

Important VEHI Notice and FAQ on Prescriptions for DataPath Administrative Services Customers

Understanding When Receipts Must be Submitted after Using a Debit Card for Prescriptions

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The IRS allows an HRA, FSA or HSA debit card to be used at pharmacies to pay for prescription medications; but it requires substantiation that the item(s) paid for by the debit card qualify for the pre-tax benefit of the HRA, FSA or HSA funds. In **most cases**, pharmacies have undergone a process with the IRS to become an IIAS (Inventory Information Approval System) pharmacy, which allows the **BCBSVT claims feed** to substantiate the claims, and **nothing else is required** of the debit-card holder.

However, when a pharmacy has **not** gone through the IIAS process, **under IRS rules they are deemed a 90% merchant** (see FAQ below for more information), and while a debit card can be used at these locations, **the debit card user will still need to obtain and submit a receipt** to document that the item(s) qualify for the pre-tax benefit.

For individuals with an HRA, FSA or HSA administered by **DataPath**, individuals will receive a notice when a receipt is required (see sample notices on the VEHI website). Individuals, however, who know they are using a 90% merchant can submit the receipt without waiting for notice from DataPath. Failure to submit a receipt to DataPath within 30 days may result in a temporary suspension of the debit card until the receipt has been submitted.

Itemized receipts must include the following information:

- Participant name (the person who the service is for)
- Date of service
- Amount
- Type of service performed
- Vendor name (name of the place from which the item was purchased)

90% merchants in Vermont include:

- GENOA QOL 20176, Morrisville
- Central Vermont Medical Center Pharmacy, Berlin
- Northwestern Medical Center, Saint Albans
- Vermont Family Pharmacy, Burlington
- South Hero Pharmacy, South Hero
- Browns Drug Store, Derby Line

The link to search for IIAS and 90% merchants in the USA is <https://sig-is.org/card-holders/store-locator?srchaddr>

Essential Facts about 90% Merchants & IIAS Pharmacies

- 1) Pharmacies fall into two categories for purposes of claims processing and customer reimbursement for qualified expenses:
 - IIAS Pharmacies (Inventory Information Approval System)
 - 90% Merchants
- 2) Generally speaking, an IIAS pharmacy is any merchant that sells prescriptions/Rx or eligible health care items.
 - With few exceptions, the large Rx “box stores” or chains – Rite Aid, Walgreens, CVS, Kinney’s, etc. – are IIAS pharmacies.
 - If, by chance, you fill a prescription at a major, box-store pharmacy that turns out to be 90% merchant, however, you will receive a notification from DataPath alerting you to this and requesting a receipt.
- 3) A 90% merchant is one whose sales are primarily eligible medical items (i.e., 90% or more of the sales for each store must be from prescriptions or eligible health medical items).
 - These stores, by far, are fewer in number in Vermont than IIAS pharmacies.
 - Please note that **prescription dispensaries at HOSPITALS** can be 90% merchants, so make sure you get a receipt for any medication you fill at a hospital.
- 4) IRS rules require that all Rx transactions at a pharmacy that involve payment or reimbursement via an HRA and FSA, with or without a debit card, be “substantiated.”
- 5) Substantiation is the process of submitting documentation that allows a Third-Party Administrator (or the IRS if it is conducting an audit) to verify that medical and Rx costs paid for with an HRA or FSA are medically qualified expenses consistent with federal law.
- 6) There are two kinds of claims’ substantiation:
 - auto-substantiation via an automatic claims feed from an insurance carrier; or
 - receipts submitted by a consumer to a Third-Party Administrator.
- 7) With **IIAS pharmacies**, the IRS permits **auto-substantiation** of claims.
 - Consumers do not need to submit additional documentation in the form of receipts for their prescriptions.

8) **90% Merchant** stores, on the other hand, are **not sanctioned** under IRS rules for auto-substantiation of claims exclusively.

- This means that if you pick up a prescription at this kind of pharmacy, you need to submit a receipt to your Third-Party Administrator.
- **You can use a debit card** at a 90% merchant, but **submission of a receipt** is still necessary.
- The IRS counsels Third Party Administrators like DataPath and Health Equity to advise its employers to set up HRA/FSA reimbursement systems with 90% merchants with the requirement of receipt submission by employees.

Brief FAQ on 90% Merchants

a) Why are receipts necessary from 90% Merchants? What complications or problems are prevented by submitting receipts?

IRS requirements say receipts are necessary to ensure that your debit card purchase via auto-substantiation was used for an **eligible expense**. This is done automatically with a IIAS merchant. But it is **not** done automatically at a 90% Merchant. For this reason, **non-qualified items** could incidentally be purchased, and this could raise a flag for the IRS if detected, with implications **for employees and employers**.

b) What do I do if I made a debit-card purchase at a 90% merchant and a **non-eligible item** was purchased?

- 1) The debit card transaction will be remitted automatically to your Third-Party Administrator, DataPath, on your behalf;
- 2) A receipt request will be sent to ensure the full transaction was for eligible items;
- 3) Should it be deemed that a **non-eligible item** was purchased, a non-eligible claim becomes noted as a money-due item.

You will have **two options** to resolve a money-due claim:

- 1) **Offsetting a future claim** - this is where DataPath applies the money due back to the plan for the non-eligible expense purchase with the plan funds to a future claim that would otherwise be reimbursed to you;
- 2) **Pay back** - this is where you can physically pay the funds back to the plan to resolve the money-due status.

c) How long do I have to pay back a money due claim and what happens if I do not make restitution?

You will have **30 days** from the day a receipt request is made either via email and USPS for a detailed receipt to be remitted. You can submit the receipt to DataPath via Online, Fax, Mobile App, and USPS. Should the receipt request not be fulfilled, your debit card, if one exists, **will be blocked** until such time as your money-due status is resolved.

d) How can I locate and identify a 90% Merchant in Vermont or elsewhere?

90% Merchants are located throughout the state and typically identified as a **local pharmacy** with **one location**. To learn if your pharmacy is a 90% Merchant, search the information at this link: <https://sig-is.org/card-holders/store-locator?srchaddr>.

e) Are there also 90% Merchant pharmacies in Vermont with **several locations** and that would qualify for IIAS status if they registered for it?

Yes. There are a couple pharmacy chains in Vermont that could qualify as IIAS but have not registered yet to do so. They manage several locations that are 90% Merchants. The two major ones, however, are **Vermont Family Pharmacy** and **GENOA QOL**. This means, if you purchase a prescription from these pharmacies, you must submit a receipt consistent with the guidance in this document.