

FSA/HRA debit card auto-substantiation

What does it mean and how does it work?



What is auto-substantiation?

Automatic substantiation (or auto-substantiation) is the ability to electronically validate an expense that was paid using an FSA/HRA debit card.

What are the methods of auto-substantiation that the IRS allows?

The IRS-endorsed methods of auto-substantiation are:

Inventory Information Approval System (IIAS)

IIAS is a voluntary standard that merchants use to comply with IRS substantiation requirements. For example, if one of your plan members uses their card to buy FSA-eligible items at a grocery, discount store or pharmacy, the purchase will be automatically substantiated if that store uses an IIAS system. The cardholder will be asked to use a different form of payment for the non-eligible items. Non-health care merchants and pharmacies that choose not to implement an IIAS cannot accept the card for payment of any items. Most merchants have implemented this system, but for a complete list of participating locations, please visit www.sig-is.org.

Co-pay logic

When one of your plan members uses their card, the system matches

the transaction amount to your plan's co-payment amounts, which were determined by you as the employer.

Recurring expense logic

After a transaction has been substantiated once, transactions for the same amount in the same setting do not require another review for the next 12 months. For example, if a plan member makes a monthly payment for the same amount to an orthodontist, subsequent payments may be auto substantiated once the first payment is substantiated in accordance with the IRS guidelines.

Data file feeds

The debit card system attempts to match card transaction data to medical, dental and vision data received from UMR. Data matching requires the debit card transaction amount to exactly match the patient responsibility amount (less any ineligible amounts) on your EOB.

Why do plan members have to provide documentation to UMR for card transactions?

The IRS requires all expenses paid from an FSA/HRA to be substantiated. If UMR can't substantiate the expense through any of the IRS-endorsed automated processes, we must send the cardholder a letter requesting this information.

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Why do plan members have to send in documentation for a medical expense when they have medical coverage with UMR?

There are several reasons why we may ask plan members for documentation:

- If their health care provider requires payment at the time of service, the provider will estimate their financial responsibility for the service. That amount is then 'swiped' on their card. When the claim is processed through your UMR medical plan, the amount they actually owe may be different from that estimate. Because the amounts differ, the debit card system cannot match their card transaction to the medical data received on the file for substantiation, so a request letter is generated. This happens often, especially with dental and vision providers.
- Members receive a balance due/forward statement from the provider and write their card number on the statement for payment. If the amount paid is for multiple dates of service or a total family balance due, again the card transaction will not match the medical data file. The provider does not have the ability to enter in specific dates of service or patient information when they accept a card payment.
- When plan members use their card to pay for a medical service, the card system will look back 180 days to try to match the card transaction amount to past UMR medical data files.

If it can't match the information, it will 'pend' or hold for 30 days to check the next UMR medical data files. If a provider did not file the claim to UMR in a timely manner, the card system will not be able to find a match on the medical data file.

What are some other scenarios in which a card transaction will not auto-substantiate?

- If a plan member chooses to have insurance coverage under their spouse's health plan and opts out of your employer plan, their card transactions will seldom auto substantiate. The auto-substantiation processes are tailored to your employer insurance benefits, since you provide the flexible spending plan.
- Mastercard will code some pharmacies located in a hospital or medical center as a medical provider instead of a pharmacy. This happens behind-the-scenes as part of their process and plan members won't be aware of it. In this case, the card system will try to match the prescription expense to the UMR medical data file that is sent, and since the transaction is processed through your prescription carrier and not UMR medical, it will not auto-substantiate.
- If the plan member uses the card to pay for services for someone who is not covered under your insurance, the transaction cannot auto-substantiate.

