

SIGIS: Special Interest Group for IIAS Standards

An Industry Standard for IIAS Compliance

January 2009

What is SIGIS: Special Interest Group for IIAS Standards™?

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 working group has now incorporated as the Special Interest Group for IIAS Standards (SIGIS) to manage the standards on an on-going basis.

SIGIS is composed of a broad range of participants, 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).

What is different about the SIGIS standard than approaches implemented by some retailers?

A retailer may develop its own approach that is compliant with IRS requirements for an IIAS, and then make separate contractual arrangements with individual TPAs or card issuer processors. With the IIAS standard developed by SIGIS, a broad range of participating retailers will be able to implement a solution that is recognized industry-wide, which will enable acceptance of all FSA/HRA payment cards. Likewise, TPAs will implement a common set of procedures that applies to IIAS transactions at participating retailers.

Additional data fields that were not previously provided will be added to the authorization message, allowing administrators greater flexibility in debit card plan design than had been available before, including support for HSA and restricted-HRA plan designs.

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 Special Interest Group for IIAS Standards. As a result, in October 2007, FSA/HRA card issuers and processors were able to support the processing of real-time or automatic substantiation of the amount of eligible medical expenses in a cardholder's purchase. A current list of retailers who have implemented or plan to implement an IIAS using the standard developed by SIGIS is available at www-sig-is.org.

What benefits can TPAs expect with an IIAS capability?

IIAS-compliant transactions enable real-time, auto-substantiation that funds approved for disbursement from an FSA/HRA card are for eligible medical items. IIAS transactions represent the end of "pay and chase," for pharmacy and over-the-counter medical purchases, offering a more cost-effective approach than previously was possible.

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!

Why will retailers want to implement the IIAS standard published by SIGIS?

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 SIGIS 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.

What types of merchants are expected to support an IIAS?

The IRS requires merchants that sell qualified medical goods and services but do not have a health care MCC or qualify under the IRS 90% Rule exemption to have an IIAS in place by January 1, 2008 for purposes of accepting FSA/HRA cards. The following list of MCC's, which is not intended to be all inclusive, is an example of the Merchant Category Codes required to implement an IIAS.

Grocery/Supermarkets:	5411
Discount Stores:	5310
Warehouse Clubs:	5300
Convenience Stores:	5499
Online Pharmacies:	5960, 5964 5965, 5969

Other Non-Healthcare: Various MCCs

IIAS required by July 1, 2009

Drug Stores/Pharmacies	5912
Druggist/Druggist Proprietaries	5122

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 SIGIS can use a Healthcare BIN Range file provided by their acquirer to identify the transactions that require IIAS processing.

Will my company need to become a member of SIGIS and will there be any fees?

To benefit from real-time, auto-substantiation transactions using the standard published by SIGIS, companies that accept and process transactions for FSA/HRA cards will want to consider becoming members of SIGIS. Information on membership benefits and costs are available now at www.sig-is.org. There are four levels of participation and related fees to ensure low cost access to license the standard.

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

Yes. SIGIS publishes an industry Eligible Product List for participating retailers to use as the basis to identify items in their inventory. Access to the Eligible Product List is available upon SIGIS membership approval. The Eligible Product List also enables plan administrators and third-party administrators (TPAs) to rely upon a more consistent identification of eligible medical items.

How will the Eligible Product List be developed?

SIGIS contracts with a company experienced in list management and development, and will rely on a committee of plan administrators, retailers and other SIGIS members to review the Eligible Product List.

What's happening to meet the data retention requirement?

SIGIS has developed data retention requirements and is working through approaches to most cost effectively support both data retrieval requests and responses to enable plan administrators to meet IRS audit requests. More information will be published in 2008. It is noted that the IRS requires that participating merchants must implement data retention capabilities when they commence processing IIAS transactions.

What certification will be required to support the IIAS standard published by SIGIS?

Retailers who elect to implement an IIAS using the standard published by SIGIS must first become members of SIGIS and also be certified by SIGIS prior to sending transactions in SIGIS-standard format. Certification requires completion of a Merchant Self Assessment Questionnaire, a technical processing certification, use of the industry eligible items list, and arrangements to support transaction data retention/retrieval. A retailer's acquirer will review the questionnaire and submit it to SIGIS for approval. A retailer will not be permitted to claim that it supports IIAS transactions using the published standard until it has been certified to the IIAS Standards developed and approved by SIGIS.

Who is eligible to participate in SIGIS?

The group is open to all participants 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, and payment card associations.

Has the IRS approved the SIGIS approach?

Although there is not currently a mechanism for formal IRS approval, SIGIS and its members have met with IRS and Treasury representatives over the course of the last two years to review the planned approach. In the most recent meeting this summer, the approach was vetted and comments were favorable.

How can we get more information?

Plan administrators should contact their card issuer or processor, and merchants should contact their acquirer. The SIGIS website is also available for membership information.

© 2008 by SIGIS: Special Interest Group for IIAS Standards. All rights reserved.

Recipients of this document may copy, distribute, publish, or display this document so long as this copyright notice, license and disclaimer are retained with all copies of the document. No license is granted to modify this document.

THIS DOCUMENT IS PROVIDED "AS IS," AND THE CORPORATION AND ITS MEMBERS AND THEIR AFFILIATES, MAKE NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR TITLE; THAT THE CONTENTS OF THIS DOCUMENT ARE SUITABLE FOR ANY PURPOSE INCLUDING BUT NOT LIMITED TO COMPLIANCE WITH ANY IRS REQUIREMENTS; OR THAT THE IMPLEMENTATION OF SUCH CONTENTS WILL NOT INFRINGE ANY PATENTS, COPYRIGHTS, TRADEMARKS OR OTHER RIGHTS.

IN NO EVENT WILL THE CORPORATION OR ITS MEMBERS OR THEIR AFFILIATES BE LIABLE FOR ANY DIRECT, INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, ARISING OUT OF OR RELATING TO ANY USE OR DISTRIBUTION OF THIS DOCUMENT, WHETHER OR NOT (1) THE CORPORATION, MEMBERS OR THEIR AFFILIATES HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, OR (2) SUCH DAMAGES WERE REASONABLY FORESEEABLE, AND ARISING OUT OF OR RELATING TO ANY USE OR DISTRIBUTION OF THIS DOCUMENT.

THE FOREGOING DISCLAIMER AND LIMITATION ON LIABILITY DO NOT APPLY TO, INVALIDATE, OR LIMIT REPRESENTATIONS AND WARRANTIES MADE BY THE MEMBERS AND THEIR RESPECTIVE AFFILIATES TO THE CORPORATION AND OTHER MEMBERS IN CERTAIN WRITTEN POLICIES OF THE CORPORATION.