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## More green for Blues

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**BY NEIL VERSEL**

As the line continues to blur between the insurance and financial-services industries, the Chicago-based Blue Cross and Blue Shield Association has eased into the thrift business.

The association and 32 of its 39 affiliates are shareholders in the Blue Healthcare Bank, a federal savings bank chartered in Utah with the hopes of capturing some of the growing market for health savings accounts, health reimbursement accounts and flexible spending accounts.

"What was missing out in the marketplace was a way to combine all the various products in consumer-directed health care," said Robert C. Gross, president and chief executive of Blue Healthcare Bank. Typically, health insurers contract with third-party financial institutions to handle such health-specific bank accounts, though Cigna Corp. has had its own thrift for several years.

The Blue Healthcare Bank initially is offering just HSAs, HRAs and FSAs to enrollees in various Blues plans, with options for personal checks, Visa debit cards, online and telephone banking and various investment choices.

HSAs are bank accounts linked to insurance policies with high deductibles -- and thus lower monthly premiums than traditional health insurance -- and have been touted as a means of introducing consumer choice to the health-care marketplace. They also have been criticized as an easy way for employers to shift health costs to workers and for possibly raising a financial barrier to routine, preventive care.

Blue Healthcare Bank retail operations began in January with Blues affiliates in Arkansas, Idaho, Michigan and South Carolina. Regence BlueShield of Idaho -- separate from Blue Cross of Idaho -- will join in the next five to seven weeks as will three other companies of Portland, Ore.-based the Regence Group: Oregon, Washington and Utah. Blue Cross Blue Shield of Michigan will follow.

By late summer, Blue Cross and Blue Shield of Illinois will begin marketing the bank to some of its 6.5 million members, according to Kirk Pion, executive director of consumerism initiatives at Illinois Blues' parent company, Chicago-based Health Care Service Corp. Pilot tests with members from two or three large employers may start this fall, in anticipation of a Jan. 1, 2008, official service launch in Illinois, Pion indicated.

That timetable is the same for HCSC's other Blue Cross and Blue Shield affiliates in Texas, Oklahoma and New Mexico.

"Our initial target is going to be the large employers in all four markets," Pion said. He added that the bank's rollout in the HCSC states will be limited to health savings accounts. "That's our fastest-growing area."

As of April 1, HCSC had 210,000 members with health savings accounts, according to Pion. That is double the total from a year earlier, but still a fraction of the 11.5 million people HCSC provides coverage for, including 6.5 million via Blue Cross and Blue Shield of Illinois.

Pion expects that HCSC members will open 2,500 to 5,000 accounts by the end of 2008 across the four states. "We really think down the road we'll see one-third to one-half of our [HSA] members signing up," he said.

*Neil Versel is a health care journalist based in Chicago.*

## HISTORY OF RESISTANCE

Banks historically have been protective of their territory whenever non-banking companies edge their way into financial services, but the Blue Healthcare Bank seemingly passes muster.

"We're really not concerned about it as long as they're following the same rules that govern savings and loans, and it appears they are," Illinois Bankers Association spokeswoman Debbie Jemison said of the Blue Healthcare Bank.

That was not the case in 2005-06, when banking organizations in Illinois and other states successfully fought a bid by Wal-Mart Stores Inc. to charter an Industrial Loan Company. Wal-Mart had wanted the ILC to process its own debit, credit and check payments.

The Wal-Mart episode prompted a Federal Deposit Insurance Corp. moratorium on new ILC charters last year while the Blue Cross and Blue Shield Association had an ILC application pending.

"We began to reconsider our application and began conversations with the Office of Thrift Supervision," Blue Healthcare Bank chief Robert C. Gross said.

The thrift agency OKd Blue Healthcare Bank as a federal savings bank in December, a month before the FDIC lifted its ILC moratorium.

--Neil Versel

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