



ANNOUNCEMENT

BIG Changes for FSA Debit Card in January 2008

Beginning in January 2008, The IRS will require that merchants identify eligible medical expenses through the use of an "Inventory Information Approval System (IIAS)". If a merchant does not comply with this IRS requirement, they can no longer accept Flexible Spending Account Debit Cards. Below is a list of FAQs and a list of merchants that are planning to have IIAS in place soon! If you have any questions regarding this system, please contact your dedicated FSA Administrator 1-877-895-0956.

What is the IIAS Standards Interest Group?

A group of companies involved in supporting Flexible Spending Account (FSA) and Health Reimbursement Arrangement (HRA) debit card transactions formed a working group called the "IIAS Standards Interest Group" to establish a voluntary industry standard to meet IRS requirements for operating an IIAS by the mandated deadline of January 1, 2008. The IIAS Standards Interest Group is composed of a broad range of companies, including retailers, card issuers, third party plan administrators ("TPAs"), merchant acquirers, processors, financial institutions, trade association groups, software vendors, and payment card networks.

What is an "Inventory Information Approval System" as specified by the IRS?

The retailer's point of sale system identifies eligible healthcare FSA/HRA purchases by comparing the inventory control information (e.g., UPC or SKU number) for the items being purchased, against a pre-established list of eligible medical expenses. The list is restricted to "eligible medical expenses" as described in Section 213(d) of the Internal Revenue Code (including eligible non-prescription items). The eligible medical expenses are totaled and sent to the payment card issuer's system which approves the payment subject to coverage under the health plan (i.e., type of coverage provided, covered participant, etc).

When will merchants be ready to meet the IRS IIAS requirements?

MasterCard and Visa have published technical requirements in support of the standard published by the IIAS Standards Interest Group. As a result, in October 2007, FSA/HRA card issuers and processors will be able to support the processing of real-time or automatic substantiation of the amount of eligible medical expenses in a cardholder's purchase. It is anticipated that the January 1, 2008 IRS deadline will be met by numerous retailers.

Why will retailers want to implement the IIAS standard published by the IIAS Standards Interest Group?

If a retailer's merchant category code (MCC) is not healthcare related, the IRS requires plan administrators to only approve FSA/HRA card transactions when these merchants support an IIAS. Thus, by implementing the IIAS Standards Interest Group standard, retailers with non healthcare MCCs will be able to continue accepting their customers' FSA or HRA cards after January 1, 2008. Additionally, retailers that begin to identify eligible healthcare items on all sales receipts, regardless of the method of tender, will be more FSA-friendly for all customers.

Why is this good for consumers?

Consumers with FSA and HRA cards will be able to use their card more conveniently than ever before, reducing the number of times that they have to send in sales receipts after using their FSA/HRA card – bad news for the shoeboxes that are being used to store sales receipts!

Will the IIAS group assist retailers in determining which items are Section 213(d) eligible medical expenses?

Yes. The IIAS Standards Interest Group will publish an industry Eligible Healthcare Items/Categories List for participating retailers to use as the basis to identify items in their inventory. The industry list will enable plan participants and plan administrators to rely upon a more consistent identification of eligible medical items.

How will the Eligible Healthcare Items List be developed?

The IIAS Standards Interest Group will contract with a company experienced in list management and development, and will rely on a committee of plan administrators, retailers and other IIAS Standards Interest Group members to review the list.

Who is eligible to participate in the IIAS Standards Interest Group?

The group is open to all companies or organizations involved in offering, processing or accepting healthcare payment cards for FSAs and HRAs. Thus, membership is open to retailers, card issuers, third party plan administrators, merchant acquirers, processors, financial institutions, trade association groups (such as FMI and NACDS), and payment card associations (Discover, MasterCard and Visa).

What types of merchants are expected to support an IIAS?

The IRS requires merchants that sell qualified medical expense goods and services (but that do not have a health care MCC) to have an IIAS in place by January 1, 2008 for purposes of accessing FSA/HRA funds. This includes any merchant with an MCC of:

Grocery/Supermarkets: 5411

Discount Stores: 5310

Warehouse Clubs: 5300

Convenience Stores: 5499

Online Pharmacies: 5960, 5964 5965, 5969

IIAS required by January 1, 2009:

Drug Stores/Pharmacies 5912

How does a retailer know which transactions need IIAS support?

All FSA or HRA payment card transactions at non-health care MCC retailers will require IIAS support under the IRS requirements. Retailers participating and deploying the standard published by the IIAS Standards Interest Group can use a Health Care BIN file provided by their acquirer to identify the transactions that require IIAS processing.

Will my company need to become part of the IIAS Standards Interest Group and will there be any fees?

To benefit from real-time, auto-substantiation transactions using the standard published by the IIAS Standards Interest Group, companies that accept and process transactions for FSA/HRA cards will want to consider becoming members of the IIAS Standards Interest Group. Information on membership will be available by October. The membership fees have not been finalized yet, but there will be several levels of participation and related fees to ensure low cost access to license the standard.

Participating Merchants for Early 2008

Section 1 – Retailers Planning IAS Support by January 1, 2008

Retailer Date

ACME - SuperValu 12/1/2007
Albertson's – SuperValu 12/1/2007
A&P Supermarkets 1/1/2008
Bigg's – SuperValu 12/1/2007
Brookshires/Super 1 Foods 1/1/2008
Buehler Food Markets 12/15/2007
Carrs 1/1/2008
Cubs – SuperValu 12/1/2007
CVS Pharmacy 1/1/2008
Dan's 10/1/2007
Dick's 10/1/2007
Dierbergs 1/1/2008
Discount Drug Mart 12/1/2007
Dominick's 1/1/2008
Farm Fresh – SuperValu 12/1/2007
Food Basics 1/1/2008
Genuardi's 1/1/2008
Giant Eagle 12/1/2007
Giant Food 12/31/2007
Giant Food Stores 1/30/2008
Hannaford Food and Drug 1/1/2008
Harris Teeter, Inc 1/1/2008
H-E-B 1/1/2008
Hen House Markets 1/1/2008
Hornbachers – SuperValu 12/1/2007
Hy-Vee Drug Stores 1/1/2008
Hy-Vee Food Stores 1/1/2008
Jewel – SuperValu 12/1/2007
Kerr Drug 1/1/2008
Kroger 10/1/2007
Lin's 10/1/2007

Retailer Date

Longs Drug Stores 1/1/2008
Lucky – SuperValu 12/1/2007
Macey's 10/1/2007
Meijer 11/19/2007
OSCO – SuperValu 12/1/2007
Pak' n Save Foods 1/1/2008
Pathmark Stores 12/15/2007
Pavilions 1/1/2008
Price Chopper Supermarkets 12/31/2007
Randalls 1/1/2008
Rosauers/Super 1 Pharmacies 1/1/2008
Roundy's 1/1/2008
Safeway 1/1/2008
Sam's Club 1/1/2008
Sav-A-Center 1/1/2008
Shaws – SuperValu 12/1/2007
Shop & Save - SuperValu 12/1/2007
ShopKo Stores/ShopKo Express 11/15/2007
Shoppers – SuperValu 12/1/2007
Star Market – SuperValu 12/1/2007
Stop & Shop Pharmacy 12/31/2007
SuperFresh 1/1/2008
Sunflower- SuperValu 12/1/2007
Sweetbay Supermarkets 1/1/2008
Target Corporation 10/1/2007
Tom Thumb 1/1/2008
Tops Markets 1/30/2008
Vons 1/1/2008
Waldbaum's 1/1/2008
Wal-Mart Stores 1/1/2008

Section 2 – Retailers Planning IAS Support by March 31, 2008

Retailer Date

Fagen Pharmacy Q1 2008
Walgreen Co. 2/1/2008

Retailer Date

Wegmans 2/1/2008

Section 3 – Retailers Planning IAS Support by June 30, 2008

Retailer Date

Retailer Date

Section 4 – Retailers Planning IAS Support by September 30, 2008

Retailer Date

Retailer Date

Section 5 – Retailers Planning IAS Support by January 1, 2009

Retailer Date

Drugstore.com 1/1/2009
Medicine Chest Pharmacy 1/1/2009

Retailer Date

Wilkinson Pharmacy 1/1/2009

The information regarding participating merchants may not be complete as numerous merchants are working on implementations to support the IRS requirements. The IAS Standards Interest Group will publish updates from time to time. Additionally, the expected live date shown above was provided by the participating merchant and is subject to change. The IAS Standards Interest Group disclaims all representations and warranties with respect to the accuracy and completeness of the list and will not be liable for any direct, indirect, incidental or consequential damages arising out of the use of or reliance on the list even if the IAS Standards Interest Group had reasonable notice of the possibility of such damages.