



FSA Substantiation Requirements

Employers and employees may have questions about the requirements for submitting receipts when the health care 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) transactions—even those made using a health care payment card—to be substantiated (verified that the purchase was an eligible medical expense).

The substantiation process is performed by David K. Young Consulting (DKYC) who is very diligent in the execution of the substantiation process to avoid adverse tax consequences to employees.

Always get a receipt

Participants are required to get a receipt for services—no exceptions. The reason behind this policy is not all services from a provider or pharmacy are eligible medical expenses, so receipts are mandatory 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 health care 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.

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.
- ❖ *Linked Insurance Plans:* charges that are verified as eligible expenses by linking the participant's health and dental carrier to their FSA portal. Amounts from EOBs are matched against transaction amounts.

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. Always save itemized receipts!



All supermarkets, grocery stores, department stores, and wholesale clubs are required to implement the IAS merchant program or they cannot accept health care payment cards.

Participants should save their itemized receipts from every health care 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 health care payment card receipts and EOBs. Using this process will help participants 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. Participants may also see if a claim requires receipts by logging into their online account. Claims. Employees

should allow 2-3 weeks after their purchase for a linked a health or dental plan to match a transaction via an EOB feed.

Note: If claims are unable to be manually substantiated, your debit card will be suspended.

Claim support

For questions concerning receipt requirements, contact DKYC at 877-774-5661

Submitting documentation

If employees receive a request to provide documentation for claims, they can submit them a number of ways:

1. **Web:** Log in to <https://dkyoung.wealthcareportal.com/> and navigate to my accounts, then upload receipts
2. **Mobile:** Search for "DK Young Mobile" in the Apple App Store or Google Play. Once installed on your device, log in and tap claims to review a list of your pending claims and attach documentation.
3. **Secure Upload** at <http://www.dkyoung.com/flex>
4. **Fax:** 210.641.7771

Summary

- ❖ IRS rules require that all FSA 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 services—even when they paid using their health care payment card.
- ❖ Using IAS compliant merchants for pharmacy and OTC purchases will significantly cut down on receipt requests.