PPACA) cuts back on which drugs may be reimbursed from flexible spending accounts, health reimbursement arrangements, health savings accounts and Archer medical savings accounts. Such plans are prohibited from reimbursing for medicine or drug expenses incurred after December 31, 2010, unless the item requires a prescription, the item is available over-the-counter but the individual obtained a prescription, or the drug is insulin.

Though this requirement has been in effect since January 1, 2011, the Internal Revenue Service permitted benefit plans to wait until June 30, 2011, to formally amend their governing plan documentation (retroactively) to reflect this new limitation. Failure to amend the plan document by June 30 may result in disqualification of the plan and the taxation of all benefits for all covered employees.

You are encouraged to review your plan document to ensure it has been updated to reflect this change, and to adopt the change by the end of the month if this has not been done previously. Presumably summary plan descriptions already reflect this change, but if not they should also be updated.

A copy of IRS Notice 2010-59, which explains this limitation (and extends until June 30, 2011, the deadline for formally amending the plan document), can be found [here](#).

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