

Substantiation Requirements

Employers and employees may have questions about the requirements for submitting receipts when the healthcare 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 healthcare 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 healthcare 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 healthcare items and limits FSA and HRA healthcare 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 healthcare 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 and/or the store is not IIAS compliant.

Substantiation Requirements

Always Save Itemized Receipts!

Employees should save their itemized receipts from every healthcare payment card transaction and all of the explanation of benefits (EOBs) they 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 healthcare payment card receipts and EOBs. Using this process will help employees 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. Nyquil).

Requests for Receipts

If a receipt is needed, employees will be notified by email or a reminder letter. Employees may also see if a claim requires receipts by logging into their online account. Claims needing receipts are displayed through messages in both the Claim Center and the Communication Center. Employees should allow 2-3 weeks after their purchase for ConnectYourCare to match a claims file feed.

Claim Support

For questions concerning receipt requirements, contact ConnectYourCare's Customer Service at 877.292.4040.

Submitting Documentation

If employees receive a request to provide documentation for claims, they should follow these easy steps:

1. Log into their online account at www.connectyourcare.com and select the Claim Center.
2. In the Claim Center, claims requiring documentation will be prominently displayed.
3. Click Print Claim Form next to the claim to print a cover sheet.
4. Fax the cover sheet with the required documentation. The reminder letter or email can also be used as the fax cover sheet.

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.
- Employees should save itemized receipts and documentation for all healthcare services—even when they paid using their healthcare payment card.
- Using IIAS compliant merchants for pharmacy and OTC purchases will significantly cut down on receipt requests.