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Q & A on Use of Debit Cards with Your FSA/HRA Program

- **Why do I need to send in receipts when using my Debit Card?**
 - Simply speaking, **the IRS!** If they're going to allow you to keep a chunk of your money without paying taxes you have to keep receipts for 100% of your medical expenses and send them in if asked.
 - Receipts help BMS to verify that your expenses are acceptable within the IRS guidelines.
- **I thought the FSA Debit Card was supposed to make it easier. Why do I still need to send in receipts on some Expenses? Is there still a benefit to having the Debit Card?**
 - This is still part of the same program whether you are using manual claims or your Debit Card for your medical purchases and the IRS still insists you obtain valid receipts for every medical purchase.
 - Yes, there are still major benefits to the card even though you might have to send in a receipt. First, the moment you swipe the card you have been immediately reimbursed. Even if you might have to send in a receipt you do not have to wait for your money.
 - It might seem logical to assume that any purchase from a dentist or from an eye doctor would be okay. Actually, things like teeth bleaching or non-Rx contacts (just to change eye color) would not qualify for the FSA. Even though you still have to obtain a valid receipt for all debit card purchases, you may not have to send certain ones in every time you use your card. For example, if the Dr. Office co-pays are even amounts (e.g., \$10) you will not be asked for a receipt. If they are odd amounts (e.g., \$27.63) you probably will be asked to provide a receipt. Most often receipts are necessary for hospital bills, dental services and vision expenses. In reality, less than 10% of swipes actually require substantiation via receipt.
 - Even in this high-tech society medical debit cards are only "half smart". July 1, 2009 a mandate requiring drug stores and pharmacies to implement IAS or become a "90 percent" retailer went into effect. IAS certified means that at the point of sale, the retailer is able to distinguish qualified medical expenses versus non-qualified medical expenses as outlined under Section 213(d) of the IRS code. "90 percent" retailer means that the retailer has certified that 90 percent of the store's gross receipts consist of items which qualify as for medical care, including over-the-counter medications.
 - What does this mean to you? If you use your Debit Card at a full IAS compliant or "90 percent" retailer, the purchase will be substantiated at the point of sale and there will be no need to send in receipts. However, if you use your card at a retailer which has not yet become IAS certified or taken action to be considered a "90 percent" retailer you will not be able to use your flexible benefits card at that location. You can always submit those claims manually for reimbursement via check or direct deposit.
 - For details on the IRS Inventory Information Approval System (IIAS) visit our website, www.bmsllc.net. A full listing of compliant retailers is available.
 - *NOTE: Effective January 1, 2011, you will no longer be able to use your FSA/HRA Debit Card for Over the Counter Items, which was changed under recent Healthcare Reform. You can submit these items to BMS LLC via a manual submission for reimbursement, IF you include a doctor's note prescribing the OTC drug or medication. More details of this change can be found at www.bmsllc.net.*
- **You keep saying "valid receipts," what are they?**
 - The IRS says a valid receipt will have; the medical provider's name; the patient's name; a description of the product or service; the date of service or date of purchase; and the amount of out-of-pocket expense.
 - Certain expenses (such as medical deductibles) require an Explanation of Benefits (EOB) statement from the insurance company to determine exactly what they expect the member or patient to pay.
 - Items such as cancelled checks, credit card statements and similar items are **UNACCEPTABLE** to the IRS.
- **Where can I find a list of legitimate expenses and what happens if I buy something with my card that is not acceptable?**
 - An extensive list of eligible expenses is available at www.bmsllc.net.
 - Anything purchased with the FSA Debit Card that is not allowed by the IRS or is not verified must be repaid to the program or else the IRS says your card must be suspended.

Please visit www.bmsllc.net and click on Account Login to review if your transactions need to be substantiated or verified. A deadline for receiving your receipts will be indicated on the website. Also, you will be receiving e-mail or mail notification if you have pending Debit Card transactions. We allow 60 days for you to respond to requests for receipts prior to us automatically suspending your card. We are committed to making this a successful program for you and your fellow co-workers. **BMS LLC values your participation in the program!**