

Important Information About Your Spending Account Card



Flexibility Options
Savings Flexibility
Options Savings
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When you use your spending account card, you can pay for your healthcare expenses up-front, eliminating the need to pay out of your pocket and submit a request for reimbursement.

It's important to remember, however, that the IRS requires that all spending account transactions be substantiated; that is, that all purchases made with your spending account card are validated with proof that **the purchase was for what the IRS deems to be an "eligible healthcare expense."**

EFFECTIVE JULY 1, 2009, CARDS MAY NOT BE ABLE TO BE USED AT SOME PHARMACY LOCATIONS.

The IRS currently requires all non-healthcare businesses (including retail, discount, groceries, and online stores) to implement an Inventory Information Approval System (IIAS) in order to accept spending account cards. This system allows the store to identify each item within your overall purchase and note which items are "eligible" for payment from your spending account and which items are not eligible. **Effective July 1, 2009**, this requirement will be extended to drug stores and pharmacies. In order to ensure that you can continue using your card at your pharmacy, you can go online and search for your pharmacy on the "IIAS Merchant List" at www.sigis.com. Any purchases made through a merchant using an IIAS will be automatically validated when you swipe your card, making it unlikely that you will be required to provide proof at a later date. **Since your spending account is a tax-free benefit, it is important to save your receipts for all purchases and expenses.**

Given the effort required to implement an IIAS, some drug stores and pharmacies have opted to abide by what the IRS calls the "90% rule."

In this circumstance, the IRS allows drug stores and pharmacies who can verify that 90% or more of their gross receipts come from "eligible healthcare expenses" will be allowed to accept spending account cards. You can see the list of merchants in this category by viewing the "90% Rule Merchant List" at www.sigis.com. **Even though you will be able to use your cards in these locations, your purchase will NOT be automatically validated. You will be required to submit proof of expense eligibility upon request.**



Please remember that the IRS requires that ALL purchases made with a spending account card be proven to have been for an eligible healthcare expense. Although every effort will be made to validate the expense on your behalf, you may be required to submit proof that the expense was, in fact, eligible. If a request for proof goes unanswered, there may be consequences such as termination of the card, repayment to the plan, or taxation on the amount that was unable to be validated. ALWAYS SAVE YOUR RECEIPTS!

Not familiar with Carewise® Health? SHPS markets various administrative services under the SHPS and Carewise® Health brand names.

What's more important to you?

I prefer to not have to send in receipts.

If you want to minimize the number of times SHPS/Carewise Health will request a receipt:

- **Use your card** for any co-pays associated with health, dental or vision coverage you have with your employer. (Not applicable to coverage received from parties other than your employer.)
- **Use your card** to purchase prescriptions and over-the-counter (OTC) medications at locations that have an IIAS in place. A current list of IIAS retailers can be found by clicking on the "SIGIS Merchant Link" in the Publications section on the SIGIS¹ Web site—www.sigis.com.
- **DON'T use your card** to pay for expenses at your health, dental or vision provider if you are not enrolled in your employer's respective plan which covers those expenses.

I prefer to not have out-of-pocket expenses.

If you are more concerned about not paying up front for services, and are comfortable with sending in receipts to validate your expenses:

- **Use your card** for any co-pays associated with health, dental or vision coverage you have with your employer.
- **Use your card** to purchase prescriptions and over-the-counter (OTC) medications at locations that have an IIAS in place. A current list of IIAS retailers can be found by clicking on the "SIGIS Merchant Link" in the Publications section on the SIGIS¹ Web site—www.sigis.com.
- **Use your card** to pay for expenses at your health, dental or vision provider even if you are not enrolled in your employer's respective plan which covers those expenses. You will **ALWAYS** be required to provide a receipt to validate these purchases.

¹The Special Interest Group for IIAS Standards (SIGIS) was formed to produce and promote a voluntary industry standard solution to meet IRS requirements for operating an inventory information approval system (an IIAS).

How does SHPS/Carewise Health automatically validate purchases?

There are three methods used to validate card purchases on your behalf.



1 Co-pay Matching

If you participate in a health plan offered by your employer that includes a co-pay, SHPS/Carewise Health can automatically validate a purchase that is equal to, or up to five times a multiple of, your co-pay. For example, if you have a \$25 co-pay and you take your two children to the doctor and use your card to pay \$50, your purchase will be automatically validated. If your six dependents visit the doctor and the charge is \$150 (6 x \$25), you will be asked to provide supporting documentation for this expense. **Remember, if you have a co-pay from a health plan that is not offered through your employer, you will always have to provide a receipt for the co-pay.**

2 Insurance Carrier Matching

SHPS/Carewise Health works to develop partnerships with your employer's health, dental, vision, and pharmacy insurance carriers in order to match card transactions against eligible out-of-pocket expenses. If you go to the doctor and use your card, we will work with your insurance carrier to match the amount of your purchase to your out-of-pocket expense amount as determined by the insurance carrier. If the dollar amount and date matches exactly, your purchase will be automatically validated, and you will not be asked to submit supporting documentation.

However, if there is any difference between what the provider collected from you on the date of service and the actual amount the carrier deemed you should have paid out-of-pocket, the transactions will not match and you will be asked to provide a receipt.

3 Inventory Information Approval System (IIAS)

One of the most exciting features of spending account cards is the ability for retailers to validate eligible items at the time of purchase through an inventory control system that recognizes eligible expenses at the point-of-sale. Currently, large retail discount and grocery stores are required to have this system in place in order for your card to work at their locations. Effective July 1, 2009, this will also be the case in order for your card to be used at drug stores and pharmacies. To see which retailers provide you with the ability to have your expenses validated immediately upon purchase, you can visit the SIGIS Web site, www.sigis.com and review the "IIAS Merchant List."

NOTE: ALTHOUGH EVERY EFFORT WILL BE MADE TO VALIDATE YOUR CARD PURCHASE, IT IS IMPERATIVE THAT YOU SAVE ALL ITEMIZED RECEIPTS OR EXPLANATION OF BENEFITS FOR EXPENSES THAT WERE PAID USING YOUR SPENDING ACCOUNT CARD.

Type of Purchase	Likely to be Automatically Validated	Receipt Likely Required
Up to five times co-pay in your employer's health plan	X	
Purchase at an IIAS participating merchant	X	
Purchase at a non-IIAS merchant		X
Purchase at a pharmacy or drug store which is abiding by the "90% rule"		X
Paying your provider from an invoice sent after the date of service		X
Paying for services not covered by your employer's health plan		X
Paying for more than five co-pays in one day		X
Ordering your prescriptions by phone on Monday and picking them up on Friday		X (If you are using a non-participating IIAS merchant)
Ordering your prescriptions by phone on Monday and picking them up on Friday	X (using an IIAS merchant)	
Paying your provider a "down-payment" on your total out-of-pocket expense		X
Paying your provider on the date of service for services covered by your employer's health plan when the out-of-pocket expense provided by your carrier is an exact match	X (note that you cannot rely on this—it is not known until SHPS/Carewise Health receives information from your carrier after the fact)	
Using your card to pay for services for your dependents who are not covered under your employer's health plan		X (except at an IIAS merchant)

What if I don't have a receipt?

You have two options:

- submit receipts for eligible purchases (that have not been previously submitted) made with some form of payment other than your spending account card, or you may need to incur an expense. For a list of eligible expenses, visit the Web site listed on the back of your card,
- or send Carewise Health a check to repay your FSA for the item that cannot be validated.

What if I don't submit my receipts?

If you do not respond to our requests for receipts, your spending account card may be suspended until you do so. Eventually, the expense will be referred back to your employer for further action.

What if I have questions?

If you have any questions or need account information, visit the Web site listed on the back of your card or contact our customer service representatives Monday through Friday, 8 a.m. to 8 p.m. (ET).

Validation is not automatic upon use of the card. **SAVE YOUR RECEIPTS!**

The use of the spending account card provides you with immediate access to your healthcare spending account funds but does not guarantee that SHPS/Carewise Health can validate that the expense was for eligible healthcare item(s) without your help. **Because the IRS requires that each expense be validated, it is important that you only spend your funds on eligible items, and keep all receipts.**

