



# Visa Healthcare Auto-Substantiation

## NOW QUALIFIED MEDICAL ITEMS CAN BE SUBSTANTIATED AT THE POINT-OF-SALE

Visa Healthcare Auto-Substantiation is a unique service that identifies and substantiates Visa Flexible Spending Account (FSA) or Health Reimbursement Arrangement (HRA) card purchases at the point-of-sale.

The Visa Healthcare Auto-Substantiation Service\* can be an integral part of an IRS compliant health claim substantiation process and help merchants satisfy the IRS Inventory Information Approval System (IIAS) requirements.† It provides merchants with a comprehensive list of qualified medical items, easy identification of Visa FSA/HRA cards, partial authorization and split tender capabilities and will support IRS required transaction recordkeeping.

This comprehensive merchant solution makes using Visa FSA/HRA cards easy and more cost-effective for merchants, FSA/HRA plan participants and benefit plan administrators.

**Visa Healthcare Auto-Substantiation Service helps satisfy IRS IIAS requirements and is ready for immediate implementation.**



### How it works

- 1 Cashier scans each item customer wants to purchase
- 2 Customer's Visa card is swiped and recognized as a Visa FSA/HRA card
- 3 Qualified medical items are identified and totaled
- 4 Total qualified medical amount is deducted from the FSA/HRA account
- 5 Partial authorization response is sent to merchant
- 6 Cashier accepts another form of payment to complete the sale of the remaining non-qualified items

### Benefits of Using The Visa Healthcare Auto-Substantiation Service.

#### For Employers and Benefit Plan Administrators

- Minimizes “pay and chase” exposure by electronically substantiating transactions at participating merchants.
- Lowers plan administration costs, including manual claims processing and receipt request letters.
- Helps cut down on employee paperwork and increase convenience.
- Reduces the need to support multiple data sharing arrangements and transaction data storage.
- Provides a flexible solution to support multi-purse card products.

#### For Merchants

- Helps satisfy IRS IIAS requirements and allows Visa FSA/HRA cards to continue to be used at grocery, discount, pharmacy and other retailers.
- Eliminates the need to independently manage BIN tables, support multiple data sharing arrangements and transaction data storage.
- Includes a comprehensive list of qualified medical items from the Employee Benefits Institute of America Inc. (EBIA).
- Reduces insufficient fund declines for all Visa prepaid cards by using the partial authorization capability.
- Creates a “healthcare-friendly” shopping environment that cultivates customer loyalty.

#### For Consumers

- Helps reduce paperwork and manual claims submissions.
- Provides more convenient access to FSA/HRA funds.
- Makes it easier to purchase qualified medical items at a broader range of merchants.

\*Implementation of any claims adjudication system (including the Visa Healthcare Auto-Substantiation Service) requires careful compliance with IRS guidance. Merchants and Benefit Plan Administrators should consult with their own legal counsel concerning the applicable IRS requirements.

† IRS Notice 2006-69 and 2007-02.



## Consistent Consumer and Merchant Experience.

To ensure consistent identification of qualified medical items, Visa's Healthcare Auto-Substantiation Service provides participating merchants with a comprehensive list of more than 6,000 over-the-counter items.

The list, which was developed by the EBIA, the leading provider of publications and seminars on Cafeteria Plan and benefit issues, works across all merchant categories.

## Value For All Stakeholders.

- **Employers and benefit plan administrators** will be able to reduce manual paper claims processing and administration costs from the simplified payment and claims management process.
- **Merchants** will have an easy way to consistently identify qualified FSA/HRA medical items so they can offer greater convenience to their customers and encourage loyalty.
- **Cardholders** will be able to automatically access the funds for their medical expenses and substantiate the claims right at point-of-sale.

### IRS Deadline:<sup>17</sup>

To meet IRS requirements, merchants must either have a health related merchant category code (MCC) or a compliant IIAS system. Under a special transition rule, supermarkets, grocery and discount stores, wholesale clubs and mail order, and web-based prescription drug providers, using an otherwise compliant auto-adjudication system, have until **December 31, 2007** to get a compliant IIAS in place. Pharmacy and drug stores must also have an IIAS in place by **December 31, 2008**.

<sup>17</sup>IRS Notice 2007-2 – After December 31, 2007, health FSA or HRA debit cards may not be used at any store, vendor or merchant that does not have health care related merchant category codes unless the store, vendor or merchant has implemented an inventory information approval system as described in Notice 2006-69.

**Our commitment to enhancing the payment experience.** Visa USA is the nation's leading payment brand and largest payment system, enabling banks to provide their consumers and business customers with a wide variety of payment alternatives tailored to meet their evolving needs. Visa USA is committed to increasing the choice, convenience, acceptance and security of Visa payments for all stakeholders in the payment system - members, cardholders and merchants. Through its 13,382 member financial institutions, more than 510 million Visa-branded cards have been issued to cardholders in the United States. Last year, U.S.-based financial institutions relied on Visa's processing system, VisaNet, to facilitate \$1.6 trillion in transactions with unparalleled reliability.

Worldwide, cardholders in more than 150 countries carry more than 1 billion Visa-branded cards, accounting for more than \$3 trillion in annual transaction volume.

Visa offers a trusted, reliable and convenient way to access and mobilize financial resources - anytime, anywhere, anyway.

## Learn more about Visa Healthcare Auto-Substantiation.

Contact your Visa Account Executive,  
e-mail [prepaidprograms@visa.com](mailto:prepaidprograms@visa.com) or call 1-888-847-2242.

