

Overview

FSAok is an electronic clearinghouse that automates collection, eligibility determination and reporting of CDHP-eligible transactions in participating stores. Using old-fashioned paper claims systems, substantiation had been slow, costly, error-prone and the biggest barrier to greater use of these accounts. Through Finpago's standard services, this substantiation happens automatically – a major breakthrough.

Now, your point-of-sale system can qualify most FSA purchases instantly, bringing the benefits of instant approval and multi-tender payment to every cash register. You can encourage your shoppers to use FSA Debit Cards, and also allow them to use AnyCard to automatically capture eligible purchases.

1. What does FSAok Do?

In order for most retailers to accept FSA Debit Cards for OTC and pharmacy purchases, the IRS has ruled that each line item of the purchase must be confirmed as "eligible" before the money is spent. Recent IRS Rulings 2006-69 and 2003-43 now provide a clear path forward for Mass Merchants and Grocery Stores who conduct many of the nation's pharmacy and OTC transactions, and until now were blocked from accepting FSA Debit Cards.

FSAok Debit Substantiation is a service that solves this problem automatically by:

- Determining which of a shopper's purchases are eligible for their pre-tax spending account, and
- Transmitting an electronic receipt to that shopper's Benefits Administrator.

It works in two modes: an overnight, batch mode, and a real-time in-line mode that allows the retailer to indicate eligible items on a shopper's receipt – and accept two forms

of payment if not all items are found to be eligible. Many Benefits Administrators have determined that overnight claims reporting is sufficient for their reporting needs, and virtually all accept the real-time method.

Real-time FSAok Debit Substantiation lets you extend FSA account convenience to every shopper in your store.

As an FSAok Merchant Alliance member, you will have a special relationship with the millions of American families holding CDH accounts managed by

our participating Benefits Administrators. Participating Benefits Administrators indicate the intention to switch on their Debit Cards for use at the mass merchants and grocers who implement Finpago's technology, and to encourage shoppers to shop at participating Merchants.



2. How does “real-time mode” work?

| FSAok Member Experience | Behind the Scenes |
|---|--|
| <p>Shopper brings a mixed basket of goods to any checkout position.</p> | <ul style="list-style-type: none"> • A customer’s FSA Debit card is swiped in the bank-card terminal. • The in-store controller recognizes the leading 6-digits (the “BIN”) and transmits it along with the SKU numbers of the shopping basket to the RTE. • The RTE identifies all FSA-eligible items, applying the eligibility logic of each participating FSA administrator. • The FSA-eligible SKUs are flagged and transmitted back to the in-store lane terminal for completion of checkout. • The checkout lane terminal creates a subtotal of all eligible items and submits that subtotal as an authorization request to the appropriate bankcard network. |
| <p>No further documentation necessary – there is no Step Two!</p> | <ul style="list-style-type: none"> • Because FSAok electronically transmits a receipt directly to each corresponding Administrator (together with a claim form if necessary), the shopper is “done” and automatically receives the tax-advantaged benefit of her account without doing any paperwork. |

| Non-member Experience | Behind the Scenes |
|---|---|
| <p>Shopper brings a mixed basket of goods to any checkout position.</p> | <ul style="list-style-type: none"> • The FSAok Real-Time Engine (RTE) identifies all FSA-eligible items, using a standard list that is periodically updated. <p>The FSA-eligible SKUs are flagged and transmitted back to the in-store lane terminal, which can show an “F” next to each eligible item</p> |
| <p>A non-member documents their claim conveniently</p> | <ul style="list-style-type: none"> • To comply with plan rules, the Administrator will normally contact the Member for a receipt. Their receipt now conveniently shows which items to claim. |

3. The FSAok AnyCard Service

FSAok is an electronic clearinghouse that automates collection, eligibility determination and reporting of CDHP-eligible transactions in participating stores. Using old-fashioned paper claims systems, substantiation had been slow, costly, error-prone and the biggest barrier to greater use of these accounts. Through Finpago's standard services, this substantiation happens automatically – a major breakthrough.

Now, your point-of-sale system can qualify most FSA purchases instantly, bringing the benefits of instant approval and multi-tender payment to every cash register. You can encourage your shoppers to use FSA Debit Cards, and also allow them to use AnyCard to automatically capture eligible purchases.



Register

Sign up through your employer.



Shop!

Shop at a participating store.



Log on

FSA claims and receipts are processed automatically

The patent-pending technology behind FSAok AnyCard is installed automatically with both the batch and real-time versions of every FSAok service — and could not be simpler to use.

| FSAok Member Experience | Behind the Scenes |
|---|--|
| <p>Before shopping for the first time</p> | <ul style="list-style-type: none"> • Customer visits their employer's Benefits Portal online, or in some cases, comes directly to FSAok.com. • The Member enters credit card numbers for all cards in their family that they want to associate with their FSA, HSA or HRA account. • They also enter Frequent Shopper numbers for participating stores, or can ask for a new Frequent Shopper card online. • FSAok performs a one-way encryption of these card numbers so that we can watch for their transactions at member stores. |
| <p>Shopper brings a mixed basket of goods to any checkout position.</p> | <ul style="list-style-type: none"> • There is no change to any checkout method or shopper experience. |

3. The FSAok AnyCard Service (continued)

| FSAok Member Experience | Behind the Scenes |
|------------------------------------|--|
| Overnight | <ul style="list-style-type: none"> • The Merchant's POS transaction repository sends data through a Finpago utility called DCSEXPRESS, which standardizes and de-personalizes the day's transactions, converting them into formats useful only to Finpago. • The data is filtered for potentially-eligible FSA transactions. • Filtered data is searched for matches with our Members, and identified to a corresponding Benefits Administrator. • Filtered, encrypted data is transmitted to our central archive and onward to each corresponding Benefits Administrator. |
| No further documentation necessary | <ul style="list-style-type: none"> • Because FSAok electronically transmits a receipt directly to their Administrator (together with a claim form if necessary), the shopper is "done" and automatically receives the tax-advantaged benefit of her account without doing any paperwork. • The Administrator reimburses this claim just like any other claim, according to their normal procedure. |

4. How to get started

Finpago's service is currently operational with its first Merchant Alliance Partners, and is transmitting live transaction data to its Benefits Administrators. The roll-out schedule is:

- FSA Debit Substantiation and Claims Reporting, Batch Mode: available now, and now live.
- FSA Debit Substantiation and Claims Reporting, Real-Time Mode: available as soon as your POS system can be integrated with the customized transaction flow requirements necessary.
- FSA AnyCard: installation commencing now with test data, with first live AnyCard data transmission scheduled for January 1, 2007.

We hope you agree with one leading administrator, who said "FSAok makes FSA and HSA accounts the benefit they were intended to be." Even better, we hope you will echo our favorite merchants and TPAs who say "why wouldn't we do this". Call us, and let's get started.

Updated October, 2006. For more information, write info@finpago.com or call 610-572-2468.