

SIGIS: Special Interest Group for IAS StandardsSM

FAQ for Third-Party Administrators (TPAs)

Question 1: What is the Special Interest Group for IAS 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 "IAS Standards Interest Group" to establish a voluntary industry standard to meet IRS requirements for operating an IAS by the mandated deadline of January 1, 2008. The working group has now incorporated as the Special Interest Group for IAS Standards (SIGIS) to manage the standards on an on-going basis. The SIGIS association 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.

Question 2: 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).

Question 3: 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 IAS, and then make separate contractual arrangements with individual TPAs or card issuer processors. With the IAS standard developed by The SIGIS association, 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 IAS transactions at participating retailers. Additional values 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.

Question 4: When will merchants be ready to meet the IRS IAS requirements?

MasterCard and Visa have published technical requirements in support of the standard published by the Special Interest Group for IAS 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 IAS using the standard developed by the SIGIS association is available at www.sig-is.org

Question 5: Who is eligible to participate in the SIGIS association?

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.

Question 6: Where can TPAs find a list of certified merchants?

The SIGIS association maintains a list of member merchants who have submitted their certification materials and self-assessment forms to the SIGIS association. You may view that list on the SIGIS website at www.sig-is.org <<http://www.sig-is.org>>. The list displays those merchants that are currently certified and those that are in the process of obtaining their certification.

Question 7: How often is the merchant list updated?

The merchant list is updated daily as updates are available.

Question 8: Will the IAS group assist retailers in determining which items are Section 213(d) eligible medical expenses?

Yes. The SIGIS association 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.

Question 9: How will the Eligible Product List be developed?

The SIGIS association will contract 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 list.

Question 10: At times, we see that cards may work at some stores of a certified merchant, but not at other store locations. What could cause that?

It is possible that the merchant has a phased implementation of the IAS. If this is the case, their implementation date on the certified merchant list will be displayed as a date range. If the merchant's implementation date is listed as "Live" and you continue to experience problems with card usage, please speak with your transaction processor.

Question 11: If a merchant implements IAS, is it at all their registers?

It is possible that the IAS system has been installed in specific locations within a store, the pharmacy for example and not all registers within the store. If there is any question, please ask the store for more information.

Question 12: What's happening to meet the data retention requirement?

The SIGIS association 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.

Question 13: Has the IRS approved the SIGIS approach?

Although there is not currently a mechanism for formal IRS approval, the SIGIS association 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.

Question 14: The cardholder swiped their card, but the TPA does not see a transaction, why?

You should speak with your card processor for specific details, but it may be that the cardholder was attempting to purchase only items that the merchant did not consider SIGIS qualified items and therefore did not submit the transaction for authorization against the card identified as being for healthcare purchases.

Question 15: What new values will TPAs have to authorize against with the SIGIS standard?

In addition to the total value of the purchase, merchants will now be able to provide the:

- Healthcare Eligible Total - This represents the total dollar value of all healthcare eligible items in the purchase.
- Rx Total - This total represents a sub total of the Healthcare Eligible purchases that are prescriptions.

Question 16: Why do TPAs see some transactions with an Rx amount and some without?

The prescription subtotal is optional for merchants to support when implementing their IAS systems. For a list of merchants that support the Rx subtotal, please go to the merchant list at www.sig-is.org <<http://www.sig-is.org/>>. The "Supporting Prescription Subtotal" column indicates which merchants have chosen to provide the prescription subtotal in their card authorization requests.

Question 17: How can a TPA find out what products are considered eligible?

SIGIS members have access to the detailed Eligible Product List. The list can be found at www.sig-is.org <<http://www.sig-is.org>>. This list includes most nationally-distributed, regular-stock items. Private label/store brand items may not be represented on this list. For information about how the list is determined, as well as how merchants determine eligibility for private label items, please refer to the List Criteria and Private Label Eligibility Criteria documents.

Question 18: How can a TPA request a product be added or removed from the product list?

SIGIS members can use the Missing Product Form available at www.sig-is.org <<http://www.sig-is.org>> to request items be added or deleted. Incomplete information will not be considered. Instructions for the accurate completion and submission of the form can be found on the form itself.

Question 19: As a TPA, I have employers that would like to review the list before they will allow me to turn on IIAS processing for them. Is this acceptable?

The full product list can only be distributed to SIGIS members. Since it is unlikely that your employers will be members of the SIGIS association, an overview of the product list creation process and categories of products and examples of each has been created as a tool to help administrators with their employers. This document is called the Eligibility Criteria document and you can access this overview list at www.sigis.com.

Question 20: How often is the product list updated?

The SIGIS Eligible Product List is updated monthly. Updates are generally available by the 9th business day of each month.

Question 21: Do TPAs need to become certified?

It is anticipated that certification will be available to plan administrators but it is currently not required in order to become a member of the SIGIS association or for administrators to have their cards authorize SIGIS transactions at this time.

Question 22: What are you doing to address merchants that fall into the 90% rule?

The SIGIS association is currently investigating whether or not it will be able to implement a standard for processing of transactions for merchants who fall under the 90% rule. No decision has been made at this time.

Question 23: How can we get more information?

Plan administrators should contact their card issuer or processor, and merchants should contact their acquirer. [Contact us](#) for membership information.

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