



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

June 16, 2006

**Corporate Decision #2006-05
July 2006**

Ms. Yolanda Gamboa, Esq.
LaSalle Bank, N.A.
135 South LaSalle Street
Chicago, Illinois 60603

Subject: Application to Establish an Operating Subsidiary to Assist in the Management of Healthcare Receivable and Disbursement Processes (“Application”) – Application Control No. 06-CE-08-009

Dear Ms. Gamboa:

LaSalle Bank, N.A. (the “Bank”) seeks to establish an operating subsidiary to be named LaSalle Healthcare Administrative Services LLC (the “Subsidiary”). The Subsidiary would offer services to manage healthcare receivable and disbursement processes, and to assist employers, insurers and third party administrators with benefits administration. For the reasons discussed herein, the Application is approved.

Description of Proposal

1. Healthcare Receivables Manager Service

The Healthcare Receivables Manager service would automate the case application process for Bank customers who are healthcare providers, such as doctors and hospitals, and provide them with an electronic remittance system to expedite payments.

Currently, the Bank’s healthcare provider customers receive hard copy explanations of benefits from payor insurance companies. In connection with its existing image lockbox services, the Bank provides these customers with scanned electronic images of these explanations of benefits. The Healthcare Receivables Manager service will take over the image lockbox and remittance information transmission services and, further, will enhance them by using advanced imaging and optical recognition technology to automatically and electronically read and extract the information from the paper explanation of benefits and create an electronic file containing

“HIPAA Compliant 835s.”¹ The HIPAA Compliant 835’s electronic format enables data to be customized and manipulated into detailed reporting, which can then be integrated into the providers’ accounting systems. The Subsidiary also proposes to match the HIPAA Compliant 835s and corresponding payments from those customers to help track receivables.

The Subsidiary will make available a Web-based portal whereby customers can index and sort HIPAA Compliant 835s and payment information for reporting, investigation and other purposes, and may in the future provide collection services to these customers.

2. Healthcare Payables Manager Service

The Healthcare Payables Manager service would be a payment and remittance advice processing management system. The Subsidiary will offer services to payables managers such as insurance companies to assist them in managing their disbursement process. Through a Web-based portal, the Subsidiary will allow payables managers to input standard payment instructions for each payee such as banking information and payment and remittance preferences. Alternatively, payees may be provided access to this portal in order to provide the information themselves. The Subsidiary would then authenticate the bank account information of payees in order to reduce fraud risk to the payables manager. Finally, the Subsidiary will initiate automated clearinghouse (“ACH”) and draft payments to payees.

3. Consumer Directed Healthcare Service

The Consumer Directed Healthcare (“CDH”) service would provide employers, insurance providers, and third party administrators (“CDH customers”) with administration, recordkeeping, reporting and payment/collection processing services in connection with Flexible Spending Accounts, Health Reimbursement Arrangements, Dependent Care Assistance Program Accounts and Health Savings Accounts (collectively “Accounts”). The Bank would serve as the depository for the funds related to the Accounts, issue debit cards for the Accounts, and possibly act as custodian for the Accounts. For its CDH customers the Subsidiary will administer the online enrollment process for employees establishing Accounts, track contributions, and perform reporting and recordkeeping services for the Accounts. The Subsidiary will also process Account claims by determining the eligibility of withdrawal requests and managing the disbursement of amounts from such Accounts.

Legal Analysis

The OCC has long recognized that the transmission and handling of medical and health insurance data in connection with activities such as fund transfers, billing services, or claims processing are activities that are part of or incidental to the business of banking. Specifically, with regard to the data processing of health information, a national bank may use automated data

¹ A “HIPAA Compliant 835” is an electronic data interchange transaction set containing explanation of benefits or other remittance data regarding a healthcare-related payment that meets the format and data element requirements of the healthcare industry.

processing to provide billing services and accounts receivable services for itself and others, and engage in data processing related to funds transfer, cash management, and credit extensions. Interpretive Letter No. 836, *reprinted in* [1998 – 1999 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-290 (March 12, 1996) (allowing for the storage, processing, and retrieval of documents in conjunction with payment processing services provided to hospitals and physicians); Interpretive Letter No. 419, *reprinted in* [1988 – 1989 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 85,643 (Feb. 16, 1988) (allowing data processing system linking healthcare providers, healthcare insurers, healthcare recipients, and their respective depository institutions that transmits claims eligibility information, receives and transmits information for claims entry and payment, operates a data base, and accomplishes payment).

In Interpretive Letter No. 836, *supra*, the OCC approved a national bank’s non-controlling investment in a company that used automated data processing to communicate billing and payment related information; determine amounts owed by the payors and patients; bill the payor and patients; and facilitate payment by the patient and the patient’s provider. Additionally, in Interpretive Letter No. 419, *supra*, the OCC stated that funds transfer services, whether from one account to another or from one institution to another, are a fundamental part of the business of banking and that the transmitting of claims eligibility and health treatment information was an integral part of performing those services.

In the instant application, the Subsidiary seeks to engage in data processing activities like those described above and previously deemed permissible. Specifically, the Healthcare Receivables Manager service will use automated data processing to provide accounts receivable processing for customers. The Healthcare Payables Manager service will use data processing to provide funds transfer. The Customer Directed Healthcare service will use data processing to provide funds transfers, process claims, and determine the eligibility of account payments and withdrawals. These activities are permissible activities as established by OCC precedent in Interpretive Letter No. 836 and Interpretive Letter No. 419, *supra*.

With regard to billing, collections and claims processing services, it is well established that national banks may provide such services to their customers. Interpretive Letter No. 712, *reprinted in* [1995 – 1996 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶ 81-027 (Feb. 29, 1996). The OCC’s position on this issue was discussed in a 1985 letter which found that national banks may “[bill] persons for fees owed to doctors, hospitals, and other service providers.” Letter from Peter Liebesman, Assistant Director, Legal Advisory Services Division (August 27, 1985) (“Liebesman Letter,” available in Lexis-Nexis). In that letter the OCC recognized that banks may provide billing services to collect amounts due in repayment, and because billing activities form an integral part of the means by which banks collect debts, the OCC allows banks to provide billing services to collect amounts due to others.

In the instant application, the Subsidiary seeks to engage in billing, collections and claims processing services similar to those described above. Specifically, the Healthcare Receivables Manager service seeks to implement a fully electronic remittance workflow so as to expedite payments. Also, while not initially performed, the Healthcare Receivables Manager service may in the future provide for customer or insurance company billing and collection. Additionally,

under the Customer Directed Healthcare service, the Subsidiary will process claims by determining the eligibility of payments or withdrawal requests against Accounts and managing the disbursement of amounts from such Accounts. These activities are permissible activities as established by OCC precedent in Interpretive Letter No. 712 and the Liebesman Letter, *supra*.

The OCC has allowed banks to engage in healthcare consulting services as well. Specifically, the OCC has authorized operating subsidiaries to, *inter alia*, engage in healthcare and benefit consulting. OCC Corporate Decision No. 98-51 (November 30, 1998); OCC Corporate Decision No. 98-13 (February 9, 1998). In OCC Corporate Decision No. 98-13, the OCC concluded that providing activities such as health benefit consulting was a form of financial planning and employee benefit consulting due to the issues relating to costs, benefits, co-payment, and deductibles that go along with such service. Finally, in providing customers with information regarding IRS compliance information for flexible spending accounts as part of its Consumer Directed Healthcare service, the Subsidiary essentially will be engaging in tax planning, an activity permissible under 12 C.F.R. § 5.34(e)(2)(ii)(J) (allowing an operating subsidiary to provide tax planning and preparation services).

Thus, the OCC has previously approved by type all the activities in which the Subsidiary will engage. While the OCC has not previously had occasion to consider Flexible Spending Accounts, Health Reimbursement Arrangements, Dependant Care Assistance Program Accounts, and Health Savings Accounts, the services the Subsidiary will provide to these Accounts are similar to health insurance and health provider claims processing, activities previously found to be permissible for an operating subsidiary. Interpretive Letter 836, *supra*; Letter from Gail W. Pohn, Director, Bank Organization and Structure Division (Nov. 19, 1975, available in Lexis-Nexis) (allowing an accounts receivable and billing system with inquiry and input capabilities for doctors). The proposed service is a financial processing activity and thus is permissible as part of or incidental to the business of banking.

Conclusion

Based upon the foregoing facts and analysis, and the commitments and representations made by the Bank in its application and in subsequent telephone conversations, the Bank's Application is approved.

Sincerely,

signed

Lawrence E. Beard
Deputy Comptroller for Licensing