

FSA CLAIM SUBSTANTIATION



What to Keep and Toss

You used your Flexible Spending Account debit card to pay for a qualified health expense, but don't toss that receipt just yet! The IRS has established specific guidelines that require all FSA transactions – including those made with a debit card – to be verified as an eligible medical expense. Read on to learn more about the substantiation process, what you need to document, and everything else you need to know to make sure you're maximizing your FSA and meeting substantiation requirements.

What qualifies?

Eligible expenses, which are defined by the IRS and your employer's plan, include, but are not limited to:

- **Medical expenses:** copays, coinsurance, and deductibles (cosmetic procedures, such as tummy tucks, rhinoplasty, and hair restoration are NOT eligible)
- **Dental expenses:** exams, cleanings, X-rays, and braces (cosmetic procedures such as teeth whitening are NOT eligible)
- **Vision expenses:** exams, contact lenses and supplies, eyeglasses, and laser eye surgery
- **Professional services:** chiropractic and acupuncture
- **Prescription drugs and insulin:** (Please note that OTC medications are NOT eligible.)
- **Over-the-counter healthcare items:** bandages, pregnancy test kits, blood pressure monitors, etc.

What proof do I need to keep?

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

Explanations of Benefits (EOBs) contain all the required information and are excellent sources of documentation.

Credit card receipts and canceled 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. Band-Aid).

What is the substantiation process?

There are two ways purchases can be substantiated in compliance with IRS FSA requirements:

- **Auto Substantiation:** This may be made electronically. Examples include copay matching, recurring claims, and real-time substantiation.
- **Manual Substantiation:** ALL purchases that do not qualify for the above will need to be substantiated with receipts and documentation. Examples include visits and prescriptions that are not equal to the copay, transactions at non-Inventory Information Approval System (IIAS) compliant stores, and OTC items that require a prescription but the merchant cannot enter at time of purchase.

Failure to substantiate your claim may result in loss of FSA debit card, and your charges will be considered taxable and included on your W2.

How do I know if the merchant will auto substantiate my transaction?

Merchants that are Inventory Information Approval System (IIAS) compliant will be able to auto substantiate all FSA-eligible transactions that meet the requirements. The IIAS identifies eligible healthcare items and limits FSA payment cards to eligible items only, making it easier to manage OTC and pharmacy expenses.

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

To find a list of stores and pharmacies in your area, please visit <https://www.sig-is.org/cardholders> and look for retailers that are certified IIAS compliant.



What else do I need to know?

- IRS rules require that all FSA claims be substantiated.
- If the claim cannot be auto substantiated, you are required to submit documentation to support the claim.
- You should save itemized receipts and documentation for all healthcare services – even when you paid with your FSA card.
- Using IIAS compliant merchants for pharmacy and OTC purchases will significantly cut down on receipt requests.