

Flexible Spending Account (FSA) Debit Card Q&A

You have recently been enrolled in a FSA plan through your employer. You are receiving this notice because your employer allows participants to be issued a debit card to access the funds in their accounts to pay for specific expenses. As your administrator, it is Sterling's responsibility to ensure that the payments processed on your debit card are in compliance with IRS rules and regulations. We would therefore like to provide you with some basic education about how our debit card system works so that your experience with Sterling is a positive one.

Sterling debit cards are programmed to recognize eligible providers. This will allow you to pay for expenses throughout the year without having to pay out of pocket. You may use the card when payment is required for office visit copays, prescriptions, online provider bill payments, provider payments by mail, and more. After a debit card transaction, there are times when you will be required to submit documentation to Sterling so we can ensure that the payment is in compliance with the IRS rules.

What types of transactions do not require any documentation?

Sterling debit cards are programmed to automatically verify (adjudicate) standard provider copay amounts and prescription purchases at major US pharmacies such as Walgreens, CVS, Rite Aid, Target, etc. This means that when the debit card is used to make a provider payment in a rounded dollar increment of \$5 (up to \$100) or is used to pay for a prescription at most major pharmacies you will not be required to submit any documentation to Sterling after the transaction has been processed.

What types of transactions do require documentation?

Documentation will *always* be required for any payment that does not fall into the standard copay or major pharmacy prescription categories described above. Sterling must ensure that these other payments are for eligible services which were received on dates that fall within your current FSA plan. This is because the Sterling debit card cannot detect date of service or type of service on its own.

Based on our internal research of our more than 20,000 participants, most debit card users only have to submit documentation on average about 20-30% of the time.

What documentation do I have to submit when it's required?

When documentation is required for a non-copay or prescription payment, you will be sent an email (or letter if you do not have an email address on file) to send in the supporting document which substantiates the debit card payment. This documentation must correspond definitively to the payment and is required to reflect the following: *patient and provider information, date of service(s), description of service(s) and the cost*. This is usually in the form of a provider invoice, billing statement or ledger. A credit card receipt without any service details does not satisfy IRS requirements.

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How do I submit documentation?

There are a several ways to submit documentation when needed:

- Upload the documentation on our website or Mobile App
- Email the documentation as a .JPEG or .PDF attachment
- Fax
- Mail

What makes an expense ineligible?

Eligibility is determined by two criteria – service type and service date. There are eligible providers who offer ineligible services (e.g. tooth bleaching, massage, elective cosmetic dermatology services, over the counter supplements). Some services are not eligible in any situation and some require a letter of medical necessity or prescription from your attending physician to become eligible.

Because funds in an FSA account draw from a finite plan year, we must verify that the services being paid for with your card are all eligible service types and that the dates of each service fall within your current plan. Ineligible dates of service are any dates outside of your plan's effective dates. The IRS' determining factor with regard to date is the actual *date of service* – not date of billing or date of payment.

How do I find out if something is eligible before paying for it?

You can always contact Sterling Participant Services to inquire about the eligibility of a certain service or to find out the effective dates of your plan. Most plans align with a calendar year which makes it easy to determine whether you can pay a particular bill. However, some plans do not align with a calendar year and it is important to know your plan's effective dates before submitting a payment with your Sterling card.

What happens if it's determined that I've paid for something ineligible?

If we determine that a debit card payment has been applied to an ineligible service type or service date, you will be required to repay the funds to your account or offset the amount of the claim with another eligible claim from the same plan year that you have paid for out-of-pocket. If you repay the claim amount, you do not lose those funds; they are credited back to your available balance in the account. Failure to resolve the unsubstantiated debit card claim within 45 days of the transaction will result in the temporary suspension of your debit card. Also, please note that employers reserve the right to withhold funds from a participant's paycheck (post-tax) to resolve outstanding unsubstantiated debit card claims at the end of a plan year if the issue is not resolved by the end of the plan's claim filing deadline.

Sterling's goal in providing this information is to make access to your account as simple as possible. Use of the Sterling debit card is completely optional. If you prefer, you can opt to pay for all of your expenses out of pocket and then file claims to be reimbursed. However, there are many advantages of the using the card that will make your life easier and cut down on the amount of paperwork involved. If you have any questions or concerns, please don't hesitate to contact us!

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