

Visa USA First to Adopt New Industry Standard to Identify Qualified Over-the-Counter Medical Expenses

Implementation of New List Will Complement Visa's Auto-Substantiation Capability, Streamlining the Benefit Process for Plan Administrators, Merchants and Consumers

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Visa USA today announced that it will be the first organization to adopt a new industry standard list designed to clearly identify items sold over the counter that qualify as an eligible medical expense for health benefit accounts.

The comprehensive list, developed by the Employee Benefits Institute of America Inc. (EBIA), will be available to merchants who have implemented Visa's patent-pending auto-substantiation enhancement, which allows for real-time substantiation of qualified, medical expense purchases made with a Visa employee benefit debit card.

Introduced in late 2005, Visa's auto-substantiation capability makes it easier for Flexible Spending Account (FSA) and Health Reimbursement Arrangement (HRA) cardholders to make qualified medical purchases at a broad range of merchants. These include healthcare providers like pharmacies and doctors' offices as well as supermarkets, discount stores and other merchants where, without a system like this, plan administrators would restrict card usage. The capability also provides plan administrators with a more streamlined claims adjudication process and helps eliminate the need to seek receipts from participating employees after a qualified medical expense is paid.

"Up until this point, there hasn't been a standard list that can be used across merchants to ensure consistent identification of eligible items," said Stacy Pourfallah, Vice President, Prepaid Healthcare Products for Visa USA. "The new list combined with Visa's auto-substantiation capability will provide merchants with a complete solution to validate medical purchases, while simplifying the payment and claims management process for benefit administrators. In the process, Visa cardholders will have greater convenience and flexibility."

"We've set out to create a new industry standard list to fill in where the IRS guidance leaves off," said Tom McCormick, EBIA's Founder and Chairman. "We're pleased Visa is on board and has chosen to incorporate our list into its auto-substantiation capability. The list will help merchants, employers and TPAs identify qualifying over-the-counter items and properly handle the transactions."

More than 3,500 over-the-counter medical items eligible for FSA and HRA reimbursement – ranging from Ace bandages to Zantac – will be included in the initial list, with easy to implement updates expected to be shared with merchants quarterly.

How Auto-Substantiation Works

When a consumer uses a Visa FSA or HRA debit card for payment at a participating merchant's check-out counter, the merchant's electronic cash register will identify the eligible benefit card and compare the purchased items to the list of qualified medical items by its stock keeping unit ("SKU") number.

The cost of the qualified medical items is deducted from available funds in the consumer's FSA/HRA account when the Visa employee benefit card is swiped at the point-of-sale. For the cost of those remaining items not included on the approved item list, another form of payment will be required and a "split tender" transaction will be prompted.

Visa's auto-substantiation enhancement provides additional convenience to all participants involved in the benefit transaction process:

- Employers and benefit plan administrators will quickly recognize reduced plan administration costs from the simplified transaction process, including decreases in paperwork and other staff expenses, while gaining the benefits of increased employee participation in these programs.
- Cardholders' ability to automatically access funds for medical expenses and substantiate those claims at the point-of-sale will create increased efficiencies and convenience and reduce paperwork.
- Merchants gain the ability to consistently identify qualified medical items and to create greater convenience – and potentially loyalty – among their customers.

Benefit administrators and other companies interested in these enhancements should contact their issuing financial institution for additional information.

About Visa USA

Visa USA is the nation's leading payment brand and largest payment system, enabling banks to provide their consumers and business customers with a wide variety of payment alternatives tailored to meet their evolving needs. Visa USA is committed to increasing the choice, convenience, acceptance and security of Visa payments for all stakeholders in the payment system — members, cardholders and merchants. Through its 13,369 member financial institutions, more than 500 million Visa-branded cards have been issued to cardholders in the United States.

Worldwide, cardholders in more than 150 countries carry more than 1 billion Visa-branded cards, accounting for more than \$3 trillion in annual transaction volume. VisaNet, Visa's global processing system and the world's largest financial network, processes transactions with unparalleled reliability.

Visa offers a trusted, reliable and convenient way to access and mobilize financial resources — anytime, anywhere, anyway.

About EBIA

The Employee Benefits Institute of America Inc. (EBIA) is the leading provider of publications and seminars on Cafeteria Plans, Consumer-Driven Health Care, 401(k) Plans, COBRA, HIPAA, ERISA, and Group Health Plan Mandates. EBIA also publishes the nationally-acclaimed *EBIA Weekly*, relied on by thousands of professionals for guidance on the latest employee benefits developments. EBIA's customers include human resource and benefits managers, attorneys, accountants, government officials, insurance professionals, benefits consultants and TPAs.

In 2003, when the IRS issued guidance permitting health FSAs and HRAs to begin reimbursing certain over-the-counter (OTC) drugs, professionals turned to EBIA for help in determining what OTC items qualify for reimbursement. And now EBIA offers even more help. With its new industry-standard list that can be used by merchants, TPAs, and others, EBIA continues to be the trusted resource for determining what OTC items qualify as medical expenses.

Information about EBIA's offerings is available at www.ebia.com.

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