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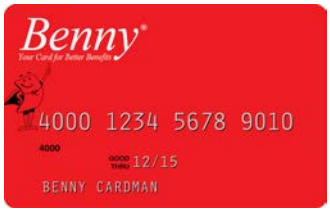

THE BENNY® PREPAID BENEFITS CARD – SUBSTANTIATION REQUIREMENTS

Individuals enrolled in a Flexible Spending Account (FSA) and/or Health Reimbursement Arrangement (HRA) often have questions about the IRS-mandated substantiation requirements when the **Benny® Card** is used to pay for a covered service/item.

What IRS Rules Govern Substantiation Requirements?

The IRS has very specific guidelines regarding substantiation requirements for all FSA and HRA transactions[1] -- including those made using a healthcare payment card like the **Benny® Card**.

How Does the Substantiation Process Work?

The substantiation process, which also helps avoid potentially adverse tax consequences for both the employer and the cardholders, is performed by Wex Health, the **Benny® Card** software vendor that Benetech partners with for the administration of FSA and HRA plans.

There are two ways by which FSA/HRA debit card purchases can be substantiated, in compliance with the IRS requirements:

Auto-Substantiation. Each day, the Wex Health software reviews all **Benny® Card** claims that were filed the previous day, using the specific methods set up for the employer group. The substantiation processes applied during this automated review are copay matching substantiation and recurring claims auto-substantiation.

- **Copay Matching:** billed charges by a provider that exactly match the applicable copay dollar amount under the employer's insurance plan, for up to 5 times that dollar amount. For example, a $20 office visit charge at a doctor's office, up to 5 times that amount.
- **Recurring Claims:** charges that exactly match the provider and dollar amount for 3 previously approved and substantiated transactions. For example, a fixed monthly orthodontia payment.

Manual Substantiation. Under the IRS regulations, all purchases that do not qualify for auto-substantiation must be manually substantiated by **the card holder** by the submission of receipts or other documentation.

Source: https://www.irs.gov/irb/2006-31_IRB/ar10.html

[1] Each participating employee certifies upon enrollment and for each plan year thereafter that the card will only be used for eligible medical care expenses of the employee, the employee's spouse and dependents. The employee also certifies that any expense paid with the card has not been reimbursed and that the employees will not seek reimbursement under any other plan covering health benefits. The certification is printed on the back of the card and the employee-cardholder understands the certification is reaffirmed each time the card is used.

Examples include:

- Doctor, dentist, and other provider visits where the amount paid is not equal to the copay (for example, if the plan has an up-front deductible).
- Prescription drug transactions where the amount paid does not match the group plan's copay, at a pharmacy/supermarket/store that is not IIAS-Certified.

What Are Common Misunderstandings about the Substantiation Requirements?

1. If the **Benny® Card** is used for an eligible service, no further receipts or documentation are needed to support the expense.
2. Any claim for services received from a hospital, doctor, dentist, vision provider, etc. do not require receipts.

In day-to-day use, it's just not that simple! The vast majority of claims can be -- and are being -- auto-substantiated at the point of sale. Two examples:

- the charge from a primary care physician exactly matches the applicable office visit copay;
- a claim submitted from an IIAS-Certified pharmacy which includes the unique Rx identifying number

However, not all services from a medical, dental, vision or pharmacy provider are eligible expenses, or can be auto-substantiated at the point of service. For example, a dentist may perform teeth whitening, which is not an eligible expense; or, a non-IIAS-Certified pharmacy can fill a script, which is an eligible expense, but it cannot auto-substantiate that transaction. In all of these instances[2], the IRS requires that **the card holder** submit itemized receipts to verify that the expense was eligible for reimbursement under the FSA/HRA plan.

What is an IIAS-Certified Pharmacy, and How Does It Improve the Auto-Substantiation Results?

The Inventory Information Approval System (IIAS) is a Federally-mandated system used by pharmacy merchants that identifies eligible prescription and over-the-counter (OTC) items, and limits reimbursements on FSA and HRA healthcare payment cards to only those eligible items.

This system makes it much easier for debit card account holders to manage -- and pay for -- all eligible medications and other pharmacy expenses, since the IIAS-certified merchants are able to auto-substantiate purchases at the point of sale.

Source: https://www.irs.gov/irb/2006-31_IRB/ar10.html

[2] All other charges to the card are treated as conditional pending confirmation of the charge by the submission of additional third-party information, such as a receipt. Claims that are identified as not qualifying for reimbursement because of lack of additional information or otherwise, are subject to certain correction procedures.

All supermarkets, grocery stores, department stores, and wholesale clubs were required to implement the IIAS merchant program in order to accept healthcare payment cards. You can read more about the IIAS Certification Program at https://www.sig-is.org/programs/iias-merchant-certification and you can search for a current list of certified pharmacies, supermarkets, etc. at https://www.sig-is.org/card-holders/store-locator.

How Will a Cardholder Know if Manual Substantiation is Necessary?

Any time that a cardholder uses the **Benny® Card** for a claim(s) that could not be auto-substantiated, the cardholder will be contacted by Benetech -- via email or US mail -- advising them that documentation must be submitted for the claim(s) in question. The cardholder should respond as quickly as possible, and should contact Benetech immediately if they have any questions about the documentation request. If the cardholder does not respond to Benetech by the deadline stated in the initial correspondence, a second – and third, if necessary – request will be sent. Each subsequent communication from Benetech will include details about the claim(s) in question as well as a new deadline date for responding.

What Information Will Be Required as 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. Receipts for eligible over-the-counter (OTC) items do not need to include the person's name, but the receipt must display the name of the item (e.g., band aids).

What Can Cardholders Do to Expedite the Manual Substantiation Process?

Cardholders should **always** save **all** of their itemized receipts for **every Benny® Card** transaction, as well as all explanation of benefits (EOBs) they receive from their health/pharmacy/dental/vision plans. Keeping these records in one designated envelope or folder will help cardholders find the necessary documentation if requested, and expedite the substantiation process considerably. NOTE: EOBs generally contain all of the required information and are excellent sources of documentation, but **credit card receipts and cancelled checks are not acceptable!**

What Happens If the Cardholder Does Not Respond to any of Benetech's Requests for Documentation?

The cardholder's **Benny® Card** will be temporarily suspended (i.e., cannot be used for further transactions) until the required documentation is received and the claim(s) have been verified by Benetech. At that time, the cardholder will also be asked to send a check to Benetech for the full amount of the reimbursement(s) in question. If payment in full is received, the full amount will be credited back to the cardholder's account for future use and the cardholder's **Benny® Card** will be reactivated.

What Happens If the Cardholder Does Submit the Required Documentation but the Claim(s) are Found to be Not Eligible for Reimbursement under the Employer's FSA/HRA plan, or the cardholder used the Benny® Card at an ineligible merchant?

To maintain the tax-favored status of the employer's FSA/HRA plan, and avoid adverse tax implications for the cardholder, the cardholder will be **required** to send a check to Benetech for the full amount of the reimbursement(s) in question. When received, the full amount will be credited back to the cardholder's account for future use; if the cardholder's **Benny® Card** had already been temporarily suspended, it will be reactivated upon receipt of the cardholder's full reimbursement check.

SUMMARY

- IRS rules require that all FSA and HRA claims -- including those submitted using the **Benny® Card** -- must be substantiated.
- If the claim cannot be auto-substantiated, **the cardholder** is required under the regulations to submit documentation to support the claim.
- Cardholders should save itemized receipts and documentation for all healthcare services—even when they paid using their **Benny® Card**.
- Using IIAS-Certified merchants for pharmacy and OTC purchases will significantly cut down on substantiation requests.
- The cardholder must reimburse the FSA/HRA plan for the full amount in question in those instances where the claim(s) submitted are found to be not eligible per IRS guidelines -- by sending a check to Benetech, which will be credited to the cardholder's account.