

Fact Sheet

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BCBSA History Fact Sheet

“Blue Cross” and “Blue Shield” have been household words throughout the United States for nearly 70 years. The familiar symbols are instantly recognized as representing security and quality to virtually all Americans.

- The Blue Cross and Blue Shield organization is a national federation of 59 locally operated, autonomous companies, serving more than 68 million Americans, 55 percent of whom are managed care customers.
- The Blue Cross and Blue Shield System grew out of local communities, gradually spreading to other communities, joining together at regional or state levels, and eventually forming a national federation - through strategic partnerships and alliances - to be the premier health care companies in their local markets.
- Blue Cross Plans were originally founded to cover hospital expenses and Blue Shield Plans were originally established to cover physician services. Today, both brands represent the full spectrum of health care coverage.

Blue Cross Roots

The Blue Cross story began in 1929 when Justin Ford Kimball, an official at Baylor University in Dallas, introduced a plan to guarantee school teachers 21 days of hospital care for \$6 a year. Other groups of employees in Dallas soon joined the plan and the idea quickly attracted nationwide attention.

In 1933, E.A. van Steenwyk, an executive with the forerunner to Blue Cross and Blue Shield of Minnesota, identified his hospital care program with a blue-colored cross design. Other groups elsewhere in the country followed suit and in 1939, the Blue Cross symbol was officially adopted by a commission of the American Hospital Association (AHA) as the national emblem for Plans that met certain guidelines.

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**BlueCross BlueShield
Association**

An Association of Independent
Blue Cross and Blue Shield Plans

In 1960, the commission was replaced by the Blue Cross Association, which was independent of the AHA. All formal ties with AHA were severed in 1972.

Blue Shield Roots

The Blue Shield concept grew out of the lumber and mining camps of the Pacific Northwest at the turn of the century. Employers who wanted to provide medical care for their workers made arrangements with physicians, who were paid a monthly fee for their services. These contracts led to the creation of "medical service bureaus" composed of groups of physicians. The first was organized in Tacoma, Wash., by Pierce County physicians in 1917. Some bureaus, including the Pierce county bureau, still operate today as Blue Shield Plans.

These pioneer programs provided the basis for the first modern Blue Shield Plan, which was founded in California in 1939. In 1948, a group of nine Plans known as the Associated Medical Care Plans informally adopted the Blue Shield symbol. Three years later, they registered the Blue Shield at the federal patent and trademark office. These groups eventually became the National Association of Blue Shield Plans.

The Blue Cross and Blue Shield Association, created in 1982, is the result of the merger of the Blue Cross Association and the National Association of Blue Shield Plans.

History of Prepayment

The health insurance concept was stimulated by the Depression, when millions of Americans found it difficult to meet day-to-day expenses, let alone the costs of an illness or accident. With the introduction of legislation like the 1935 Social Security Act and unemployment compensation, the concept was given additional emphasis. With the onset of World War II, the fringe-benefits concept began to develop and take hold within the United States; employers, unable to raise wages because of the wage freeze laws, began to offer employees fringe benefits in lieu of wage increases. Health coverage became a much sought-after benefit.

The health insurance concept was further stimulated by the experience of returning servicemen. Accustomed to having their medical needs provide by the military, veterans endorsed the prepayment idea for themselves and their dependents.

As American industry began to convert from a wartime economy to peacetime production, unions assumed strong positions in their negotiations for employee benefits. Employer tax exemptions for health and welfare contributions further enhanced the movement.

As a final measure, when the U.S. Supreme Court late in 1949 ruled that as part of the Taft-Hartley Act employers had to bargain on welfare issues, the prepayment concept caught on throughout the nation. Blue Cross and Blue Shield Plans grew rapidly. Today, nearly half of all union workers receive health care coverage through Blue Plans.

Competition

Up until this point, commercial insurance companies had been largely indifferent to the potential of health insurance. Seeing that it worked, the commercial companies were quick to include health insurance in their insurance packages offered to large groups. By 1963, more than 900 insurance companies were actively writing health insurance. Today, there are 986 insurance companies writing health insurance.

The Blues Today

On the eve of the new millennium, health care delivery systems are evolving and the Blues continue to lead the way. The nation's 59 independent Blue Cross and Blue Shield Plans are uniquely prepared to operate in the nation's new paradigm of health care delivery - one that recognizes that making a person truly healthy requires a marriage of body, mind and environment -- all aligned toward the ongoing goal of wellness. The Blue Cross and Blue Shield System is not comprised of passive payers, but active players in today's health care arena and Blue Plans are constantly developing innovative, "best practice" approaches to coordinated health care in order to better meet the needs of their members.

Blue Plans offer seven decades of experience in anticipating and responding to changes in both their local markets and the national landscape. Blue Plans understand that maintaining healthy lifestyles requires them to build successful partnerships among physicians, nurses, hospital staff, health educators and -- most importantly -- patients. This is why a commitment to quality and access continues to be the driving mission of every Blue Plan.

Timeline

Blue Cross Association

1937 The American Hospital Association (AHA) established the Commission on Hospital Service — a forerunner of both the Blue Cross Commission and the Blue Cross Association. The Commission, located in Chicago, provided information and advice for developing non-profit, voluntary health plans; served as a clearinghouse for ideas; and studied hospital and prepayment plan financing.

1939 The Blue Cross symbol officially was adopted by AHA as the national emblem for the Plans which met AHA guidelines.

1941 The AHA dissolved the Commission on Hospital Service and replaced it with the Hospital Services Plan Commission (HSPC). The HSPC was financed by dues from the Plans rather than through AHA and it took on responsibilities for research and Plan coordination.

1946 The Blue Cross Commission was created by AHA to replace HSPC. The Commission, also financed by Plan dues, help formulate and establish national Plan policies as directed by the Plans at their annual meetings.

1948 The AHA incorporated the Blue Cross Association in Chicago to begin a subsidiary organization called Health Service, Inc. (HSI). Through voluntary contributions by the Plans, HSI was organized as a Plan-owned insurance company to write uniform national health contracts.

1949 The Inter-Plan Service Benefit Bank was created as a clearinghouse to serve Blue Cross members who happened to be hospitalized or receive health care outside their local Plan areas. The Blue Cross Commission in Chicago took over its administration.

1951 The Inter-Plan Transfer Agreement, which provides for transfer of membership between Plans without loss of benefit continuity, became operative and was administered by the Blue Cross Commission in Chicago.

1956 The Blue Cross Association was reorganized and set up in New York City with responsibilities for national enrollment, advertising and federal government relations. It also assumed responsibility for administering the federal Military Dependents Coverage program, now known as CHAMPUS.

1957 The Blue Cross Association established Inter-Plan private telecommunications wire service to streamline Inter-Plan claims and transfer communications. At this point, the Inter-Plan Bank and Inter-Plan Transfer administrative work was transferred from the Blue Cross Commission to the Association in New York.

1960 The Blue Cross Association assumed administrative and coordinating duties for the Federal Employee Health Benefits Program (FEP).

1962 The AHA dissolved the Blue Cross Commission and the Blue Cross Association moved out of its subsidiary role and into a partnership role with AHA. This change created a single, strong national association to represent the Plans, rather than two weaker organizations in New York and Chicago.

1964 The Blue Cross Association established a Washington office in anticipation of increased government interest in health prepayment.

1965 The National Labor Office was developed in Washington by the Blue Cross Association to improve liaison between Blue Cross and national labor union leaders.

1966 Blue Cross contracted with the federal government as principal Medicare intermediary, Part A.

1972 Formal ties with AHA were severed. The name, trademark and Plan approval program were transferred from AHA to Blue Cross Association.

Blue Shield Association

1946 Nine Blue Shield Plans formed the Associated Medical Care Plans, forerunner of the National Association of Blue Shield Plans.

1947 During the first year of operation, the number of affiliated Plans jumped from the original nine to 45 Blue Shield Plans. Subscriber enrollment tripled to nearly 6 million.

1948 Blue Shield symbol was adopted by the Association and Plans.

1950 The blue shield symbol was officially adopted as reflected in the change of the name to Blue Shield Medical Care Plans, later (1960) to National Association of Blue Shield Plans, and (in 1976) to Blue Shield Association.

1950 A national service agency was established as a subsidiary of the Association, originally called Blue Shield Service, Inc., later changed to Medical Indemnity of America (MIA). The new organization functioned as a working arm of the Blue Shield system in writing coverage for national account groups under certain circumstances.

National Merger

1978 The staffs of Blue Cross Association and Blue Shield Association were consolidated under one president, though each Association retained its own board. Walter J. McNerney became president and William E. Ryan, senior executive vice president of both organizations.

1982 Blue Cross Association and Blue Shield Association were merged into one corporation with one board effective 7.1.82.

1994 More than 7.6 million Americans joined one of the 76 HMOs offered by independent Blue Cross and Blue Shield Plans in 43 states and the District of Columbia. Collective enrollment in Blue HMOs surpasses that of the traditional giant Kaiser Permanente.

1994 The Blue Cross and Blue Shield Association's board of directors voted to eliminate the membership standard that requires member Plans to be organized as not-for-profit companies.

1996 Collectively, of the 68 million Blue Cross and Blue Shield subscribers, 36.4 million members - 55 percent - are enrolled in managed care networks. The 89 HMOs in 44 states and the District of Columbia enroll 9.6 million people, the 75 PPOs in 47 states and the District of Columbia enroll 19.5 million people and the 72 POS programs in 42 states and the District of Columbia enroll a total of 5.2 million members, a 2,000 percent increase in two years.