



Kaiser Daily Health Policy Report

Wednesday, October 22, 2008

Health Care Marketplace

Health Insurers Look To Open Banks as More People Enroll in Health Savings Accounts

The *Los Angeles Times* on Wednesday, in the second installment of a three-part series about the U.S. health insurance system, examined a "fundamental change" in the health care industry: "Insurers are moving away from their traditional role of pooling health risks and are reinventing themselves as money managers -- providers of financial vehicles through which consumers pay for their own health care."

The *Times* reports, "Among the signs of the change is the growth in health savings accounts." In 2003, federal tax rules were relaxed for HSAs, "making them very attractive to well-heeled taxpayers," and commercial banks, "seeing the opportunity to collect management fees on the accounts, jumped into the business." John Casillas -- director of the Medical Banking Project, which helps medical administrators develop financial service systems -- said, "You're going to see many billions of dollars moving from premium payments to professionally managed investment funds under HSA rules. Some people think that banks are going to threaten health plans by replacing them in the marketplace." As a result, health insurers have been starting their own banks.

For example, Wellpoint last year convinced the Federal Reserve Board that its primary business is financial services and that pharmacy services and disease management are "complementary" to its financial services business. The company reached an agreement with the Federal Reserve Board that would allow it to open a bank, while limiting annual revenue from pharmacy services and disease management to 15% -- triple the limit initially set by the agency.

According to the *Times*, "Whether these new services represent a solution to the nation's health care crisis is widely debated." HSAs are coupled with high-deductible health insurance policies, which "offer fewer overall benefits than traditional plans" and "are particularly beneficial to healthier, younger and wealthier customers." Some critics of HSAs also say that the accounts "function more as a tax shelter for wealthy taxpayers than as a tool to manage health care costs." In addition, there is "evidence that enrollment in high-deductible plans has grown not because the plans offer greater value, but because they are often the only plans that consumers can afford -- and sometimes the only plans an insurer will offer applicants with chronic conditions," the *Times* reports.

The *Times* series on Thursday will examine the relationship between insurers and hospitals and doctors when it comes to paying bills (Hiltzik, *Los Angeles Times*, 10/22).