

# IRS Regulations regarding the Benny<sup>®</sup> Prepaid MasterCard<sup>®</sup>

The IRS imposes specific requirements for Flex Debit Card claims, such as the Benny<sup>®</sup> Prepaid MasterCard<sup>®</sup>, through a cafeteria flexible spending account (FSA) plan. The IRS requires that every claim be documented either electronically or manually.

This documentation includes the same information that would be included for a manually submitted claim:

- ▶ The Service Provided
- ▶ Amount of Service Charge
- ▶ The Provider's Name and Address
- ▶ Date of Service (date of payment is not sufficient)
- ▶ Name of person to whom the service was provided

The only exception to this requirement is by matching claims that can reasonably be assumed to be legitimate claims to the expense, such as fixed-dollar deductible and co-payment amounts from your Educators health plan. In other words, if a claim matches a fixed-dollar prescription or office visit co-payment or deductible, then additional documentation is **not** required. If the claim does not match these benefit parameters, manual submission—after the fact—of supporting documentation is required.

In order to reduce the burden of manual claims submission, participants are encouraged to swipe and pay for multiple prescriptions or co-payments as individual purchases. For example, if Jane Doe purchases one prescription for \$20.00, which matches her prescription co-payment amount, no manual submission will be required. However, if she purchases two \$20.00 prescriptions together, the purchase price is \$40.00, which will **not** match her prescription co-payment amount and will result in a requirement to manually submit documentation for her claims.

Note that any benefit figured on a percentage basis (coinsurance) will require manual claim verification.

If an FSA participant is **not** on an Educators insurance plan, manual claim verification will be needed with **every** Benny<sup>®</sup> Prepaid MasterCard<sup>®</sup> swipe.

All over-the-counter (OTC) items purchased with the Benny<sup>®</sup> Prepaid MasterCard<sup>®</sup> will require manual claim verification and the burden of proof falls to the participant.

Credit card receipts, cash register receipts, and cancelled checks are not considered appropriate documentation per IRS guidelines. However, in the case of purchasing over-the-counter (OTC) medicines/drugs, cash register receipts will be permissible if the item is clearly identified on the receipt (e.g., Tylenol \$4.19). If the receipt does not clearly identify the OTC item (e.g. pharmacy item \$4.19) employees should circle or highlight the price on the receipt, cut out and attach the front of the box cover of the OTC, and submit with a copy of the Educators documentation request letter.



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