

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 you use your card to buy FSA-eligible items at a grocery, discount store or pharmacy, your purchase will be automatically substantiated if that store uses an IIAS system. You 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 already implemented this system, but for a complete list of participating locations, please visit www.sig-is.org.

CO-PAY LOGIC: When you use your card, the system matches the transaction amount to your co-payment amounts, which were supplied by your employer group.

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 you make 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 your 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 I 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 you a letter requesting this information.

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Why do I have to send in documentation for a medical expense when I have my medical coverage with UMR?

There are several reasons why we may ask you for documentation:

- If your health care provider requires payment at the time of service, the provider will estimate your financial responsibility for the service. That amount is then 'swiped' on your card. When the claim is processed through your UMR medical plan, the amount you actually owe may be different from that estimate. Because the amounts differ, the debit card system cannot match your 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.
- You receive a balance due/forward statement from the provider and you write your 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. Your provider does not have the ability to enter in specific dates of service or patient information when they accept a card payment.
- When you use your 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 your provider did not file the claim to UMR in a timely manner, again 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 you choose to have insurance coverage under your spouse's health plan and opt out of your employer's plan, your card transactions will seldom auto-substantiate. The auto-substantiation processes are tailored to your employer's insurance benefits, since they provide your 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 you 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 you use the card to pay for services for someone who is not covered under your insurance, the transaction cannot auto-substantiate.



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