

UNDERSTANDING SUBSTANTIATION

What is substantiation?

Substantiation is the process of submitting and verifying submitted documentation to prove a participant's purchase was eligible under their employer's plan rules. Substantiation requests typically occur when someone uses their debit card to pay for a service and the transaction could not be auto-approved through other methods. Appropriate substantiation can include an Explanation of Benefits (EOB) or a receipt that includes the date of service, type of service, provider name and dollar amount (for certain plans, recipient name is also required).

How are participants notified to substantiate debit card transactions?

If documentation is required for a debit card transaction, participants will receive email notifications to log into their online accounts to view the receipt reminders (if there is no email address on file, receipt reminders will be mailed).

What happens when someone doesn't substantiate their purchases?

If participants don't properly substantiate their debit card transactions, the claim is denied, repayment is requested and the convenience of the debit card is temporarily suspended (participants are still able to file claims for reimbursement during this timeframe).

How does substantiation impact employers?

Because the employer "sponsors" their employee's plan, they are ultimately responsible for making sure that members are using their plan correctly. When the plan year is over, employers are directed to report any denied funds as taxable income on W-2's for terminated employees and recover the funds from the current employee's pay. Because this can be somewhat of an administrative burden for an employer, the goal is to have any denied transactions repaid or resolved by the plan year closing.

How can employers identify which participants have pending repayments?

Mercer Marketplace provides multiple reports for employers to monitor the status of denied transactions.

- **Account Balance Detail Report:** This report includes a column for "Pending Repayments" on both the Summary and Detail tabs. The Detail tab includes the specific participants that have the denied transactions.
- **Pending Repayment Report:** This report shows claims that have been denied. Please contact your Account Executive.
- **Unsubstantiated Debit Card Claim Report:** This report shows claims that still have outstanding substantiation requests. Please contact your Account Executive to obtain this report.

Employers should regularly review the Account Balance Detail Report and consider taking action if the amount of pending repayments is higher than they feel comfortable with. This amount looks different for each employer depending on their group size and circumstances.

What should employers do about participants with pending repayments?

Employers may choose (based on preference and corporate policy) to reach out to participants with pending repayments throughout the plan year in an effort to lessen or eliminate the number of taxable items that will need to be reported on W-2 forms at plan closing.