Greetings,

We're coming upon the new plan year and with the new plan year comes the new IRS restrictions in regards to using our FlexCards at pharmacies. As you may know, starting next year the IRS will require all merchants that accept a debit card that is for an FSA to be compliant with the Inventory Information Approval System (IIAS). The IIAS makes it possible to approve FlexCard claims at the point-of-sale. This is mandatory for all companies that administer FSA's. This does not just affect FlexSave.

The IIAS has made it very convenient for our customers to go out and use their FlexCards and not have to worry about sending in a receipt for documentation. For those that are already using a pharmacy that is compliant, they will not be affected. For those who do not wish to switch to a compliant pharmacy will need to pay cash for their Rx's and OTC meds and submit them to us for reimbursement. We have an updated list of stores that are compliant and ready to go on our website and a list of stores that are going to be compliant in the future. For those stores that are pending, we do not have a specific date for them to "go live." Please note that this only applies to pharmacies and stores. Dentists, Optometrists, Doctors, and Hospitals will not be impacted; however a pharmacy at a hospital will be impacted by this new rule.

We have been in talks with Pharmacy Benefit Managers (PBM's) such as Aetna Rx home delivery, Medco Health Solutions, CVS/CAREMARK, and Pharmacare so home delivery of mail order Rx's will not be affected.

The major stores that are already compliant are:

CVS Pharmacy
Walgreens
Wal Mart
Costco
Sam's Club
Meijer
Target
Shopko
Kroger
drugstore.com

We anticipate a surge at the end of the year of stores scrambling to become certified with the program. Already we've seen KMART and SEARS pass the certification process. We are now just waiting for them to "go live" with the system. We're not 100% on Rite Aid as of yet. They are pending and I cannot guarantee they will be ready by 01/01/2009.

Everyone who received a statement from us a couple of weeks ago received a letter that explained the new changes that are coming. We will continue to send out letters to all participants so there are no surprises come January 09. There is also an ALERT on our website's homepage and it has been there for a few months that explain the changes.

Should you have any questions about the new ruling, please do not hesitate to contact me. If you have any questions in regards to open enrollment, please let me know. Thank you and have a great weekend!

Sincerely,

Bill Faber
FlexSave
P (888) 231-1363