



Legislative Update from PayFlex

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EFFECTIVE JANUARY 1, 2008 --- IRS CHANGES TO AFFECT YOUR PAYFLEX™ DEBIT CARD

What changes are being made that will affect how I use my PayFlex™ Debit Card?

The Internal Revenue Service (IRS) recently issued rules specifying where healthcare debit cards (like the PayFlex™ Debit Card) can be used. As of January 1, 2008, the PayFlex™ Debit Card will only be accepted at:

- Healthcare-related merchants, such as physician and dentist offices, vision care providers and hospitals.
- Non-healthcare related merchants, such as grocery stores, discount stores, wholesale clubs, web-based merchants (ie. drugstore.com) that use an IRS-approved inventory information approval system.
- Drug stores and retail pharmacies through the 2008 calendar year. These merchants have until January 1, 2009 to implement an IRS-approved inventory information approval system.
- For the most recent listing of merchants and their compliance dates, please refer to Attachment A taken from the IIAS Standard Interest Group December 2007 communication.

What is an inventory information approval system?

Under an inventory information approval system, all products at the merchant location have been identified as either eligible healthcare expenses or non-eligible healthcare expenses per IRC §213(d). At the point of sale, each item purchased is checked for the inventory code assigned by the merchant. Provided that your debit card has sufficient balance available, only IRS approved transactions will be charged to your card. If you have non-approved items in the transaction, you will be asked for a second form of payment for these remaining items. You will not be required to send in receipts for these items at approved merchants, nor will you be sent the receipt request letter.

Will my card work at Wal-Mart and Walgreens?

Yes, these two merchants have implemented an IRS-approved inventory information approval system and have identified each item in their store as eligible or not eligible under IRC §213(d). When you swipe your card at one of these stores, it will "approve" the items identified as healthcare related items at the point of sale and you will not receive a request receipt letter. If you include non-eligible items (e.g., groceries) with your purchase, you will be asked to use another form of payment for those items.

Can I use my card at the pharmacy located inside a discount store or grocery store?

You will be able to use your card at a pharmacy located inside a discount or grocery store **only** if the merchant has changed their merchant code at the pharmacy counter to the pharmacy merchant category code. In this case, the card would work at the pharmacy counter, but not at the general checkout lanes.

Which merchants will be restricted?

The card will be restricted for purchases at grocery stores, discount stores, wholesale clubs and web-based merchants unless they have implemented an IRS-approved information inventory approval system.

What if my card is not accepted at the merchant?

If your card is not accepted at a particular merchant for IRS approved items, you can make your purchase with another form of payment and submit the receipts, along with a claim form to PayFlex. To expedite your claim use PayFlex's online Express Claims service.

Will I still need to save my receipts?

Yes, it is a good idea to save these receipts in case of an audit. You may still be required to send in receipts for doctor's visits, vision, dental etc. if the amount charged to your card does not match your co-payment amount.

Attachment A

**Special Interest Group for IIAS Standards
Participating Merchants for 2008**

12/5/07

NOTE: This is a list of merchant intending to implement the SIGIS IIAS standard. It is noted that merchants must be certified by SIGIS prior to originating IIAS transactions in the SIGIS format. SIGIS will develop and maintain a separate list of certified merchants on the SIGIS web site.

Section 1 – Retailers Planning SIGIS IIAS Standards Support by January 1, 2008

Retailer	Date	Retailer	Date
ACME - SuperValu	12/1/2007	Kerr Drug	1/1/2008
Albertson's – SuperValu	12/1/2007	King Soopers	10/1/2007
A&P Supermarkets	1/1/2008	Kroger	10/1/2007
Baker's	10/1/2007	Lin's	10/1/2007
Bigg's – SuperValu	12/1/2007	Lucky – SuperValu	12/1/2007
Big Y Foods	1/1/2008	Macey's	10/1/2007
Brookshires	1/1/2008	Meijer	11/19/2007
Buehler Food Markets	12/15/2007	OSCO – SuperValu	12/1/2007
Carrs	1/1/2008	Pak' n Save Foods	1/1/2008
City Markets	10/1/2007	Pathmark Stores	12/15/2007
Cubs – SuperValu	12/1/2007	Pavilions	1/1/2008
CVS/pharmacy	1/1/2008	Pay Less	10/1/2007
Dan's	10/1/2007	Price Chopper Supermarkets	1/1/2008
Dick's	10/1/2007	Quality Food	10/1/2007
Dierbergs	1/1/2008	Ralphs	10/1/2007
Dillions	10/1/2007	Randalls	1/1/2008
Discount Drug Mart	12/1/2007	Rosauers/Super 1 Pharmacies	1/1/2008
Dominick's	1/1/2008	Roundy's	1/1/2008
Farm Fresh – SuperValu	12/1/2007	Safeway	1/1/2008
Food 4 Less	10/1/2007	Sam's Club	1/1/2008
Food Basics	1/1/2008	Sav-A-Center	1/1/2008
Food Plus	10/1/2007	Scotts Foods	10/1/2007
Foods Co.	10/1/2007	Shaws – SuperValu	12/1/2007
Fred Meyer	10/1/2007	Shop & Save - SuperValu	12/1/2007
Frys Food & Drug	10/1/2007	Smith's	10/1/2007
Genuardi's	1/1/2008	ShopKo Stores/ShopKo Express	11/15/2007
Gerbes	10/1/2007	Shoppers – SuperValu	12/1/2007
Giant Eagle	12/1/2007	Star Market – SuperValu	12/1/2007
Giant Food	12/31/2007	Stop & Shop Supermarket Company	12/31/2007
Hannaford Food and Drug	1/1/2008	Super 1 Foods	1/1/2008
Harmons Grocery	1/1/2008	SuperFresh	1/1/2008
Harris Teeter, Inc	1/1/2008	Sunflower- SuperValu	12/1/2007
H-E-B	1/1/2008	Sweetbay Supermarkets	1/1/2008
Hen House Markets	1/1/2008	Target Stores	10/1/2007
Hilander	10/1/2007	Tom Thumb	1/1/2008
Hornbachers – SuperValu	12/1/2007	Ukrops's Super Markets	1/1/2008
Hy-Vee Drug Stores	1/1/2008	Vons	1/1/2008
Hy-Vee Food Stores	1/1/2008	Waldbaum's	1/1/2008
Jay C Foods	10/1/2007	Wal-Mart Stores	1/1/2008
Jewel – SuperValu	12/1/2007		

Section 2 – Retailers Planning SIGIS IIAS Standards Support during 2008

Retailer	Date	Retailer	Date
bloom ¹	6/30/2008	Longs Drug Stores	2/1/2008
Bottom Dollar Food ¹	6/30/2008	Reid's ¹	6/30/2008
Duane Reade ¹	3/31/2008	Tops Markets ¹	1/30/2008
Fagen Pharmacy ¹	Q1 2008	United Supermarkets ¹	4/1/2008
Food Lion ¹	6/30/2008	Walgreen Co. ¹	2/1/2008
Giant Food Stores ¹	1/30/2008	Wegmans	2/1/2008
Harveys Supermarkets ¹	6/30/2008	Winn-Dixie Stores ¹	5/15/2008

Section 3 – Retailers Planning SIGIS IIAS Standards Support by January 1, 2009

Retailer	Date	Retailer	Date
Drugstore.com ¹	1/1/2009	Wilkinson Pharmacy ¹	1/1/2009
Medicine Chest Pharmacy ¹	1/1/2009		

¹ Will use the Drug Store/Pharmacy Merchant Category Code at the pharmacy window, or throughout store if the retailer is a drug store, until IIAS support is implemented.

The information regarding participating merchants may not be complete as numerous merchants are working on implementations to support the IRS requirements. The Special Interest Group for IIAS Standards will publish updates from time to time. Additionally, the expected live date shown above was provided by the participating merchant and is subject to change. The Special Interest Group for IIAS Standards disclaims all representations and warranties with respect to the accuracy and completeness of the list and will not be liable for any direct, indirect, incidental or consequential damages arising out of the use of or reliance on the list even if the Special Interest Group for IIAS Standards had reasonable notice of the possibility of such damages.