

Benefits Payment Card (BPS) Benefits Card (Flex Card) and Claims Procedures

You may use your BPS Benefits Card (Flex Card) for eligible FSA expenses such as co-pays, deductibles, out-of-pocket expenses, and other expenses that are not eligible under your medical, dental or vision plan but are eligible FSA expenses.

1. What is the BPS Benefits Card?

The BPS Benefits Card (Flex Card) is a MasterCard offered to enhance your Flexible Spending Account by providing instant access to your FSA account. The card is designed for use only at qualified providers or merchants that accept MasterCard and offer eligible goods or services for reimbursement under your Flexible Spending Account. Rather than paying out-of-pocket money for qualified expenses and waiting for reimbursement, your Flex Card transfers funds for qualified expenses directly from your available funds in your Flexible Spending Account to the provider. As a Flexible Spending Account participant, a Flex Card will be mailed to your home address.



2. How does the Flex Card work?

The Flex Card is a debit card that allows you to pay for your eligible FSA expenses directly at the point-of-service. The Flex Card is treated like a credit card at a merchant or provider terminal because it does not require a P.I.N. number before processing a transaction. There is no additional line of credit associated with the card, and no credit check will be performed.

3. EFFECTIVE JANUARY 1, 2011, OVER-THE-COUNTER MEDICINES

SIGNIFICANT CHANGE

The cost of Over-The-Counter medicines may not be reimbursed through a Health FSA, HRA, HSA, unless the medicine is prescribed by a physician. The new bill does not apply to items that are not medicines, including equipment such as crutches, supplies such as bandages, and diagnostic devices such as blood sugar test kits. Such items may qualify as medical care if they otherwise meet the definition in §213(d). Code §213(d) defines 'medical care' to include amounts paid 'for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body.'

4. EFFECTIVE JANUARY 1, 2011

Retail merchants including Grocery Store, Discount Retail Stores, Pharmacies and Mail Order Pharmacies



Certified Grocery Stores, Discount Retail Stores, Mail Order Pharmacies and Retail Pharmacy Merchants. Revenue Ruling 2006-69 and 2007-2 requires all Grocery Stores, Discount Retail Stores, Mail Order Pharmacies and Retail Pharmacies to be compliant with an Inventory Information Approval System (IIAS) and be certified as compliant. The implementation of the IIAS will allow expenses that qualifies as eligible purchases outlined in Code Section 213(d) to automatically be approved at the point-of-purchase. *Effective January 1 2011, a prescription will be required for Over-The-Counter Medicines.* Recognizing that significant changes will be needed to existing debit card systems as a result of the new restriction, the guidance provides that 'the IRS will not challenge the use of health FSA and HRA debit cards for expenses incurred through January 15, 2011,' so long as the existing IRS debit card rules are met.

Approved items at the Point-of-Sale By the IIAS Certified Merchant:

- Only Eligible Items are authorized at the point-of-sale against your available account balance in your Flexible Spending Account.
- Purchases automatically approved at the point-of-purchase will not require substantiation.

Note: In the event of an IRS audit, the participant should retain copies of all receipts for their records.

Non-Approved items at the Point-of-Sale By the IIAS Certified Merchant:

- Ineligible items will be denied at the point-of-sale. An alternate method of payment will be required for the purchase. Purchase made with an alternative method of payment may be made at a Non-Certified IIAS Retail Merchant and be reimbursed by Key Benefit Administrators - Flexpro by submitting a completed claim form. See Substantiation Requirements.

Note: Cash register receipts or credit card receipts are ineligible unless the receipt includes the information outlined under the Substantiation Requirements.

5. 90% Rule Merchant.

A second option for pharmacies and mail order pharmacies is to register as a 90% Rule Merchant. They must register each year. On a store-location-by-store-location, pharmacies and mail order pharmacies with 90% of the store's gross receipts during the prior taxable year consisting of items that qualify as medical expenses may be registered as a 90% Merchant. The regulations would then permit the use of the healthcare benefits card at these merchants. The participant may still be required to substantiate their purchase for transactions at a registered 90% Rule Merchant.

We hope this enhancement for healthcare benefits card use will provide additional ease for the participant whom these merchants serve. If you have additional questions, contact a Flexpro Customer Care Representative at 800-558-5553.

6. Substantiation Requirements

- a. Substantiation Request** – In order to confirm the eligibility of all expenses charged to your Flex Card, you may be asked to provide supporting information about your purchase. *KBA-FlexPro* follows the IRS-defined Flexible Spending Account Flex Card audit guidelines.

Although the Flex Card provides direct access to your FSA dollars, it may not eliminate the need for your KBA-FlexPro Administrator to verify the eligibility of the item(s) purchased as requested by the IRS.

The following substantiation criteria may be required.

Substantiation Requirements

Name of Patient
Date of Service or purchase
Name of Provider or Merchant
Type of Service or Supply
Amount of Service or Supply
Copy of prescription for Over-The-Counter medicines

Note: Cash register receipts or credit card receipts are ineligible unless the receipt includes the information outlines under the Substantiation Requirements

IMPORTANT UPDATE: EFFECTIVE JANUARY 1, 2011 The cost of *Over-The-Counter medicines* may not be reimbursed with through a Health FSA, HRA, HSA, unless the medicine is prescribed by a physician.

- b. Ineligible Expenses** — Should your transaction detail reflect your Flex Card purchase was for ineligible expenses, or if the necessary documentation was not provided to the Plan Administrator in a timely manner, the transaction will be considered 'denied/ineligible' and you must reimburse *KBA-FlexPro* for the amount charged to the Flex Card. Your Flex Card will be temporarily deactivated if reimbursement is not made immediately.

8. Where can I view my Flexible Spending Account history?

Go to www.benefitspaymentsystem.com. After following the instructions to 'Create Account,' you will be able to check on your current account balance, request statements on demand, and review your detailed transaction history.