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**October 31, 2008 Issue # 21**

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### **Editor's Note**

In an effort to keep you informed of regulation issues and new developments, we will be sending quarterly issues of our newsletter, Benefits Briefing. If there are HR contacts at your company who would benefit from this, please give us their names and email addresses, and we will add them to the distribution list.

### **New and Improved Web Site**

Our web site got a face lift! We hope you and your employees will enjoy our new features and new navigation. Please direct your employees to our FSA Expenses/Tools/Links for enrollment planning and as an ongoing resource. Highlights on our electronic filing of claims, direct deposit of claims payments, and COBRA premium AutoPay option are easy to find and easy to follow.

Be sure to check the web site periodically for changes yet to come! We continue to look for ways to better serve you!

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### **Pharmacy & Drugstore Compliance with IIAS**

FSA Debit Card providers refer to this inventory control system as an Inventory Information Approval System, or IIAS. Under this final phase of IRS Notice 2007-2, most drugstores and pharmacies are required to implement IIAS effective January 1, 2009 to be able to approve the use of the FSA debit card.

Starting January 1, 2009, the FSA debit card will no longer function at merchants identified as a pharmacy or drugstore unless they have adopted the IIAS. Many of the larger retail pharmacies chose to adopt early and most of the rest will be on-line as of the 1/01/2009 deadline. Ultimately, this means that nearly all prescription drug and OTC purchases, which are the majority of FSA transactions made with an FSA debit card, will be auto-substantiated at the point-of-sale. However, there are some pharmacies and drugstores that have previously been able to accept the FSA debit card that will not be able to effective 1/01/2009. Link to the current IIAS merchants at <http://www.tri-starsystems.com/site/participant/stored-value-card.aspx> and select the IIAS control system link.

For more information on IRS Notice 2007-2, please visit [http://www.irs.gov/irb/2007-02\\_IRB/ar09.html](http://www.irs.gov/irb/2007-02_IRB/ar09.html).

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## COBRA Payments Made Easy

Our COBRA services now include an option to accept **online credit card payments** for insurance premiums through PayPal. See our “Sign Up For Premium AutoPay” link at [www.tri-starsystems.com](http://www.tri-starsystems.com) for how to make a PayPal payment (payment by credit card) and for information on AutoPay (payment by ACH).

Payments by credit card are managed through PayPal. The participant links to PayPal through their account Login. PayPal collects a surcharge for their services, along with the premium payment, and transfers the premium payment to Tri-Star’s PayPal account. The participant is given credit for the payment and the carrier and employer are notified of the extension of coverage. It is fast, secure and convenient! Since PayPal manages this processing, Tri-Star does not collect or store any participant credit card information. Employees wanting to pay via credit card on a recurring basis need to Login and pay each month. Payment by credit card is just another option to writing a check and mailing it each month.

Don’t forget our already convenient payment option of an electronic withdraw from the participant’s bank account. After the participant makes their first COBRA payment, they can set up an automatic recurring monthly withdrawal to pay for coverage. The

participant doesn't have to worry about paying while away on vacation, possible mail delays or simply remembering to pay each month! The participant goes to their account Login at [www.tri-starssytems.com](http://www.tri-starssytems.com) and enters their banking information with us to authorize the monthly, recurring payment/withdrawal.

These are two convenient ways to pay COBRA premiums and to avoid coverage lapses offered by Tri-Star!

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## Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART)

On June 17, 2008 Congress put a hole in the "use it or lose it" rule for health FSAs for employees called to active duty. The IRS provided additional guidance through IRS Notice 2008-82. This welcomed relief from the forfeiture rule allows for "qualified reservist distributions" (QRD) if an individual is called to active duty for a period of 180 days or more or for an indefinite period. This optional feature allows for a cash-out of the Health Care FSA, included in taxable income and reported on the employee's Form W-2 for the year in which the QRD is paid. If you are interested in adopting this provision, please contact your attorney or consultant to provide the appropriate plan document amendment.

Here are a few highlights of this provision.

- The reservist must request the QRD during the period beginning with the date of the order or call to active duty and ending on the last day of the plan year (or any applicable grace period) during which the order or call occurred.
- Employers are required to pay the QRD within a reasonable time not to exceed 60 days after the employee requests a QRD.
- QRDs must be uniformly available to all plan participants.
- A QRD may not be made before the cafeteria plan is prospectively amended to provide for QRDs. A special transition rule allows a plan to be retroactively amended by December 31, 2009 to permit QRDs requested on or before that date, provided certain requirements are met.
- The plan document should specify the amount available as a QRD as either, (1) the entire amount elected for the health FSA for the plan year, minus health FSA reimbursements received as of the date of the QRD request (this approach takes the uniform coverage rule into account); (2) the amount contributed to the health FSA as of the date of the QRD request, minus health FSA reimbursements received as of that date; or (3) some other stated amount (not exceeding the entire amount elected for the health FSA for the plan year minus reimbursements).

For further information on HEART, please go to [http://www.irs.gov/irb/2008-41\\_IRB/ar09.html](http://www.irs.gov/irb/2008-41_IRB/ar09.html) .

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## Monthly Employer Reports

Employer reports previously sent on the 5<sup>th</sup> of the month following the close of business for the month are now generated and delivered on the last day of each month. The activity still reflects the business as of the end of the month. It is just delivered a few days earlier, for your convenience.

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## IRS Publication Links

With tax season upon us we wanted to provide you with some handy links to IRS Publications that may help you and your employees. We hope they are helpful to you.

[IRS Publication 502 \(Health Care\)](#)

[IRS Publication 503 \(Dependent Care\)](#)

[IRS Publication 969 \(HSAs and Other Tax-Favored Health Plans\)](#)

[Other IRS Publications](#)

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## Contact Us

Please feel free to forward this issue to friends and associates. Anyone can subscribe for free: Email [pam.mallory@tri-starsystems.com](mailto:pam.mallory@tri-starsystems.com) and ask for the newsletter. Please include the name and email address of the person you wish to receive the newsletter.

To unsubscribe from this list: Email [pam.mallory@tri-starsystems.com](mailto:pam.mallory@tri-starsystems.com) with the word "unsubscribe" in the subject line or anywhere in the email.

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