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DataPath Charging Ahead: Firm Teams With Benefit Bank on Medical Credit Cards

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By Carl D. Holcombe, Arkansas Business

DataPath Inc. of Little Rock has flown under the radar for several years as it goes about its business of licensing software for management of benefits programs for employers, consultants and third-party administrators.

It's a hard-to-believe scenario for a company that's nearly 20 years old with customers across the country and clients as well established as Wells Fargo.

But now the Little Rock firm — still led by founders John Robbins Sr., president and CEO, and Glen Hoffman, vice president and director of systems development — may become more well known as medical savings accounts gain popularity.

DataPath is rolling out a credit card transaction system in partnership with four-year-old thrift Benefit Bank of Fort Smith that could place more payment options in the hands of people needing to pay out-of-pocket medical bills.

"We're trying to come out of the closet," joked Robbins.

The myResourceCard has been in development by DataPath for almost two years and

will finally roll out in early 2004. It will be a MasterCard issued by Benefit Bank.

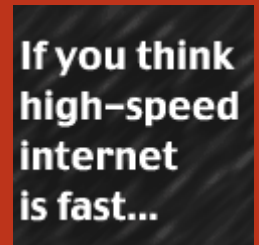
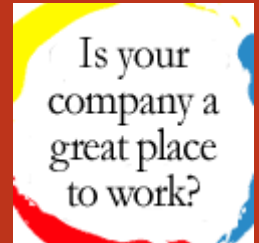
Robbins' and Hoffman's plan is to allow employees whose companies are DataPath clients the option of a credit card to pay medical bills to doctors and hospitals.

A credit balance would then be paid off to Benefit Bank through an electronic transaction from whatever type of pretax "Section 125" medical savings account they have — flexible spending accounts, premium-only plans or cafeteria plans. That transaction would occur within about a week.

If a cardholder's savings account didn't have sufficient funds, then whatever amount is in the account would go to the credit balance, said Joe Edwards Jr., president and CEO of Benefit Bank. The remainder would be paid over time like a regular credit card payment, including market interest rates, as regular contributions are paid into the account from an employee's paycheck, Edwards said.

Customers will be able to review their accounts via a secure Web site and also project potential savings between traditional and 125 account-oriented benefit programs.

"We're interested in new, unique kinds of things that come along," said Edwards, a former president of Superior Bank of Fort Smith (then known as Superior Federal Bank and now part of Arvest Bank). "It looked like



something where we could help (DataPath) out.”

Edwards said he isn't aware of any similar credit card platform being offered by any other companies. DataPath's card could only be used for medical bills.

“You're not going to go out and buy clothes with this card,” Edwards said.

Debit cards and checks are another way employees with 125 accounts have paid medical bills, but those can be slow to reimburse employees and don't offer flexibility if they lack medical account funds or funds from their regular bank, Edwards said.

Debit cards can also include faxing and other paperwork — termed “pay and chase” by Robbins — for funded and unfunded payments.

DataPath's Path

DataPath's story sounds similar to many other tech companies that launched on a shoestring budget. Robbins and Hoffman were operating out of a spare bedroom and a basement when they started up in 1984. Everything they built was in-house.

The company stalled briefly in the mid-1980s when a federal savings bank cut a big relational database project on which they were working. But by 1988, they were back swinging after Robbins met with officials from Union Life Insurance Co. to discuss developing software for managing benefit systems.

“They introduced me to (125 accounts),” Robbins said. “So we reactivated DataPath.”

Before DataPath's birth, Robbins earned a finance and real estate degree from Memphis State University in 1969, an M.B.A. from the University of Hawaii in 1972 and a bachelor's degree from the University of Arkansas in 1974. He first met Edwards in the early 1980s.

Hoffman, meanwhile, earned degrees in computer science and math from the University of Central Arkansas.

For a time, Robbins worked in information technology for Electronic Data Systems, the information management firm owned by the irascible Ross Perot, before heading to Savers, an Arkansas thrift that later collapsed.

That collapse is what set Robbins on a new path.

“I knew I needed to form my own company,” he said.

Privately held DataPath is now actually three companies — DataPath Inc., DataPath Administrative Services Inc. and, just since July, DataPath Card Services Inc., which will handle specific aspects of software licensing and technical support and the rollout and administration of the new credit card business. The three businesses employ some 32 people, but company officials declined to reveal revenue figures.

Pending within a few months are big strategic announcements for a large Arkansas university and other new clients.

Since 1995 DataPath has done business with small employers of about 30 or so workers and saved them 20 to 25 percent on annual premiums they otherwise would have paid “by introducing consumerism as it's been discussed today,” Robbins said.

A small Louisiana company, for instance, has saved about \$250,000 since 1992 in premium costs due to increased efficiencies created by DataPath's software, Robbins said.

Dan Jordan, director of business for the Arkansas Baptist State Convention, the denominational headquarters for Southern Baptists in Arkansas, has praise for DataPath's third-party administrator services after two years as a client.

“They're efficient. We've never had any issues, and the costs are very

manageable," Jordan said. "We come out ahead ... (and) our employees come out even more ahead."

The convention has been able to roughly break even on benefits management costs, while the 125 accounts create savings in payroll taxes while reducing employees' taxable income, Jordan said.

Rollout

DataPath will launch an intensive marketing campaign in 2004 for the rollout of myResourceCard, Robbins said.

First approached will be current DataPath clients, law firms, banks and other businesses in 43 states. Company officials also believe the credit card option will be an extra attraction for businesses interested in DataPath's services.

"Two years of preparation will let us hit the ground running," Robbins said.

Several Little Rock area clients have signed to provide credit cards, he said.

While DataPath and Benefit Bank officials don't have hard figures for what the new offering will do for business, they do foresee respectable gains.

"At first blush, it doesn't seem like it would be big business," Robbins said. "But I think a lot more insurance companies will get into it."

DataPath revenue increases will be built on additional fees of a few hundred dollars for clients for offering credit cards and low annual bank fees, Robbins said.

"We're not an Acxiom; we're just little guys trying to make a difference for the lives we touch," Robbins said.

He projected the company to grow to 45 employees by the end of 2004 and double from current staffing levels in two years, followed by doublings in the third and fourth years. Revenue could double as well.

Edwards doesn't immediately see a huge revenue gain for Benefit Bank, which as of Sept. 30 had \$63.7 million in deposits and \$96.75 million in assets, according to the Federal Deposit Insurance Corp.

"It's so new, we haven't made any projections in our business plan," Edwards said.

Low credit balance amounts — most likely paid off quickly — factored by market interest rates will lead to small revenue gains, Edwards said. The medical business conducting the transaction, meanwhile, will also pay a small fee based on a percentage of the transaction amount.

"I don't see the consumer being charged much," Edwards said.

But the unique business will nonetheless provide a boost for the state's newest S&L. And if the program takes off, dramatic volume increases could lead to dramatic revenue gains.

Robbins sees the potential.

"We're a little firm," Robbins said. "But I'd suspect we'll double in size in a year or two. Pretty soon we'll be big."

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