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Benefit Strategies, LLC

July 1, 2009

IIAS and the FSA/HRA Debit Card

An IIAS (Inventory Information Approval System) is a point-of-sale technology used by retailers that accept debit cards issued for use with medical flexible spending accounts (FSAs) and health reimbursement accounts (HRAs). An IIAS identifies eligible healthcare FSA/HRA purchases by comparing the 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 (over-the-counter) items).

What are the regulations?

Beginning **July 1, 2009**, IRS regulations specify that FSA/HRA debit cards can only be used at Drug Stores and Pharmacies or stores that have an IIAS in place.

What is the difference between purchasing eligible vs. non-eligible medical expenses at IIAS compliant merchants?

There are really two main differences:

* Eligible expenses purchased at IIAS compliant merchants are auto substantiated and do not require the participant to send in receipts to his/her third party administrator. (**Note:** participants are required to keep copies of the receipts for their tax records).

* Non-eligible expenses purchased at IIAS compliant merchants cannot be purchased on an FSA/HRA debit card. Participants will be asked for an alternate form of payment at the point-of-sale for non-eligible expenses.

What is the timeline for merchants to implement an IIAS?

By July 1st, 2009, ALL retailers that sell qualified medical expense goods and services (but do not have a healthcare MCC) and also accept FSA debit cards, must have an IIAS installed.

Can participants still use their debit cards at merchants who do not yet have an IIAS installed AFTER July 1st, 2009?

If the participant's debit card is FSA only, the card will be declined if the merchant is a non-IIAS compliant, non-healthcare merchant.

Please refer to the following web site for the most updated list of merchants that are compliant by the deadline <http://www.sig-is.org/en/index.asp>. If a participant visits a grocery store, they should routinely pay for their purchases utilizing the pharmacy checkout counter. Many grocery checkout counters are not compliant with this requirement.

**Please see our web site for a current list of participating merchants as of July 1st:
www.benstrat.com**

**Please contact us at
1-888-401-FLEX(3539)
with your questions.**

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