

Substantiation Guide for Debit Card Plans

The IRS stipulates that the Plan sponsor (Employer) ensure that HRA, FSA, DCA and Transit/Parking plans are properly substantiated. In other words, purchases made with the Choice Strategies debit card must be proven to be eligible under the Plan.

Choice Strategies substantiates purchases made with the Choice Strategies debit card via the following methods:

IIAS (Inventory Information Approval System)

Under this inventory control system, merchants such as grocery stores, discount stores, pharmacies, department stores, etc., must be able to differentiate between eligible and ineligible items at the point of purchase. Simply put, Choice Strategies only works for eligible prescriptions and limited OTC purchases at participating retailers. Ineligible purchases will be denied at the cash register. This system eliminates the need to request receipts for point-of-sale retail/pharmacy purchases.

Co-Pay Matching

Choice Strategies debit cards can be set to match the co-pay(s) of the underlying health plan design. Requests for documentation are not generated for transactions in which co-pays have been matched, as the expense is deemed substantiated.

Substantiation Service

Choice Strategies offers a free and voluntary *Substantiation Service*, which helps reduce or sometimes eliminate the amount of documentation a participating Employee has to provide in order for their medical transactions and claims to be approved.

Through this voluntary service, Employees grant Choice Strategies access to review their health insurance account online. When a transaction occurs or a claim is submitted, Choice Strategies logs in to the Employee's online insurance account and views the information necessary to substantiate the medical services paid for with the card. Documentation is not requested for these transactions if the information from the health plan matches the transaction, and if the services are eligible under the Choice Strategies benefit Plan.

Request for Documentation Process

Requests for Documentation, also called *Receipt Requests*, are generated and sent to Employees for those transactions that cannot be substantiated through the other methods listed above. Employees are asked to provide the documentation needed to substantiate their transactions and/or claims (generally an Explanation of Benefits (EOB) or Provider statement). Employees can send documentation in by email, mail, or fax, but the preferred method is by uploading the documentation to the pending transaction via their online account.

Requests for Documentation are sent out via email or mail approximately 30-45 days after the original transaction was made. If documentation is not received within the following 45 days, a second request will be sent asking either for documentation or a refund. If the Employee still does not respond or provide appropriate documentation, a notice is sent that their cards will be deactivated until sufficient documentation is received or a refund is made.

Enforcement of Substantiation Requirements

Occasionally an Employee will disregard requests for documentation or forget to send it in. If an Employee has not provided documentation after multiple requests, their Choice Strategies debit cards will be automatically de-activated in order to protect Employer money and keep the Plan in compliance. The cards are re-activated upon receipt of requested documentation. When completing the Master Application, Employers may choose to waive the card de-activation feature on a Plan-wide level, however, they should be aware that in the event of an IRS audit, the Plan may be found to be non-compliant. Employers may also choose to contact their Client Service team to re-activate a specific Employee's card at any time.

Recourse for Ineligible Transactions

1. Request Documentation for transactions

- a. Choice Strategies provides this function as described above.

2. Denied access to debit card if documentation isn't received in a timely fashion

- a. Choice Strategies payment system automatically deactivates cards of employees that have ineligible transactions, until documentation and/or refund is received.

3. Repayment Requested of Employee

- a. Choice Strategies requests reimbursement of all ineligible expenses and collects the refund on behalf of the employer. Choice Strategies refunds the employers account the amount of the employee refund and resolves the transaction on the employees account.

4. Withheld from Employee Pay

- a. The Employer has access to secure online reports showing the utilization of each employee's account, and if there are any ineligible expenses on their account. We advise caution on withholding Employees' pay as there are state laws, in addition to the IRS Guidelines. Employers can contact their Client Service Department for additional information, and our Compliance Department will research on a case by case basis for Employers that choose to pursue.

5. Treat the payment as any other business indebtedness

- a. If the methods mentioned above are exhausted, the Employer does have the option of writing it off as a bad debt or pursuing legal action, depending on the amount.