



SIGIS: Special Interest Group for IAS Standards



An Industry Standard for IAS and 90% Rule

WHO is SIGIS?

SIGIS (Special Interest Group for IAS Standards) is a non-profit standards organization established for the purpose of developing standards to enable merchants and plan administrators to support Internal Revenue Service (IRS) requirements for transactions performed using payment cards that access FSA/HRA, and HSA accounts.

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 pharmacies/retailers, card issuers, third-party plan administrators ("TPAs"), merchant credit card processors (acquirers), issuer processors, financial institutions, trade association groups, software vendors, and payment card networks.

WHAT is an "IIAS"?

An Inventory Information Approval System is a retailer's point of sale system that identifies eligible healthcare FSA/HRA purchases by comparing the inventory control information (e.g., UPC or SKU number) for the products being purchased, against a pre-established list of eligible medical expenses. The list is restricted to "eligible medical expenses" as defined by the IRS (including eligible non-prescription products). The eligible medical expenses are totaled and sent to the payment card issuer's system which approves or denies the payment based on the 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 the 90% Rule?

The IRS established the 90% Rule as an exception to the IIAS requirement for pharmacies that can certify 90% of the pharmacy's gross receipts during the previous year must consist of products that qualify as expenses for medical care under Section 213(d) of the IRS code. A qualified medical or health care expense includes nonprescription medications such as over-the-counter products in addition to prescription drugs. Employee benefit plans may choose (but are not required to) accept FSA and HRA card transactions from 90% merchants.

IMPORTANT: Transactions at those merchants meeting the 90% exception still generally require substantiation by the participant.

HOW are eligible products determined?

SIGIS publishes the *SIGIS Eligible Product List* for members to use as the basis to identify items in their inventory. The *Eligible Product List* also enables plan administrators and third-party administrators (TPAs) to rely upon a more consistent identification of eligible medical items.

The SIGIS Eligible Product List committee reviews and approves each product based on eligibility guidelines for meeting IRS regulations. The committee is made up of plan administrators, retailers and other SIGIS members who are experts for their respective industries.

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.



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WHAT merchants should support an IAS?

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 IAS for purchases with FSA/HRA cards to be approved. The following list of MCCs, which is not intended to be all inclusive, is an example of the Merchant Category Codes required to implement an IAS.

Grocery/Supermarkets:

5411

Discount Stores:

5310

Warehouse Clubs:

5300

Convenience Stores:

5499

Online Pharmacies:

5960, 5964 5965, 5969

Drug Stores/Pharmacies:*

5912, 5122

Other Non-Healthcare: Various

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

WHAT certification supports the IAS standard?

Retailers who elect to implement an IAS 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 product list, and arrangements to support transaction data retention/retrieval. Merchants that are clients of a certified Third-Party Service Provider may use a simplified online certification.

For more information on the certification standards and process, visit www.sig-is.org.

WHY implement the IAS standard?

If a retailer's merchant category code (MCC) is not health care-related, the IRS requires plan administrators to allow FSA/HRA card transactions only for those merchants who support an IAS or those that qualify for the 90% rule.

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.

All FSA/HRA card transactions at non-healthcare MCC retailers will require IAS support. Retailers deploying the standard can use a Healthcare Card BIN Range file provided by their acquirer to identify the transactions that require IAS processing.

WHAT merchants should register for the 90% Rule?

The 90% rule is ideal for merchants who only process a few card transactions and their associated plan sponsor supports 90%. This is a lower cost option.

The 90% rule is also a viable interim approach while installing an IAS (inventory information approval system).

WHY is IAS good for consumers?

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