



## Healthcare Debit Cards – Convenience and Security

**Swipe and go. That was the understanding of plan participants when healthcare debit cards were first introduced. No more claim forms or receipts. But that was not the reality. Also, employers heard horror stories about participants using debit cards at the gas station or to buy fishing boats.**

That was then and this is now. However, doubts still exist for some employers and they are hesitant to allow debit cards for healthcare purchases. Kind of like handing over the car keys to your teenager for the first time. Scary, but necessary if you are going to progress in life. Not to say that debit cards are necessary, but employees are asking for the convenience and security that debit cards provide.

Here are some talking points for the next conversation with your employers about debit cards.

### Convenience

With a debit card employees don't have to "pay twice." Once by payroll deduction to the plan and a second time at the store. Without debit cards they must turn in a claim form and receipts to their plan administrator and wait for payment.

Here's how a couple of Internal Revenue Service (IRS) rules for debit cards lessen the employer's liability of erroneous card swipes and keep employees happy and on the right track. One rule is called the Inventory Information Approval System (IIAS). The other rule is the ability to auto substantiate insurance co-payments and multiple co-payment amounts that come through on one card swipe.

The IIAS substantiates card swipes at the point-of-sale by matching inventory information with a list of eligible medical expenses. The IRS introduced this method in 2006. Within a year, every vendor wanted to be the healthcare debit card's best friend, and programming was done in record time to implement the IIAS. Vendors knew that this was the wave of the future and they needed to catch it right then or be left out.

IIAS technology is already working at over 35,000 locations nationwide. Industry experts predict that within 18 months 90% of flexible spending account (FSA) and other consumer-directed healthcare (CDH) account transactions will be paid with flex benefits cards, making these accounts significantly easier to use and more attractive to employers and their employees.

Because flex benefits cards are now smart enough to approve only qualified items, plan participants will not be asked to submit receipts for purchases made at IIAS certified retailers. Employers can be more comfortable that the debit cards are being used for qualified expenses at qualified locations.

Auto substantiation of co-payments and multiple co-payment amounts add the extra layer of convenience that completes the picture. The "Debit Card Transactions" chart below categorizes where healthcare debit cards are typically used.

Percent of Card Swipes	Type of Expenses
57%	Pharmacy and Over-the-Counter
32%	Doctors' Offices
5%	Dental
7%	Vision
2%	Commuter

Almost 90% of all debit card swipes take place for prescriptions, over-the-counter medications or at doctors' offices. That's why convenience and satisfaction is so high.

### Security

Most participants in FSA plans do not want to purchase items that are not allowed. They know it will eventually catch up with them and they will have to pay back the plan. But sometimes they don't really know whether their purchase is considered "medically necessary" and accepted by the plan. That's where the security of the debit card comes into play.

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The IIAS and co-payment components of auto substantiation are completed at the point of sale or immediately afterward. By leaving the substantiation of claims to automated systems, the process is quick, accurate, and reliable.

The Special Interest Group for IIAS Standards (SIGIS) controls the list of items that may be auto substantiated at the point of sale. They have methods and certifications by vendors in place to accept card swipes only for eligible expenses.

A card swipe also includes a check of the employee's account balance. The card swipe will not be completed if the account balance is insufficient. Safeguards are also in place to ensure that the purchase was made while the employee was covered by the plan.

### **Consumer-Directed Health Plans**

Consumer-directed healthcare plan (CDHP) accounts include FSA, Health Reimbursement Arrangement (HRA), and Health Savings Account (HSA) plans.

According to a study by BearingPoint (a global management and technology consulting company), there were 12 million employer-sponsored CDHP accounts in 2006. Currently FSAs make up about 75% of all accounts. With the growing popularity of CDHP accounts, BearingPoint estimates that the number of accounts will grow to 42 million by 2012.

Clearly, the marketplace is adopting CDHP accounts at a very rapid rate. And, there is no longer any reason for employers not to offer the convenience and security of debit cards for healthcare accounts.

### **More Savings for Employers and Employees**

The last word. When employees participate in flex plans, employers save money – lots of money. And when debit cards are included in flex benefit programs, more employees participate in the plan and put away more salary redirection. This results in more tax savings for employers and their employees. ○

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