



Why Medical Flexible Spending Account (FSA) Substantiation Is Required

What is substantiation and why is it required?

Because of an FSA's tax advantages, the IRS requires employers and employees to prove that FSA funds are only being spent on eligible expenses. The IRS requires that every dollar spent from an FSA be eligible and verified. This verification process is "substantiation".

Proper substantiation is important to protect both you and our entire FSA Plan



- You can personally face tax consequences if you use your FSA dollars for ineligible expenses (even accidentally), causing you to owe money to the IRS.
- Our Plan can face IRS penalties and fines for not complying with IRS rules.
- If the IRS determines our Plan is not in compliance with the substantiation requirements, the IRS could disqualify the *entire Plan*. It could treat all medical FSA reimbursements, including those that were properly substantiated, as taxable wages and subject to FICA and FUTA taxes - meaning *everyone* participating in the FSA Plan could owe money to the IRS.

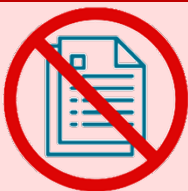
The IRS requires that several key pieces of information be verified for each and every expense:

- ✓ The **name of the provider** or merchant
- ✓ The **date service was received**, or the item was purchased
- ✓ A **description of the service received**, or the item was purchased
- ✓ The **dollar amount of the expense** (after insurance is applied, if applicable)
- ✓ The **name of the person** who incurred the service or expense (*not applicable for over-the-counter items*)

Please Note: In some cases, a Medical Necessity Form, physician letter, or prescription may also be required.

What documents can I submit to meet the requirements?

- ✓ An **Explanation of Benefits (EOB)** contains all the required information and is your best bet for documentation.
- ✓ An **itemized receipt or statement from your provider** typically will have the required information. If you receive a receipt from your provider for a copay amount, make sure the receipt says "copay." If not, ask your provider to write "copay" on your receipt before leaving the office.



Examples of unacceptable forms of documentation include:

- ✗ Provider statements that only indicate an amount paid, balance forward, or previous balance
- ✗ Credit card receipts
- ✗ Bills or invoices for pre-paid medical expenses (i.e., services not yet incurred)

We strongly advise that regardless of if documentation is requested by WEX, you ALWAYS keep receipts and documentation to back up your FSA expenses. Please keep in mind that you are responsible for retaining a copy of all documents and receipts for three years, in the event of an IRS audit.

Doesn't my Benefits Card automatically verify my purchases?

It depends - certain systems have built-in coding that can automatically verify that your funds were only used for eligible expenses. However, other systems do not capture the required information, and in those cases, you will likely receive a request for substantiation.



Additional substantiation typically will not be requested when your card is used in the following scenarios:

- At **merchants with an Inventory Information Approval System (IIAS)** such as Walgreens, Target, or Amazon
- When paying a **co-payment amount** under Esse Health's Medical Plan
- When making transactions that **match the provider and dollar amount exactly for previously approved transactions**

For your convenience, your Benefits Card can be also used at businesses verified through the **Merchant Category Code (MCC) network**, which classifies businesses by the products they sell or services they provide. However, these merchants typically don't have IIAS coding in place to transmit all of the details required by the IRS to prove an expense was FSA-eligible (date of service, what service was provided, or who the service was for). Therefore, when you pay for a service/item at a business with an eligible MCC, your transaction is allowed, but the IRS requires you submit additional substantiation to prove the expense was FSA-eligible. Examples include:

- Health care providers (your doctor or dentist) -or-
- Merchants primarily providing FSA-eligible services and items (a local pharmacy)

Keep in mind that even at a physician or dentist's office, there are in-office services that are not FSA-eligible expenses (for example teeth-whitening or non-prescription sunglasses). Also, billing is not always timely – your card may allow you to pay a statement, but additional documentation is needed to show that the service was performed in the current plan year.



We understand that this can be confusing, so let's take a look at a couple of examples of how the substantiation process protects you from accidentally using your FSA funds for ineligible expenses:

You have an eligible procedure performed by your doctor in December. You receive a bill in January and use your Benefits Card to pay for it.

- ✗ Eligibility is determined by the date of service NOT the date it was billed. You may not use the **current year's FSA funds** to pay for a service performed in the previous year despite when the bill was received. You will receive a substantiation request and since the expense is ineligible, you would need to pay the money back to your FSA (*unless it is eligible under the prior Plan year's grace period*).

You receive a teeth-whitening procedure at your dentist and pay with your Benefits Card.

- ✗ Teeth-whitening procedures are not an eligible expense. Your card may allow the charge initially based on your dentist's Merchant Category Code, but you will receive a substantiation request. Since the expense is ineligible, you would need to pay the money back to your FSA.

What happens if I don't send in the documentation needed?

Should a charge remain unsubstantiated 200 days after the date of the card transaction, your WEX card will be placed in a temporary hold status. Your card will be reactivated as soon as the necessary documentation has been received to substantiate the expense. Please note, submission of insufficient documentation twice within the 200 days will also result in a temporary suspension of your card until sufficient documentation is received.

Additional Resources:

- [How to contact WEX for additional support](#)
- *Video:* [How to Substantiate Medical FSA expenses](#)
- [Understanding Benefit Card Auto-Approval](#)
- [Common Reasons for Benefits Card Declines](#)
- [Benefits Card Suspensions - Overview](#)

Helpful Tools for Managing Your FSA!

- [How to Access Your FSA Benefits Online Account](#)
- [Getting Started with the WEX Benefits Mobile App](#)
- [How to use the App's Eligible Expense Scanner](#)
- [Eligible Expense Guide](#)