

### FSA Cards for Pharmacies

If you are a pharmacy, you have probably heard by now that your ability to accept Flexible Spending Cards as payment for certain health-related items will be restricted by the IRS starting January 1st, 2009.

In order to continue accepting these cards the IRS, under certain circumstances, requires that you run an Inventory Information Approval System, or IIAS, on your Point Of Sale. We are pleased to announce that CAM Commerce expects to be fully IIAS-compliant prior to the January 1st, 2009 deadline.

#### What exactly is a Flexible Spending Card?

Many employers are offering tax-deferred Health Savings Accounts (HSA) as part of their benefits package. An employee can elect to have monies set aside "pre-tax." Therefore, the money he would normally spend throughout the year on prescriptions and other health items is available to him without having to pay income tax on it. Since these Flex Cards are issued with a Visa or MasterCard logo and process as credit cards, you may already be taking them without realizing it.

#### Why is the IRS restricting the use of Flex Cards?

Since these purchases are made with pre-tax dollars, the IRS wants to make sure only certain items, considered "Eligible Items", can be purchased through the HSA system. In the case of retail businesses that carry very few Health-related items compared to the rest of their inventory, there was too great a chance that non health-related items could be purchased using a Flex Card. As of 1/1/2008, those businesses were required to implement an IIAS Point Of Sale. For those remaining businesses where a majority of their total inventory is health-related, the cutoff date was extended one year.

#### What kinds of items are considered by the IRS to be "Eligible"?

Eligible items include prescribed medications, analgesics, cough & cold, first aid, etc. Generally these would have some sort of active ingredient to provide relief from a specific ailment. Items not considered eligible would include hair care, cosmetics, tissue paper, etc.

#### What is IIAS and how does it affect me?

IIAS (Inventory Information Approval System) provides the means for a point-of-sale system to recognize items that are eligible, and those that are not.

As you are scanning items, an IIAS system will recognize those eligible items. When the consumer hands you their Flex Card, only the eligible items will be approved. Any remaining balance will have to be paid for by a different tender type, including a regular credit card. As of January 1st, 2009, if your POS cannot send the proper credentials to your CCP, or you have not been granted a 90% exemption, all Flex Cards will be declined. Your customers would be faced with paying you for the goods out of pocket, submitting receipts to the benefits provider, and then wait for reimbursement.

#### Just what is this 90% Exemption Rule? Do I fit into this category?

The IRS has made provisions for pharmacies that can prove that at least 90% of yearly gross sales are for eligible items (Key phrase, eligible items). In these cases an exemption would be granted by the IRS. Unfortunately, as of this writing, the IRS has not adopted any plan on how a pharmacy can substantiate or apply for this exemption.

#### I think my pharmacy may fit into the 90% Exemption rule. Is there any benefit in becoming compliant?

There are several benefits

- If you are already running both CAM32, X-Charge with Global Payments as your processor, you're already IIAS-"ready".
- Until the IRS refines their stance on exemptions, it is unclear what process you will need to follow to keep on an exempt basis. You may find it takes more resources to prove your exemption than it is to become compliant.
- Although you will be able to continue accepting Flex Cards, your customers may still need to provide receipts to substantiate their purchases. If those customers went to a pharmacy that is compliant, their purchases will be substantiated at Point Of Sale, thus relieving the consumer of the burden of submitting proof.
- Online recognition. All compliant merchants will be listed on various websites listing IIAS compliant merchants.

#### How can I get more information?

We will be mailing out membership instructions to all pharmacies in the next few weeks. If you do not receive yours, please contact CAM Support to request the document (ask for the FSA Compliance Letter).