



SIGIS: Special Interest Group for IAS Standards An Industry Standard for IAS Compliance and 90% Rule Registration

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What is SIGIS: Special Interest Group for IAS Standards?

SIGIS is a non-profit standards setting organization established in December 2007 for the purpose of developing standards to enable merchants and plan administrators to support Internal Revenue Service (IRS) requirements for transactions conducted with payment cards accessing Flexible Spending Account (FSA), Health Reimbursement Arrangement (HRA), and Healthcare Savings Account (HSA) funds.

The Inventory Information Approval System (IIAS) standard was established in December 2007, and in late 2008, SIGIS introduced the 90% Rule Registration Program.

SIGIS members include retailers, card issuers, third-party plan administrators (“TPAs”), merchant acquirers, processors, financial institutions, trade association groups, software vendors, and payment card networks.

What does the IRS mean by an “inventory information approval system?”

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). The IRS requires an IIAS for card transactions to be accepted at non-healthcare merchants. IIAS transactions are considered fully substantiated.

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.

What is the 90% Rule?

The IRS established the 90% Rule as an exception to the IIAS requirement for drug stores and pharmacies whose gross receipts for the most recently ended tax year are 90% or more from “eligible medical expenses” as described in Section 213(d) of the Internal Revenue Code (including eligible non-prescription items). Employee benefit plans may choose (but are not required to) accept FSA and HRA card transactions from 90% merchants. An important reminder that transactions at those merchants meeting the 90% exception still generally require substantiation by the participant.

What benefits can TPAs expect from IIAS and 90% Rule capabilities?

IIAS-compliant transactions enable real-time, auto-substantiation that funds approved for disbursement from an FSA/HRA card are for eligible medical items. A merchant IIAS offers a more cost-effective approach than previously was possible.

And, 90% Rule participation enables FSA/HRA cardholders to make purchases at a larger base of retailers, providing more convenient access to FSA/HRA funds.

Why is IIAS good for consumers?

Consumers with FSA and HRA cards will be able to use their card more conveniently than before, reducing the number of times that they have to send in sales receipts documenting their specific purchases after using their FSA/HRA card.

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 allow FSA/HRA card transactions only for those merchants who support an IIAS. The SIGIS standard and the SIGIS Eligible Product List are widely accepted by plan sponsors and administrators, enabling retailers with non-healthcare MCCs to accept their customers’ FSA or HRA cards.

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 healthcare MCC or qualify under the IRS 90% Rule exemption to have an IIAS for purchases with FSA/HRA cards to be approved. 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
Drug Stores/Pharmacies*	5912
Druggist/Druggist Proprietaries*	5122
Other Non-Healthcare:	Various MCCs

* May be eligible for 90% Rule registration if stores qualify under IRS requirements

How does a retailer know which transactions need IIAS support?

All FSA or HRA payment card transactions at non-healthcare MCC retailers will require IIAS support under the IRS requirements. Retailers participating and deploying the standard published by SIGIS can use a Healthcare Card 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?

Merchants that wish to participate in the IIAS or 90% Rule programs will need to be a SIGIS Member. Other companies, such as card issuers, processors, plan administrators, and software vendors will also find value in being a SIGIS member to stay abreast of developments related to the IIAS and 90% Rule programs. Information on membership benefits and costs are available at www.sig-is.org.

Does SIGIS assist retailers in determining which items are Section 213(d) eligible medical expenses?

Yes. SIGIS publishes the *SIGIS 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 relies 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 for IIAS merchants. It is the responsibility of each merchant to assure that the required product level detail for SIGIS transactions is stored and available for retrieval for a five year period. It is noted that the IRS requires that participating merchants must implement data retention capabilities when they commence processing IIAS transactions.

What certification is 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 Questionnaire, a technical testing certification by the retailer's acquirer, 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 SIGIS standard until it has been certified to the IIAS Standards developed and approved by SIGIS. Merchants that are clients of a certified Third-Party Service Provider may use a simplified online certification.

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, software vendors, 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 several years to review the approach. To date, comments have been 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 information on membership, IIAS Certification and 90% Rule Registration at www.sig-is.org.

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