

Important Information About FSA DEBIT CARD BENEFITS



FREQUENTLY ASKED QUESTIONS

General Questions on the Benny[®] Debit Card

1. What is the Benny Debit Card?

The Benny Debit Card is a special-purpose MasterCard[®] Card that gives participants an easy, automatic way to pay for eligible health care/benefit expenses. The Card lets participants electronically access the pre-tax amounts set aside in their respective employee benefits accounts such as Flexible Spending Accounts (FSAs).

2. How does the Debit Card work?

It works like a MasterCard[®] Card, with the value of the participant's account(s) contribution stored on it. When participants have eligible expenses at a business that accepts MasterCard Debit cards, they simply use their Card. The amount of the eligible purchases will be deducted – automatically – from their account and the pre-tax dollars will be electronically transferred to the provider/merchant for immediate payment.

3. How does the Debit Card change how the participant is reimbursed for expenses?

Before the Debit Card became available, participants had to pay for their eligible expenses at the time of purchase, submit claim forms along with all receipts, and then wait for the reimbursement to be processed. Checks were issued and mailed to the participants, who then cashed the checks. In essence, participants “paid twice” – through payroll deduction and then at the point of sale – then they had to wait for reimbursement.

However, with the Debit Card, participants simply swipe their Cards and the funds are automatically deducted from their respective benefit account(s) for payment. The Card eliminates most out-of-pocket cash outlays and paperwork, as well as the need to wait for reimbursement checks.

4. Is the Debit Card just like other MasterCard[®] Cards?

No. The Debit Card is a special-purpose MasterCard Card that can be used only for eligible health care/benefits expenses. It cannot be used, for instance, at gas stations or restaurants. There are no monthly bills and no interest.

5. How many Debit Cards will the participant receive?

The participant will receive two Cards (unless the participant has only a Qualified Transportation Account, in which case one Card will be issued). If participants would like additional Cards for other family members, they should contact Kapnick Insurance.

6. Will participants receive a new Debit Card each year?

No, participants will not receive a new Card each year. If the participant will again have a benefit associated with the Card for the following plan year – and he/she used the Card in the current benefit year – the participant will simply keep using the same Card the following year. The Card will be loaded with the new annual election amount at the start of each plan year or incrementally with each pay period, based on the type of account(s) the participant has.

7. What if the Debit Card is lost or stolen?

Participants should call their Plan Administrator to report a Card lost or stolen as soon as they realize it is missing, so Kapnick Insurance can turn off their current Card(s) and issue replacement Card(s). There may be a fee for replacement cards.

Getting Started and Activating Your Card

1. How do participants activate the Card?

Participants should call the toll-free number on the activation sticker on the front of the Card or visit the Kapnick web site both identified on the back of the Card.

Participants can use both Cards once the first Card is activated – they do not need to activate both. They should wait one business day after activation to use their Cards. Each Card user should sign the Card with his or her own name.

2. What dollar amount is on the Debit Card when it is activated?

For Health Care FSAs, the dollar value on the Card will be the annual amount that participants elected to contribute to their respective employee benefit account(s) during their annual benefits enrollment. It's from that total dollar amount that eligible expenses will be deducted as participants use their Cards or submit manual claims.

Some other types of accounts, like Dependent Care FSAs, are funded incrementally at each pay period, so it is especially important to be aware of account balances in order to avoid Card declines at the point of service.

Using the Card

1. Where may participants use the Debit Card?

IRS regulations allow participants to use their Debit Cards in participating pharmacies, mail-order pharmacies, discount stores, department stores, and supermarkets that can identify FSA eligible items at checkout and accept MasterCard® cards. Eligible expenses are deducted from the account balance at the point of sale. Transactions are fully substantiated, and in most cases, no paper follow-up is needed. Participants can find out which merchants are participating by visiting the web site on the back of the Card or consulting Kapnick Insurance.

This plan design allows participants to use their Cards in pharmacies that have certified that 90% of the merchandise they sell is FSA eligible. However, since these pharmacies cannot identify the eligible items at the point of sale, another form of auto substantiation or paper follow-up will be required.

Participants may also use the Card to pay a hospital, doctor, dentist, or vision provider that accepts MasterCard®. In this case, EB uses its auto-substantiation technology to electronically verify the transaction's eligibility according to IRS rules. If the transaction cannot be auto substantiated, paper follow-up will be required.

2. Are there places the Debit Card won't be accepted?

Yes. The Card will not be accepted at locations that do not offer the eligible goods and services, such as hardware stores, restaurants, bookstores, gas stations and home improvement stores.

Cards will not be accepted at pharmacies, mail-order pharmacies, discount stores, department stores, and supermarkets that **cannot** identify FSA eligible items at checkout. The Card transaction may be declined. Participants can find out which merchants are participating by visiting the web site on the back of the Card or consulting their Plan Administrator.

3. If asked, should participants select "DEBIT" or "Credit"?

Your Debit Card is actually a prepaid card. But, since there is no "prepaid" selection available, participants should select "Credit." Participants do not need PIN and cannot get cash with the Debit Card.

4. How does the Card work in participating pharmacies, discount stores, department stores, and supermarkets?

- a. Bring prescriptions, vision products, eligible OTCs and other purchases to the register at checkout to let the clerk ring them up. (Please note: The list of eligible OTC items changed per the Patient Protection and Affordable Care Act of 2010. Contact your Plan Administrator for more information.)
- b. Present the Card and swipe it for payment.
- c. If the Card swipe transaction is approved (e.g., there are sufficient funds in the account and at least some of the products are FSA eligible), the amount of the FSA eligible purchases is deducted from the account balance and no receipt follow up is required. The clerk will then ask for another form of payment for the non-FSA eligible items.
- d. If the Card swipe transaction is declined, the clerk will ask for another form of payment for the total amount of the purchase.
- e. The receipt will identify the FSA eligible items and may also show a subtotal of the FSA eligible purchases.
- f. In most cases, the participant will not receive requests for receipts for FSA eligible purchases made in participating pharmacies, discount stores, department stores, or supermarkets.

5. Why do participants need to save all of their itemized receipts?

Participants and their other eligible users should always save itemized receipts for FSA purchases made with the Debit Card. They may be asked to submit receipts to verify that their expenses comply with IRS guidelines. Each receipt must show: the merchant or provider name, the service received or the item purchased the date and the amount of the purchase. The IRS requires that every card transaction must be substantiated. This can occur through automated processing as outlined by the IRS (e.g. copay matching, etc.). If the automated processing is unable to substantiate a transaction, the IRS requires that itemized receipts must be submitted in order to validate expense eligibility.

6. How long do participants need to save their itemized receipts?

Participants should save itemized receipts for FSA until the end of the benefit year and/or grace period (if applicable).

7. What if participants lose their receipts or accidentally swipe the Card for something that's not eligible?

Usually the service provider can recreate an account history and provide a replacement receipt. In the event that a receipt cannot be located, recreated, or if the expense is ineligible for reimbursement, the participant can send a check or money order to the Plan Administrator for the amount so it can be credited back to the participant's FSA account.

8. May participants use the Debit Card for prescriptions ordered prior to activating the Card?

No. The Card must be activated prior to the order and/or purchase date of prescriptions. In some cases, participants need to wait 1 business day after activating the Card to purchase prescriptions at their pharmacy. For example, if the Card is activated on Tuesday, a prescription can be ordered and picked up on Wednesday.

9. May participants use the Debit Card if they receive a statement with a Patient Due Balance for a medical service?

Yes. As long as they have money in their account for the balance due, the services were incurred during the current plan year, and the provider accepts MasterCard® Debit cards, participants can simply write the Card number on their statement and send it back to the provider.

10. Sometimes the participant is asked for the CVV when paying the balance due or when placing an order by phone or online. What is this and where is it found?

CVV stands for "Card Verification Value." It is a 3-digit number that can be found on the back of the card to the right of the signature panel.

11. How do participants know how much is in their account?

They can visit their personal Account Summary page at www.kapnick.com and view their account activity and current balance. Or, they can call Kapnick Insurance at the phone number on the back of the Card to obtain their current balance. Participants should always know their account balance before making a purchase with the Card.

12. What if participants have an expense that is more than the amount left in their account?

By checking their account balance often participants will have a good idea of how much is available. When incurring an expense that is greater than the amount remaining in their account, participants may be able to split the cost at the register. (Check with the merchant.) For example, participants may tell the clerk to use the Debit Card for the exact amount left in the account, and then pay the remaining balance separately. Alternatively, participants may pay by another means and submit the eligible transaction manually via a claim form with the appropriate documentation to their Plan Administrator.

13. What are some reasons that the Debit Card might not work at point of sale?

The most common reasons why a Card may be declined at the point of sale are:

- a. The Card has not been activated.
- b. The Card has been used before the 24-hour period after activation is over.
- c. The participant has insufficient funds in his or her employee benefit account to cover the expense.
- d. Non-eligible expenses have been included at the point-of-sale. (Retry the transaction with the eligible expense only.)
- e. The merchant is encountering problems (e.g. coding or swipe box issues).
- f. The pharmacy, discount store, department store, or supermarket cannot identify FSA eligible items at checkout according to IRS rules.

14. Is the participant responsible for charges on lost or stolen Debit Cards?

If the Plan Administrator and the issuing bank are notified within 2 business days, the participant will not be responsible for any charges. If the notification is after 2 days, the participant may be responsible for the first \$50 or more. Replacement Cards may be purchased.

15. Whom do participants call if they have questions about the Debit Card?

Call Kapnick Insurance at the phone number shown on the back of the Card.

16. Can a participant use the Debit Card to access last year's money left in the account this year?

The IRS allows for a grace period in the current year to use up funds carried over from the prior year. Check with your employer or Kapnick Insurance to find out how the grace period is handled for your specific program.

17. How will a participant know to submit receipts to verify a charge?

The participant will receive a letter or notification from Kapnick Insurance if there is a need to submit a receipt. All receipts should be saved per the IRS regulations.

18. What if a participant fails to submit receipts to verify a charge?

If receipts are not submitted as requested to verify a charge made with Debit Card, then the Card may be suspended until receipts are received. The participant may be required to repay the amount charged. The Plan Administrator will advise the participant that the Card has been suspended, if a receipt is not received. Submitting a receipt or repaying the amount in question will allow the Card to become active again.