

Industry Standards Group Formed to Help Retailers and Plan Administrators Meet IRS Requirements for IAS Transactions

IIAS Standards Interest Group to Enable Broad Implementation of Inventory Information Approval Systems in Time for January 1, 2008 Deadline

SAN RAMON, Calif. — December 17, 2007 — The Special Interest Group for IAS Standards (SIGIS), formerly known as the IAS Standards Interest Group, today announced its formal incorporation and the introduction of a voluntary industry standard solution to meet IRS requirements for operating an inventory information approval system (an “IAS”). The group’s standards will enable a broad range of participants in health benefit payment card transactions to implement consistent systems and processes for transaction processing and data retention. These companies include retailers, acquirer processors, payment card networks, issuer processors, and third party administrators. More than 60 retail chains have announced their intention to implement the SIGIS standard by January 1, 2008.

As of January 1, 2008, the IRS requires ‘non-healthcare’ retailers, such as supermarkets, grocery stores, discount stores, warehouse clubs, and mail-order merchants, that sell medical goods and services to maintain a point-of-sale system that effectively identifies eligible transactions when consumers use flexible spending account (FSA) and health reimbursement arrangement (HRA) debit cards. IAS-compliant transactions enable real-time, auto-substantiation for eligible medical items purchased with an FSA/HRA payment card. Implementation of the voluntary SIGIS standard will lead to a more efficient healthcare expense payment mechanism for consumers who can continue using their FSA/HRA payment cards at participating retailers after the January 1, 2008 deadline.

As of January 1, 2009, the IRS requires most pharmacy retailers to operate an IAS. Some of these merchants also intend to implement the SIGIS standard in 2008, well ahead of the IRS deadline.

How the Solution Works

At the checkout counter, the cashier will scan all the items from the consumer’s shopping basket. When the consumer’s FSA/HRA debit card is swiped for payment, the participating merchant’s point-of-sale system will identify the eligible benefit card and compare the purchased items to a consistent, SIGIS-established list of qualified medical items. The dollar amount of the healthcare items is totaled and placed in a

specially-designated field in the card authorization transaction and is sent to the FSA/HRA card issuer for approval. The cost of the approved healthcare items is identified so that the amount can be deducted from available funds in the consumer's FSA/HRA account.

Participant Benefits

- Retailers will be aided in meeting the new IRS requirements and will gain the ability to consistently identify FSA and HRA cards as well as qualified medical items to create greater convenience – and potential loyalty – among their customers.
- Cardholders can use their FSA/HRA cards at participating retailers, and continue to automatically access funds for qualified medical expenses and substantiate those claims at the point-of-sale which will help create efficient and convenient management of healthcare expenses with the elimination of additional paperwork.
- Employers and benefit plan administrators will quickly recognize reduced plan administration costs from the simplified benefit process, including decreases in paperwork and other staff expenses, while gaining the benefits of increased employee participation in these programs.

“The Special Interest Group for IIAS Standards was formed to create a standard industry solution that could be both scaleable and broadly adoptable, while consistent with IRS requirements,” said Greg Licata, Chairman of the Board of Directors. “SIGIS and its standards are the culmination of over a year of hard work by a broad set of stakeholders. The intense effort and spirit of industry collaboration to put this together under a tight deadline is most gratifying. The result is a solution in which benefit plan sponsors can have a high degree of confidence and one that will dramatically improve consumer experience.”

With a focus on interoperability, the group brings a diverse range of participants together to offer an IIAS solution that is recognized industry-wide. The founding companies of the Special Interest Group for IIAS Standards include:

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Chase Paymentech
Creative Benefits, Inc.
CVS/pharmacy
DataPath, Inc.
Discover Financial Services
Evolution Benefits, Inc.
Fifth Third Processing Solutions
First Data Corporation
Food Marketing Institute
Humana, Inc.
Longs Drug Stores

The Macaluso Group
MasterCard Worldwide
Metavante Corporation
Motivano, Inc.
National Association of Chain Drug Stores
RBS Lynk
Target Corporation
TSYS
Visa Inc.
WageWorks, Inc.
Wal-Mart Stores and Sam's Club

Membership information for companies that accept and process transactions for FSA/HRA cards, as well as further information about the Special Interest Group for IIAS Standards can be found at: www.sig-is.org.

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Media contact:

Alisa Hicks
Global Inventures for SIGIS
www.sig-is.org
775-720-5071
ahicks@inventures.com