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Q&A on Your FSA Debit Card



BMS LLC is pleased to announce the IRS recently issued additional guidelines that address the proper use of FSA Debit Cards as it relates to the claims substantiation and reporting aspects of using electronic payment card technology for health FSA claims. The good news is that FSA Debit Cards are an excellent tool to be used by participants that want access to immediate reimbursement of their claims with the convenience of their own personal Debit Card tied directly to their election! Please review below for additional information on the proper use of FSA Debit Cards.

What is a FSA Debit Card?

The Take Care© Debit Card available from BMS LLC is a Visa® card that gives the participant an easy, automatic way to pay for qualified health care expenses. The value of the participant's annual election is stored on the card upon issuance. The participants can use the card at qualified merchants/provider for expenses that are outlined under FSA guidelines and specified in IRS Section 213 as qualified expenses. The amount of the purchase is automatically transferred to the merchant/provider for immediate payment.

What are Considered Qualified Merchants/Providers?

Qualified merchants/providers include doctor's offices, pharmacies, and hospitals. The card is designed to only allow eligible medical expenses to be reimbursed to the qualified merchant/provider. If a participant attempts to use the Debit Card for an ineligible expense, or at an ineligible merchant/provider, the card will decline payment. **NOTE: Effective 9/1/2006, if you use your Visa® card at Walgreens, your transactions will be auto-substantiated!**

What are the Participants' Responsibilities for Using the Debit Card?

The employee must certify in writing that upon enrollment in the Health FSA that the card will only be used for eligible medical expenses for the employee, their spouse and qualified dependents. The participant also certifies that any expenses paid with the card have not been reimbursed under any other plan covering health benefits. A certification of this rule is clearly printed on the back of each Debit Card and the participant reaffirms this rule each time the card is used. The cardholder also agrees to acquire and retain sufficient documentation of any expenses paid with the card, including invoices and receipts. Failure to adhere to this could require BMS LLC to deny use of the card for a non-complying participant. If the card is used for a non-qualified expense, it will have to be re-paid to the Plan (BMS LLC) and may be subject to additional fees for non-qualified use of the card.

Does the Participant Need to Provide Receipts of Expenses?

Yes. The IRS requires the each claim be substantiated for each and every expense that is paid under the Debit Card. The claims substantiation must include the service or product being reimbursed, the date of service and the amount of the expense. The IRS does allow for some

“Automatic Substantiation” if the expense is for a common amount that relates to the employee’s co-pay for office visit or Rx, or if the merchant/provider is able to inform BMS at time of transaction that the charge is for a medical expense, and the expense is authentic. All other charges to the card are treated as “conditional pending.” This means that the participant must still provide receipts, invoices, etc. to BMS LLC noting the service or product, date of service, and the amount of the expense. This is a very critical requirement under the IRS ruling that must be followed by each participant using the Debit Card. Bottom line – please maintain a copy of the receipt for all Debit Card transactions in the event submission to BMS is required.

How Does the Participant Submit Their Receipts After They Were Paid with the Debit Card?

Once BMS LLC receives notification that a claim has been paid for with the Debit Card, and the claim is not one that falls under the “Automatic Substantiation” rules, the BMS LLC system will send an e-mail record (or hard copy mailing) the first week of each month, to the participant directing them to our website at www.myflexonline.com (accessible through www.bmsllc.net) requesting that they submit information to substantiate their claims transaction. Again, the participant certifies that it is a qualifying expense and agrees by using the Debit Card to provide necessary information to substantiate the claim. This must be done in a very timely basis or again, BMS LLC can deny access to use of the card if it is not provided per IRS regulations.

What Happens if A Participant Does Not Provide the Necessary Information to Substantiate The Paid Claim?

BMS LLC has the authority to freeze the Debit Card if deemed necessary, if a participant fails to provide the required documentation to validate their claim. If after several attempts the participant continues to ignore request for documentation, the Debit Card can be deactivated and BMS LLC can also contact the Employer to begin garnishment of wages in order to recoup any of the funds paid under the Debit Card (last resort.)

Can the Debit Card be used for Dependent Daycare Accounts?

At this point, the IRS confirms that the debit card can be used for daycare expenses. Please contact a BMS LLC representative to see if this is available with your Plan.

What Happens When a Participant Terminates Employment?

The Debit Card will be cancelled upon notification of termination from the Employer. Participants can still file claims via fax, mail, or e-mail for any claims due to them that were incurred prior to their termination date.

If a Participant Decides to Use the Debit Card as Their Reimbursement Method under the FSA, is there a Cost?

Yes. The employer typically covers the cost of the Debit Card for their employees; however, some employer’s pass the cost of use of this convenient reimbursement method to the individual participant. If you are responsible for the annual cost of the Debit Card, it will be outlined on your Election Form. If applicable, contact BMS LLC for more information on the exact cost. The annual fee for use of the Debit Card will be automatically deducted from the participants annual election limit set on the Card if it is paid by the individual participant.

Is A Participant Required to Use the Debit Card for FSA Reimbursements?

Absolutely not. Use of the Debit Card is strictly up to the individual participant. This is simply offered as a convenience to our participants but is totally voluntary. Employees are encouraged to still use our fax, e-mail or mail method for submitting claim for reimbursement. As mentioned above, participants will still be required to submit receipts of expenses to confirm eligibility. BMS LLC processes claims daily with reimbursements on a twice a week timeframe. Participants should still be confident of quick, quality claims reimbursement services.

Contact BMS LLC with any questions you may have regarding our new Debit Card program or visit our website at www.bmsllc.net for the latest information and updated IRS guidelines!