

# Substantiation Requirements



## INTERNAL REVENUE SERVICE (IRS) RULES GOVERN SUBSTANTIATION REQUIREMENTS

The IRS has established specific guidelines that require all Health Care 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 a qualified medical expense).

## COMMON MISCONCEPTIONS ABOUT RECEIPT REQUIREMENTS

1. If the debit card is used for a specific service, no further receipts or documentation are needed to support the expense.
2. A receipt is not required for a service provided by a doctor, dentist or vision provider.

These misconceptions are **NOT TRUE!** Since not all services from a medical, dental, vision or 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 Federal Government mandated system used by pharmacy merchants that identifies eligible prescription and over-the-counter (OTC) items, and limits Health Care FSA and HRA card transactions to only eligible items.

This system makes it easier for employees 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 use the IIAS merchant program or they cannot accept healthcare payment cards. A regularly updated list of these stores and pharmacies, that are certified as IIAS compliant, can be found at [www.sig-is.org](http://www.sig-is.org).

*See next page for more information.*

## 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 debit card claims using the specific methods setup for the employer. These methods include co-pay substantiation, recurring auto-substantiation, and carrier substantiation.

Examples include:

- Copay matching: charges that exactly match the dollar amount, for up to 5 times the dollar amount, for a copay under the employer's health 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 3 previously approved and substantiated transactions. For example, a fixed monthly orthodontia payment.
- Carrier substantiation: the process will attempt to substantiate the claim by looking for that claim in the carrier files for up to 60 days. This process uses the 'Last Received Date' on the most recent carrier file to do this comparison. If the claim is not found on a carrier file within 60 days, it will then switch to a 'Receipt Required' status.

**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.

## 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 the required information and are excellent sources of documentation. Receipts for card transactions and canceled checks are not acceptable!

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

## ITEMIZED RECEIPTS

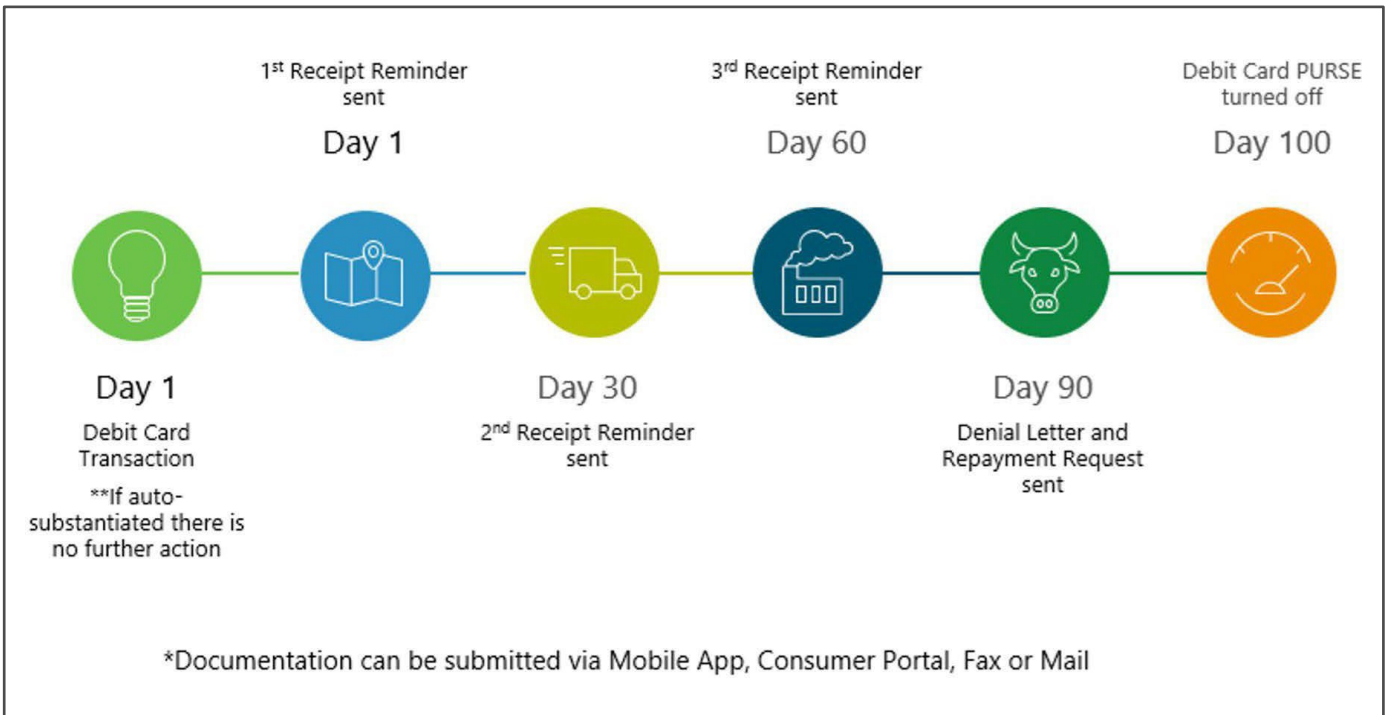
Employees need to save their itemized receipts for every transaction made with their debit card and save all of the explanation of benefits (EOBs) they receive from medical, dental, vision or prescription plans.

## REQUESTS FOR SUBSTANTIATION

If substantiation of a debit card transaction is required, employees will be notified by email or an alert will be displayed on the Flexible Spending and Reimbursement Accounts page.

It is important that employees submit the required receipts in a timely manner or their Health Care FSA/ HRA balance on their debit card may be suspended until receipts are received. If the item purchased is not an eligible expense, the Health Care FSA/HRA balance on the card may be suspended until the employee repays the amount charged.

Below is a timeline illustrating how the substantiation process works.



### In Summary

- IRS rules require that all Health Care FSA and HRA claim expenses 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 health care — even when they paid using the debit card.