

There is an IRS ruling that is effective January 1st, 2009 that will affect your pharmacy

What are FSA and HSA Cards?

FSA accounts are a benefit provided by many employers for their employees that allows them to set aside pre-taxed dollars into an account to be used to pay for medical expenses. In order to make the use of the funds convenient, many plans provide VISA and Master Cards that can be used to draw the funds from the account at the point of sale.

About the IRS ruling concerning FSA debit cards and IAS

The IRS is making the pharmacy responsible for preventing customers from using their FSA and HSA cards for non medical purchases.

As of January 1, 2009, the IRS requires most pharmacy retailers to operate an IAS capable Point of Sale system that effectively identifies and prevents ineligible transactions when consumers use flexible spending account (FSA) and health reimbursement arrangement (HRA) debit cards.

Pharmacies are required to install an IAS after December 31, 2008, unless at least 90% of the individual pharmacy's sales are of "FSA-eligible" items, i.e., prescription drugs or over-the-counter (OTC) items. It has yet to be ruled by the IRS how a pharmacy will certify that more than 90% of its sales are FSA eligible.

What is an "Inventory Information Approval System" as specified by the IRS?

An inventory information approval system, or IAS, is a point-of-sale technology used by retailers that accept FSA debit cards, which are issued for use with medical flexible spending accounts (FSAs), health reimbursement accounts (HRAs), and some health savings accounts (HSAs) in the United States.

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).

How do I know what products are FSA eligible?

SIGIS (Special Interest Group for IAS Standards) is a trade organization formed to create a standard industry solution to meet IRS requirements. SIGIS brings a diverse range of participants including credit card companies, retailers, and point of sale vendors together to offer an IAS solution that is recognized industry-wide. Nova Libra is a TIER III SIGIS member and participates in its Technical Working Group to define standards for point of sale solutions.

SIGIS publishes an industry 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.

All pharmacies need to become SIGIS members to have access to the FSA eligible product list or become certified that 90% of their sales are FSA eligible.

Can I use my existing credit card processor?

Credit card companies will be required to block FSA and HSA transactions with merchants who are not certified to meet the IRS regulation. This requires substantial changes to the computer systems used by the credit card companies. Many credit card companies are only now beginning to prepare for the changes, and for many whose sales are not largely derived from impacted merchants may chose to exit the pharmacy market. Nova Libra can help you determine if your payment processor will be able to accept FSA cards after the deadline.

Nova Libra's Solution

Nova Libra's point of sale system has new capabilities that automatically update your product list with indicators for FSA eligibility. Our solution does not require your employees to remember to update anything.

Nova Libra's system also identifies cards automatically to determine if they are FSA or HSA cards. Our solution automatically splits the transaction into eligible and non-eligible portions that make it easy for your employees and customers to process transactions while meeting the regulation.

Nova Libra's cash register receipts have an "F" indicator to make it easy for all customers to easily determine what items are medical expenses.

Nova Libra's system provides a reporting tool that allows its customers to easily deal with auditing tasks.

These features are provided as part of Nova Libra's standard system at no additional cost to its existing and future customers.

Additional Resources

SIGIS

For more information about SIGIS see: <http://www.sig-is.org>

IRS

For more information about the IRS ruling see: http://www.irs.gov/irb/2006-31_IRB/ar10.html

Nova Libra

For more information about Nova Libra see: <http://www.NovaLibra.com>