

Substantiation Requirements

You may have questions about the requirements for submitting receipts when the payment card is used to pay for a service. This handout provides an explanation of the receipt substantiation requirements.

IRS Rules Govern Substantiation Requirements

The IRS has established specific guidelines that require all Flexible Spending Account (FSA) and Health Reimbursement Arrangement (HRA) transactions — even those made using a payment card — to be substantiated (verified that the purchase was an eligible medical expense).

The substantiation process is performed by ConnectYourCare (CYC). 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 payment 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 provider or pharmacy are eligible medical expenses, 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 merchants that identifies eligible health care items and limits FSA and HRA payment cards to eligible items only.

This system makes it easier for account holders to manage 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 payment cards. For a regularly updated list of these stores and pharmacies, please visit www.connectyourcare.com/stores and look for retailers that are certified IIAS compliant.

Substantiation Processes

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

- **Auto-Substantiation.** Substantiation may be made automatically through electronic evidence. Examples include:
 - **Copay matching:** charges that exactly match the dollar amount, or up to 5 times the dollar amount, for a copay 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 transaction. For example, a fixed monthly orthodontia payment.
 - **Real-time substantiation:** charges that are verified as eligible expenses by the merchant, service provider or other third-party vendor. For example, a grocery store automatically approving qualified purchases using IIAS; or an exact match with a claims feed from the insurance plan or pharmacy benefit manager.
- **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 or does not match a file feed from the insurance plan or pharmacy benefit manager.
 - Prescription and over-the-counter transactions where the amount paid is not equal to the copay, transactions at stores that are not IIAS compliant, and/or OTC items that require a prescription but the merchant cannot enter it at the point of sale.

Always Save Itemized Receipts!

Save your itemized receipts from every payment card transaction and all of the explanation of benefits (EOBs) you receive from health/pharmacy/dental plans.

An easy approach for keeping this information on hand is to designate one envelope or folder to store all itemized payment card receipts and EOBs. Using this process will help you find documentation if requested.

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 service or expense was incurred
- Detailed description of the service or expense
- Amount charged for the service or expense

EOBs contain all 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-Aid).

Requests for Receipts

If a receipt is needed, you will be notified by email or a reminder letter. You may also see if a claim requires receipts by logging into your online account. Claims needing receipts are displayed through messages in your online account. Please allow 2-3 weeks after your purchase for ConnectYourCare to match claims file feed.

Claim Support

For questions concerning receipt requirements, contact ConnectYourCare's Customer Service number on the back of your payment card.

Submitting Documentation

If you receive a request to provide documentation for claims, follow these easy steps:

1. Log into your online account at www.connectyourcare.com or on the mobile app.
2. Look for the flagged claims that require documentation.
3. Follow the instructions to submit your documentation via upload, fax, or postal mail. (Remember: it's easiest to submit documentation on the mobile app using your smartphone's camera to take a picture of your receipt)

Summary

- IRS rules require that all FSA and HRA claims be substantiated.
- If the claim cannot be auto-substantiated, the employee is required to submit documentation to support the claim.
- You should save itemized receipts and documentation for all health care services—even when you paid using your payment card.
- Using IAS compliant merchants for pharmacy and OTC purchases will significantly cut down on receipt requests.