

## Frequently Asked Questions Flexible Spending Account Debit Card Substantiation

Health plans that offer Flex Spending Account (FSA) benefits through a debit card are required by Federal tax regulations to substantiate, or verify, that all purchases made with the FSA debit card qualify as eligible medical expenses as defined by the IRS.

MedCost assists your health plan with administration of FSAs, and in our continuing efforts to provide the best member experience, we offer automatic substantiation for nearly 90% of FSA debit transactions. The guidelines for substantiation are clearly defined by the IRS, and if MedCost is unable to automatically substantiate an expense, you will receive a letter asking for documentation to support the purchase or payment made with your FSA debit card. **Remember to always keep the original documents for your records and provide us with a copy. Keep all flex account expense receipts just as you would any other tax records. In the event of an IRS audit, these receipts may be necessary.**

The following list of Frequently Asked Questions may help you better understand how the FSA substantiation process works. If you have additional questions, please call our Customer Service Contact Center at 1-877-275-2718.

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**Q: What is substantiation?**

**A:** Substantiation is the process of verifying that a purchase made using your FSA debit card qualifies as an IRS eligible expense.

**Q: How do I know if a purchase is an IRS eligible expense?**

**A:** Eligible health care expenses are based on the interpretation of Section 213 (d) of the IRS Code. The IRS defines eligible expenses as "amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease, and for treatments affecting any part or function of the body." You may access the IRS website at [www.irs.gov](http://www.irs.gov) for further information.

**Q: What methods does MedCost use to automatically substantiate an expense?**

**A:** MedCost automatically substantiates close to 90% of FSA expenses through several methods, including co-pay matching and claims data information from medical, dental and vision plans, when available through our own processing or a partner vendor. When we are unable to substantiate through an acceptable method, we are required by the IRS to request supporting documentation from you.

**Q: What is the process if MedCost cannot automatically substantiate an expense?**

**A:** MedCost allows at least 60 days from the time your FSA card is used to automatically substantiate an expense. This usually is adequate time for us to receive and process a claim from your medical, dental or vision provider. If we are still unable to substantiate an expense after 60 days, we will contact you by email or letter to request a detailed receipt. Your receipt must identify the product or service and include the date the product or service was purchased.

**Q: What should I do if I receive a request for substantiation?**

**A:** Please submit the requested information as soon as possible. Any delay in receipt of the requested information may result in your inability to use your FSA debit card in the future.

**Q: Can I submit my documentation via the MedCost website?**

**A:** You may scan receipts or other documents and email them as attachments to [mbsflex@medcost.com](mailto:mbsflex@medcost.com). Or, you may log in to the secure member portal at [www.medcost.com](http://www.medcost.com) and submit documentation via your flex benefit account.

**Q: What documentation will MedCost accept as substantiation of an expense?**

**A:** MedCost will accept an Explanation of Benefits (EOB) from your medical, dental or vision provider. Often the debit card transaction date does not coincide with the claim date, therefore, we cannot automatically use your paid claim as validation. You can contact the MedCost Customer Contact Center with verification that the claim that you have an EOB for is the same as the FSA transaction. You do not need to send us your copy of the EOB. We will also accept detailed receipts that include the date of the service or purchase, the payment amount, the provider or store name, a description of the service or item purchased, and the name of the person receiving the item or service. Please note that cash register receipts normally do not provide all the necessary information. **Reminder:** Keep the original documents for your records and provide us with a copy. Keep all flex account expense receipts just as you would any other tax records. In the event of an IRS audit, these receipts may be necessary.

**Q: How long do I have to respond to the substantiation request?**

**A:** You have 30 days from the date of the letter or e-mail received from MedCost to provide the requested documentation. After 30 days, we will follow up with an additional letter. If we still have not received documentation at the end of another 30 days, we will send a refund request letter. At this point, you either will need to provide documentation or send a refund to avoid having your debit card made temporarily inactive.

**Q: What happens if the expense submitted for reimbursement under my FSA is determined to be an ineligible IRS expense?**

**A:** MedCost will request a refund equal to the ineligible amount. We will credit the refund amount back into your account to be used for future eligible expenses.

**Q: What can I do to avoid a substantiation request?**

**A:** Here are some helpful hints to avoid receiving substantiation requests:

- 1) Whenever possible, use your debit card on the same day that the expense or service is being provided. Using the card for co-pays is the most common use. If your provider or pharmacy will allow you to use your debit card for a known portion of your deductible or coinsurance on the date of service, you are less likely to receive a request for verification.
- 2) Ask your provider to verify that they are filing the claim on a timely basis. This will increase our ability to use claims data to automatically substantiate the expense.

**Q: What expenses most commonly require substantiation?**

**A:** Vision expenses are the most common type of service that require substantiation. This may be attributable to the fact that glasses can be purchased from multiple vendors, including websites, and that vision is often administered by a vendor other than your FSA administrator.

- Q: Can I use my debit card to pay my balance on a website or a provider portal that accepts payments?**
- A:** Yes, this is a very effective way to use your debit card. Unfortunately, this method of payment will likely result in a substantiation request since a payment vendor does not capture provider information and the date of the transaction will not match the date of service. If you use your debit card in this way, always keep your email or paper receipt to use as supporting documentation for substantiation of these expenses.
- Q: How will I get a claim form if I need to submit a claim manually?**
- A:** You may obtain a claim form from your HR department or from the [Forms section](#) of the member portal on [www.medcost.com](http://www.medcost.com).
- Q: Are there other letters that I will get from MedCost?**
- A:** When MedCost recognizes that your debit card has been used to pay for an expense that was covered by your medical, dental or vision plan, we will request a refund. Eligible expenses are defined only as an expense that is not reimbursed through the health plan.