FSA Debit Card

Q: How does the FSA debit card work?
A: As you incur eligible medical expenses, use your FSA debit card to have the funds taken directly out of your account so that you don’t have to pay upfront with cash out of your own pocket.

Q: Where can I use my FSA debit card?
A: Your FSA debit card will only be accepted at authorized vendors that have the appropriate merchant codes, such as medical clinics, hospitals, dental offices, vision care centers, and pharmacies. Please note that not all vendors may use debit card machines that are configured as authorized vendors for eligible medical expenses. In these situations, it is at the discretion of the vendor to change the set up of their debit card machine.

Q: If I use my FSA debit card, is substantiation (validation) of claims still required?
A: Substantiation of a debit card purchase means to supply Capital BlueCross with an itemized receipt that clearly shows that an eligible medical expense was purchased using the FSA debit card.

Per IRS requirements, Capital BlueCross, as your FSA administrator, is required to substantiate claims for all debit card transactions. A large portion of debit card transactions can be substantiated by Capital BlueCross using one of the IRS approved electronic methods (see FSA Substantiation Questions and Answers for details). For debit card transactions that can be approved by one of the IRS approved electronic methods, you need not do anything more. However, there may be situations where substantiation will still need to occur.

Substantiation should include the patient name, date of service, description of services rendered, cost, and patient liability. If Capital BlueCross does not receive substantiation within 20 days of the date requested, your debit card may be deactivated and you will be asked to return the unsubstantiated amount(s) to Capital BlueCross, or the amount(s) may be counted as taxable income to you.

Q: Are there special rules that are related to prescriptions and over-the-counter (OTC) products incurred at retail merchants?
A: The IRS now requires a prescription for OTC drugs to be considered an eligible expense. For these expenses, a prescription from your doctor must be submitted with the store receipt for substantiation. However, diabetic supplies including Insulin, bandages, band-aids, and contact lens supplies continue to be eligible without a doctor’s prescription.

Q: What happens if the FSA debit card is used for an ineligible expense?
A: Capital BlueCross will review all charges and determine if the card was used for an ineligible expense in accordance with the IRS guidelines. If it was used for an ineligible expense, we will notify you for repayment of the invalid amount. Failure to repay within 20 days of the request can result in the loss of your debit card privileges.

Q: What should I do to pay for an expense that is more than my account balance?
A: You should tell the merchant to swipe your card for the amount equal to the balance in your FSA account, and then use another payment method to pay the remaining amount.

Continued on reverse
FSA Substantiation

Q: Why am I getting a letter from Capital BlueCross that requests additional documentation to substantiate my FSA debit card purchase?

A: The IRS has provided strict requirements stating that debit card purchases must be substantiated using itemized receipts when they cannot be otherwise substantiated. Use of an FSA debit card does not remove or reduce the requirements for proof of eligibility under IRS regulations. Some purchases will still need to be substantiated with detailed receipts. For this reason, you must always save your purchase receipts for items and services purchased with your FSA debit card.

Fortunately, the IRS defines several electronic substantiation methods that we can follow to help with the adjudication process.

Q: What should I do if I receive a substantiation letter?

A: You should sign and return the letter to Capital BlueCross when you submit your receipt(s), and keep a copy of the letter for your records. Failure to return the letter with your receipt(s) may cause your debit card to be deactivated. Please remember, you can mail or fax your signed letter and receipt(s) to:

Correspondence and Appeals
Capital BlueCross
PO Box 779519
Harrisburg, PA 17177-9519
Fax: (717) 541-6915

Q: Why does the IRS have these rules? Isn’t it my money?

A: Yes, the money that you put into an FSA is yours to use for qualified medical expenses; however, in order to utilize this money WITHOUT paying taxes; you must follow the rules that the IRS has defined. At the present time, the IRS requires all administrators to verify that money being utilized out of the FSA is being used for qualified medical expenses.

Q: What happens if I am unable to provide an itemized receipt or Explanation of Benefits (EOB) for a purchase in question?

A: If you are unable to provide an itemized receipt upon request, you will be required to remit payment to Capital BlueCross for the purchase amount in question. Failure to remit payment to Capital BlueCross may cause your debit card to be deactivated.