

DEBIT CARD SUBSTANTIATION DETAILS

General Questions on the Benefit Extras Debit Card

This handout provides an explanation of the IRS rules regarding debit card transactions and Flexible Spending Accounts (FSAs).

IRS Rules Govern Substantiation Requirements

The IRS has established specific guidelines that require all Flexible Spending Account (FSA) transactions — even those made using a debit card — to be substantiated (verified that the purchase was an eligible expense). The substantiation process is performed by Benefit Extras, Inc. We are very diligent in the execution of the substantiation process to avoid adverse tax consequences to employees.

Common Misconceptions about Receipt Requirements

1. If the Benefit Extras' debit card is used for an eligible service, no further receipts or documentation are needed to support the expense.
2. Any claim at a doctor, dentist or vision provider will not require receipts.

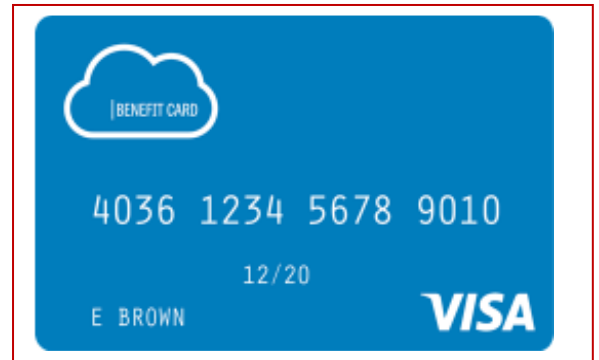
These misconceptions are **NOT TRUE!** Since not all services from a medical, dental, vision or a non IIAS pharmacy provider are eligible expenses, itemized receipts are required to verify eligibility. For example, a dentist may perform teeth whitening, which is not eligible for reimbursement.

IIAS and Auto Substantiation

Inventory Information Approval System (IIAS) is a new Federal Government mandated system used by pharmacy merchants that identifies eligible prescription and over the counter items and limits FSA healthcare debit cards to only those eligible items.

This system makes it easier for account holders to manage eligible over-the-counter and pharmacy expenses, since the merchants automatically substantiate purchases at the point of sale.

All supermarkets, grocery stores, department stores, and wholesale clubs are required to implement the IIAS merchant program or they cannot accept healthcare debit cards. For a regularly updated list of these stores and pharmacies, please choose the IIAS Merchants link on your consumer portal.



Substantiation Processes

There are two ways purchases may be substantiated in compliance with IRS requirements:

Auto-Substantiation. A daily process is run to auto-substantiate Prepaid Benefits Card claims using the specific methods setup for the employer group. These methods can include co-pay substantiation, recurring auto-substantiation and purchases at IIAS merchants. Examples include:

- *Copay matching:* charges that exactly match the copay amount or up to 5 times the copay amount under the employer's insurance plan. For example, a \$20, \$30, or \$40 charge at a doctor's office or 5 times those amounts.
- *Recurring claims:* charges that exactly match the provider and dollar amount for a previously approved and substantiated transactions. For example, a fixed monthly orthodontia payment. Your substantiation notification will walk you through how to indicate expenses are recurring expenses.

Manual Substantiation. All purchases that do not qualify for auto substantiation must be manually substantiated with receipts or other documentation. Examples include:

- Doctor, dentist, and other provider visits where the amount paid is not equal to the copay.
- Prescription and over-the-counter transactions where the amount paid is not equal to the copay at a store that is not IIAS compliant.

Always Save Itemized Receipts

Employees should save their itemized bills from every debit card transaction and all of the explanation of benefits (EOBs) they receive from health/pharmacy/dental plans. Designate an envelope or folder to store all of your bills in a personal file. If additional documentation is required to substantiate a transaction, you will receive a request from Benefit Extras either via email or by mail. The request will outline the date of the transaction (not necessarily the date of service), the name of the provider and the amount of the transaction. **Requested itemized bills can be uploaded through the online portal, the mobile app, emailed, faxed or mailed. To avoid the debit card from being inactivated, requested bills must be submitted to Benefit Extras within 30 days of request.**

Information Required on Documentation

All receipts or documentation must include the following information:

- Name of person who incurred the service or expense
- Name and address of the provider or merchant
- Date of service for the amount charged
- Detailed description of the service
- Amount due for the service provided

EOBs contain all of the required information and are excellent sources of documentation. *Credit card receipts and cancelled checks are not acceptable!*

Receipts for over-the-counter (OTC) and prescription items do not need to include the person's name, but must display the name of the item (e.g. band aids).

Requests for substantiation

If substantiation of a debit card transaction is required, employees will be notified by mail, email, as well as an alert on the Consumer Portal home page. Debit card transactions that require substantiation are displayed through messages in both the Message Center on the home page and the account summary page. Employees may also see if a claim requires substantiation by logging into their online account or mobile app to check the status of the claim.

In Summary

- IRS rules require that all FSA claims be substantiated.
- If the claim cannot be auto-substantiated, the employee is required to submit documentation to support the claim.
- Employees should save itemized receipts and documentation for all healthcare services—even when they paid using their Benefit Extras debit card!
- Using IIAS compliant merchants for pharmacy and OTC purchases will significantly cut down on receipt requests.

Please see the Debit Card Q&A Available on your portal for additional details regarding your debit card.