



Dear Valued Client:

As promised in our last communication to you, we are continuing to monitor the developments of COVID-19. We are taking action to ensure that the plans your employees rely on will run with elevated efficiency and convenience during this challenging time.

During this COVID-19 outbreak, we know your employees might need to use their Clarity Benefits Card for COVID-19 related expenses, as well as for the ordinary medical expenses for which they typically use their health FSA and HRA benefits. Although many expenses that plan participants purchase with the Clarity Benefits Card are auto-substantiated, some are not. To ensure your employees can continue to use their Clarity Benefits Card throughout this crisis, we have decided to **temporarily suspend debit card receipt substantiation and debit card deactivation**.

How Will This Work

This means we are freezing our practice of requesting the documentation needed to substantiate debit card transactions and ceasing the deactivation of debit cards when participants fail to submit such documentation for most card purchases.

We are aware that IRS regulations require the deactivation of debit cards when participants fail to comply with the after-the-fact substantiation requirements. Nevertheless, we believe that this *temporary* approach will not put you or your plans at risk. IRS regulations do not specify a specific deadline by which after-the-fact substantiation must occur prior to deactivation of the card. Clarity has consistently imposed conservative approach. A longer period complies with the requirement.

Once the outbreak has passed, we will reinstitute normal procedures and we may request documentation to substantiate any debit card transactions that were not automatically substantiated.

Finally, the IRS routinely provides relief from various deadlines in times of disaster or crisis. Although the IRS has not yet addressed the impact of COVID-19 on health FSA and HRA administration, we believe this temporary adjustment to our procedures is consistent with past IRS relief.

Why Are We Doing This

The health and safety of your employees and their dependents is our first priority. Our overriding goal throughout this crisis is to ensure that your employees are able to continually use their Clarity Benefits Card for their healthcare expenses. Second, we want to reduce stress for your employees; a significant portion of the calls we receive relate to deactivated debit cards and substantiation of debit card transactions. In most cases, a card is reactivated after a participant contacts our call center because the participant has saved their documentation but, failed to provide it to us. Reducing these issues will ensure we are able to continue to service all our customers at the level they have come to expect from us.

Communicating this Temporary Change

While we encourage you inform your employees about this temporary change, we will also be communicating directly with all our participants. The communication will clearly communicate that:

1. participants are required to obtain and maintain sufficient documentation (e.g., EOB's, invoices and receipts) establishing the fact that each expense paid with the debit card qualifies as an eligible medical expense,
2. participants may be required to submit such documentation at a later date, and
3. if they fail to submit such documentation if requested at the later date, in accordance with IRS guidelines, their debit cards may be deactivated and they may be required to repay any ineligible expense the improper debit card payment.

Why We Substantiate Claims

The majority of the health FSA and HRA benefits administered by Clarity are provided through the Clarity Benefits Card. In accordance with IRS requirements, Clarity has procedures for substantiation of debit card transactions. When transactions are not automatically substantiated in accordance with IRS regulations, Clarity is required to conduct after-the-fact substantiation of each and every claim. To do this we contact the participant and request the documentation needed to substantiate that the expense incurred as part of the debit card transaction qualifies as an eligible medical expense. If a participant fails to submit the required documentation to substantiate the debit card transaction within 90 days, Clarity must take the step of deactivating the participant's debit card until the transaction is substantiated or the improper payment is recovered.

Stay Up-to-Date on Clarity's COVID-19 Response

We have set up a [site dedicated to providing you the latest information](#) on how we are responding to this very dynamic situation. Please check here often for any updates.

The disruptions being caused by COVID-19 are unprecedented. Employers need to act rapidly and responsibly to protect their workforce and to do their part to minimize the spread of the virus. We believe the adjustments we are making to our claims administration procedures are both necessary and consistent with our contractual obligations to you/your employees. If you have any questions or concerns about the information in this letter, please contact your Client Relationship Manger.

Thank you for being a valued Clarity customer. As promised, we will continue to assess our plans, and share relevant updates, as warranted.

Sincerely,
Bill Catuzzi
Founder and CEO



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