

Debit Card Auto-Adjudication of Co-payment Multiples

The Employer will decide whether or not to permit auto-adjudication of co-payment multiples. Auto-adjudication means that the debit card processing system will adjudicate the expenses without documentation from the participant. Flex Corp will enable the feature, if appropriate. The following explains how this feature works.

The Internal Revenue Service permits for the auto-adjudication of debit card swipes in certain limited scenarios, including a debit card swipe which equals an exact medical office visit or prescription drug co-payment amount, and will also permit for the auto-adjudication of even multiples of those co-payment amounts, up to 5 X the largest amount. Tables can be populated in the debit card processing system for this purpose.

Assuming the prescription drug co-payment amounts are \$5.00, \$10.00, and \$20.00, then up to \$100.00 of prescription drug co-payments can be auto-adjudicated ($5 \times \$20.00$ (the highest co-payment amount) = \$100.00), in even multiples of applicable co-payments. Here are some examples:



Example 1: A participant purchases three \$20.00 prescriptions and four \$10.00 prescriptions, for a total of \$100.00. This swipe can be auto-adjudicated because the total amount of the swipe is not more than five times the highest drug co-payment, and the purchase is even multiples of the applicable co-payment amounts.

Example 2: A participant purchases three \$20.00 prescriptions and a bottle of over-the-counter cough medicine, and a bottle of aspirin, at a non-IIAS certified merchant, for a total of \$66.20, and uses the debit card for the total purchase. While the purchase is under the \$100.00 maximum, the purchase is not an even multiple of the applicable co-payment amounts, and the purchase was not auto-adjudicated at the point of sale, because the participant did not make the purchase at a certified merchant retailer. The total purchase must be properly substantiated, which requires a drug ticket for each of the three prescriptions purchased, and a cash register tape which clearly identifies the additional purchase of cough medicine and aspirin.

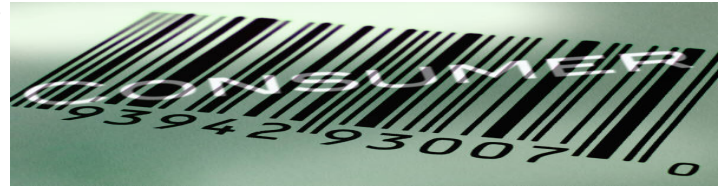
Example 3: A participant purchases four \$20.00 prescriptions and three \$10.00 prescriptions for a total of \$110.00. The purchase is over the \$100.00 maximum and the total \$110.00 purchase must be properly substantiated, as provided in our second example.

This same type of auto-adjudication is permitted for even multiples of office visit co-payments, up to a maximum of 5 X the office visit co-payment amount.

Inventory Information Approval System –

The current Internal Revenue Service guidance pertaining to debit card utilization generally prohibits debit card payment of medical expenses at any non-medical facility, i.e. grocery stores, discount stores, wholesale clubs, and universities.

However, in the interest of consumer convenience, IRS has agreed to the implementation of an Inventory Information Approval System, otherwise referred to as IIAS.



The IIAS is a system which approves and records detailed information regarding each item purchased through the use of SKU (stock keeping units) product codes. These are generally used to approve or deny the purchase of over-the-counter drugs and medicines. A product with an approved code can be purchased with the debit card; products without an approved code will require another form of payment. As an example, cough syrup (identified with its SKU code) can be purchased through an IIAS-certified merchant with the debit card, and will be approved at the point of sale. Toothpaste, however, cannot be purchased with the debit card, as it is not a medical expense; another form of payment would be required by the merchant.

Participants can access a full list of IIAS-certified merchants, which is updated monthly, through our website. Additionally, items purchased at IIAS-certified merchants are approved at the point of sale, and therefore, there is no further substantiation necessary. This saves participants valuable time.

Effective January 1, 2009 (keeping in mind this date may be in the middle of your cafeteria plan year), the medical debit card may no longer be used at any drug store or pharmacy unless and until:

- 1) the drug store or pharmacy participates in the aforementioned IIAS system; or
- 2) the individual store can show that ninety (90) percent of its receipts during the prior taxable year consisted of items which qualify as expenses for medical care.