



Important Update About Your Benefits Debit Card

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With plan year enrollment coming up, there is important information you need to know about your Benefits Debit Card. The IRS recently issued Notice 2006-69 that clarifies where debit cards may be used and the approved methods for auto-substantiating debit card transactions. In some cases the IRS Notice provided good news. In other cases, you will need to provide substantiation where none was requested in the past.

What types of card transactions don't need additional substantiation?

Your card transactions can be automatically substantiated without additional paperwork for transactions that are:

- Copayments tied to your health plan up to a maximum five copayments per card swipe.
- New transactions that match the provider and dollar amount exactly for previously approved transactions (e.g. orthodontia claims, maintenance prescription drugs)
- Purchases made or services provided at merchants using an Inventory Information Approval System (IIAS). The IIAS system substantiates your Benefits Debit Card transactions at the point of purchase. IIAS will deny ineligible FSA expenses, which will need to be paid using another form of payment. The good news - no more substantiation for eligible claims when a merchant has an IIAS in place!

Can you give me a list of merchants using IIAS?

Walgreens and Longs Drugs are examples where an IIAS is in place now. 1-800 CONTACTS.com, Drugstore.com and VisionDirect.com also provide substantiation at the point of service. The responsibility for putting in an IIAS system rests with individual merchants. Because the number of merchants nationwide is in the hundreds of thousands, those offering IIAS changes daily and a list of stores that currently use IIAS is not available. You will want to ask your local merchants if they use IIAS. If their answer is no, ask that they put one in.

What if my local merchants do not yet use an IIAS system? Can I use my Benefits Debit Card anyway and submit substantiation after the fact?

Only if the merchant uses a merchant category code (referred to as the MCC code which is set by MasterCard to define the type of merchant, such as pharmacy, vision, dental, discount retailer, etc.). The

IRS made it clear that unless a merchant uses IIAS to substantiate at the point of purchase, the debit card may only be used at merchants with a health care MCC code.

Until supermarkets and discount stores such as Wal-Mart, Costco and Target, to name a few, put in place an IIAS system, the card cannot be used at their locations. An exception is if the pharmacy within these stores uses a pharmacy MCC code. If that is the case, you can use the card at the pharmacy within these stores.

Which stores use the pharmacy MCC code?

Examples of stores using the pharmacy MCC code and where the card can be used include Walgreens, Longs Drugs, Drugstore.com, AdvanceRX.com, Eckard Drug, Pharmacy Plus, CVS Pharmacy, Osco Drug and Rite-Aid Stores.

How does the Notice affect my use of the debit card for dependent care expenses?

It will impact how you pay for day care expenses if your day care provider requires that you pay in advance. The Notice clarified that reimbursement can only be released for day care expenses that have been incurred. Advance reimbursement is not permitted. Participants who use the debit card for day care expenses and must pay in advance will want to check with their day care provider about the possibility of changing the payment schedule. Dependent care claims may continue to be submitted via fax, mail or online and claims will be reimbursed as incurred.

What else should I know?

The IRS again confirmed that FSA expenses cannot be self-certified by the participant. If the expense does not fit within auto-adjudication categories (copayment, IIAS, recurring expense from a previously approved transaction), the IRS requires the participant submit documentation to Discovery Benefits to substantiate the claim. This has been a long-standing requirement of flexible spending accounts and continues to be reinforced time and time again by the IRS.

I still have questions – who can I call?

Our Participant Services Team is ready to help answer any questions you have about this information or your flexible benefit plan in general. Participant Services can be reached at 866-451-3399, ext. 1 or by emailing customerservice@discoverybenefits.com.