



The Problem

- Since 2003, various real time merchant based "FSA" substantiation solutions are proposed or implemented.
- Solutions differed dramatically, meaning merchants, card processors and TPAs would have to choose between the various solutions.
- No individual solution exists to ensure merchant of acceptance of their chosen solution
- Likely result is that issuer/processors would implement solution with only the largest merchants
- Individual solutions were not scalable and labor intensive.
- Solutions require direct issuer/processor relationships.
- No meaningful adoption of the IIAS was expected by IRS mandated deadline




Industry Response

- An Industry group formed from representatives of the payment card networks, issuer/processors, merchant trade associations to lobby for changes to new rules
 - Transition relief for 1 year granted by IRS after intensive lobbying
 - Efforts of the industry group transitioned from lobbying effort to a search for a standard solution to the IIAS
 - Group significantly expanded to include merchants and merchant acquirers and POS software providers
 - As efforts progress to formalizing the group activities, TPAs and health plans are also included.
- Special Interest Group for IIAS Standard (SIGIS) incorporated in 2007 to formalize work performed by industry group
- SIGIS board represented proportionately by interested parties including payment card networks, issuer/processors, acquirers, third party administrators and merchants




The Goal

- Consolidate solutions to a single standard to guarantee acceptance among member issuer/processors.
- Guarantee acceptance of merchant solution for those TPAs and employers enabling the standard
- Improve speed to market of individual merchant implementation
- Allow for processing of transactions for accounts beyond FSA
- Leverage existing payments infrastructure to extent possible
- Eliminate need for direct processor/merchant contractual relationships



The Standard


- Meeting held in February 2007 to begin work on a standard.
- Meeting included payment card networks, issuer/processors, merchant acquirers, POS vendors, merchant trade reps and merchants
- Many possible solutions discussed. The agreed upon standard chosen by merchants as the most viable solution to implement.
- Introduced concept of the IIAS indicator to identify certified merchants
- Introduced additional transaction totals in effort to broaden acceptance beyond FSA cards
- Introduced the concept of the industry standard list
- Introduced the concept of merchant certification
- Created the need for a central coordinating body (SIGIS)



The Benefits

➤ Benefits of the standard:

1. Broad merchant and administrator IIAS adoption
 - Allows for implementation of merchants of all size
 - Creates single technology solution for the merchant
 - 180 merchant implementations of the standard to date
 - Solution supported by more than 90% of member issuer/processors's TPAs
2. Improved cardholder experience
 - Eliminates the need for receipts at merchants with IIAS
 - More consistent experience from one merchant to another
3. Improved auto substantiation rates of healthcare related transactions
 - Substantiation rates climbing between 10-20%
 - Cost to administer cards are steadily declining
 - Driving increased issuance of healthcare related debit cards
4. Merchant customer retention



The Role of SIGIS

- SIGIS acts as a central hub of information for the members providing insight into such things as:
 - Transaction specifications
 - Updates to IRS and other governmental changes and updates
- Promote education of the membership on IIAS industry and SIGIS activities
- Create member forums and working groups to foster relationships among the various constituencies and promote a better working product
- Create a common set of standards to help improve acceptance of implementations and speed to market
- Certify merchants as to their compliance with the standards
- Investigate reported infractions of the standards
- Maintain the Eligible Product List
