CDA PAYMENT CARD
RECEIPT SUBSTANTIATION REQUIREMENTS

IRS Rules Govern Substantiation Requirements

The IRS has established specific guidelines that require all transactions — even those made using a payment card — to be substantiated (verified that the purchase was an eligible expense for the plan).

The substantiation process is performed by CDA and some automated processes by the card. We are diligent in the execution of the substantiation process to avoid adverse tax consequences to employees.

Common Misconceptions about Receipt Requirements that are NOT TRUE:

1. If the 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.

Since not all services from a medical, dental, vision or a non IIAS 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 items and limits FSA and HRA healthcare payment cards to only those eligible items.

This system makes it easier for account holders to manage eligible over-the-counter and pharmacy expenses, since the merchants automatically substantiate your purchases at the point of sale, which means a receipt will not be requested from you.

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 choose the IIAS Merchants link on your consumer portal and look for retailers that are certified IIAS compliant.

Information Required on Documentation

All receipts or documentation must include the following information:

- Name of person (patient) who incurred the service or expense
- Name and address of the provider or merchant
- Date of service (not payment date) for the amount charged
- Detailed description of the service
- Amount due for the service provided

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 Card claims. These methods include employer-specific plan co-pay substantiation, recurring auto-substantiation, and IIAS substantiation. Examples include:

- *Copay matching*: transactions that exactly match the dollar amount of a copay under the employer's insurance plan (or up to 5 times the copay). For example, the employer's health plan has a $200 emergency room copay; as a cardholder, you use your card to pay your $200 copay with the hospital. The transaction will auto-substantiate because the amount matches and you will not be asked for a receipt.
- *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.
- *IIAS claims:* If you purchase a prescription or eligible over-the-counter items from an IIAS merchant, the store's software reads the item code and auto-substantiates the claim and you will not be asked for a receipt.

Manual Substantiation. All purchases that do not qualify for auto substantiation must be manually substantiated with copies of detailed bills, insurance Explanation of Benefits, or other documentation as necessary, depending on the type of expense. Examples of these types of transactions 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 and the store was not an IIAS merchant (these are known as 90% merchants).

Insurance Explanation of Benefits (EOBs) contain all of the required information and are excellent sources of documentation. *Credit card receipts, cancelled checks and provider statements stating insurance is pending or estimated 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 aids). Sometimes attaching a copy of the product packaging, with the UPC visible, can assist when a receipt does not provide clearly identifiable descriptions.

Always Save Itemized Receipts
Employees should save their itemized receipts from <u>every</u> 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 upload copies of itemized healthcare payment card receipts and EOBs to the Dashboard page of the consumer portal where they will be stored electronically. Receipts can also be attached to the expense from the mobile app using the camera on your mobile device! Just make sure the picture is legible or it cannot be used. Otherwise, designate an envelope or folder to store documentation in your personal files. Using this process will help you find documentation if it is requested.
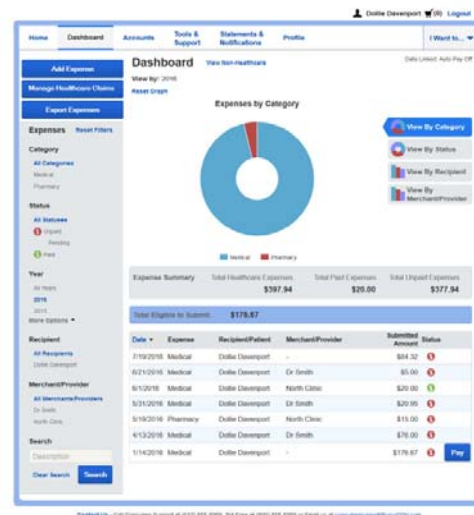
Requests for substantiation
If substantiation of a debit card transaction is required, employees will be notified by email or an alert on the Consumer Portal home page. Debit card transactions that require substantiation are displayed through messages in both the Message Center on the home page and their account summary page. Employees may also see if a claim requires substantiation by logging into their online account or mobile app to check the status of the claim.

In Summary
- IRS rules require that all claims be substantiated.
- If the claim cannot be auto- substantiated, the employee is required to submit documentation to support the claim, when requested.
- Employees should save itemized receipts and documentation for all services—even when paid using the Card.
- Using IIAS merchants for pharmacy and OTC purchases will significantly reduce receipt requests.