

# CRB

California Research Bureau



## Ninety Years of Health Insurance Reform Efforts in California

### Bill and Proposition Files

**California Research Bureau**

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1918 – Legislative Ballot Proposition, SCA 26

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1935 – SB 454 (Williams), Senate Committee  
on the Investigation of Sickness

Pages 4-38

1939 – AB 2172 (Rosenthal), On Behalf of  
Governor Culbert Olson

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<b>20</b>	<b>HEALTH INSURANCE.</b> Senate Constitutional Amendment 26. Adds Section 22 to Article XX of Constitution. Authorizes legislature to establish health insurance system applicable to persons, and their dependents, whose incomes it deems insufficient to meet hazards of sickness and disability; provide support for such system by contributions, voluntary or compulsory, from such persons, from employers and by state appropriation; and confer upon any commission or court, now or hereafter created, power and authority necessary to effectuate provisions of this section. Declares this section not controlled or limited by other than the referendum provisions of constitution.	<b>YES</b>	
		<b>NO</b>	

Senate Constitutional Amendment No. 26—A resolution to propose to the people of the State of California an amendment to the constitution of said state by adding to article twenty thereof a new section, to be numbered section twenty-two, relative to health insurance.

The legislature of the State of California at its regular session commencing on the eighth day of January, 1917, two-thirds of the members elected to each of the two houses of said legislature voting in favor thereof, hereby proposes an amendment to the constitution of the State of California by adding to article twenty thereof a new section, to be numbered section twenty-two, to read as follows:

**PROPOSED AMENDMENT.**

Sec. 22. It is hereby declared to be the policy of the State of California to make special provision for the health and welfare and the support during illness of any and all persons, and their dependents, whose incomes, in the determination of the legislature, are not sufficient to meet the hazards of sickness and disability, and for the general industrial welfare in this connection. The legislature may establish a health insurance system applicable to any or all such persons, and for the financial support of such system may provide for contributions, either voluntary or compulsory, from each of the following, namely, from such persons, from employers, and from the state by appropriations.

The legislature may confer upon any commission or court, now or hereafter created, such power and authority as the legislature may deem requisite to carry out the provisions of this section.

The provisions of this section shall not be controlled or limited by any other provision of this constitution, except the provisions thereof, relating to the passage and approval of acts by the legislature and to the referendum thereof.

**ARGUMENT IN FAVOR OF SENATE CONSTITUTIONAL AMENDMENT NO. 26.**

This amendment is necessary to empower the legislature constitutionally to enact health insurance laws. It is required, not to establish

classifications for benefits (they are legal now) nor to permit discriminations (they would still remain unconstitutional), but to remove technical obstacles of our complex state constitution. Similar amendments were passed for workmen's compensation and many other laws. It will not affect the initiative nor the guarantees of personal liberty—this is a bugaboo, invented to confuse the issue by persons whose real opposition is based on other grounds—but it will enable the legislature to extend the principle of workmen's compensation, so as to include disability caused by sickness.

Health insurance will not prevent distress caused by old age or unemployment. These problems must be met separately. But more than half of all destitution is caused by sickness, and it will meet this. Sickness losses do not come in averages. Each one's turn may be next. The only way to make them average is to distribute them by insurance. We have substituted the justice of insurance for the charity of pensions in the military army. Why not for the industrial army?

There will be no "added cost" either to the taxpayers or to the insured. The cost to the state government will be only a small fraction of the \$2,000,000 we now pay for the relief of the destitute sick. The cost in premiums to the insured and their employers will be no more than they are now paying in medical fees and loss of wages, but will be more equitably distributed. The maximum premium for the most complete system, including two-thirds wages; medical, hospital, maternity, special tuberculosis and funeral benefits covering the whole family, will not exceed two cents on each dollar of wages, with an equal amount from the employer. Cash benefit insurance may be carried with the state or with a fraternal order or union, as preferred. There will be free choice of doctors and every licensed physician and surgeon can practice under the act. There will be no medical examination for insurance. The act will be open to all persons below a certain income—the employed automatically coming under the act and provision being made for the self-employed. The only compulsion is financial obligation to insure. There will be no compulsory medical care or invasion of private rights. The system proposed for California is based on the English system of Lloyd-George. Upon this issue David Lloyd-George rose to the democratic leadership of the people of England.



AMENDED IN SENATE MAY 3, 1935.  
AMENDED IN SENATE APRIL 24, 1935.  
AMENDED IN SENATE APRIL 19, 1935.  
AMENDED IN SENATE APRIL 15, 1935.

SENATE BILL

No. 454

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INTRODUCED BY SENATORS WILLIAMS, TICKLE  
AND DIFANI,

January 25, 1935.

REFERRED TO COMMITTEE ON PUBLIC HEALTH AND QUARANTINE.

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*An act to provide for the establishment and administration of a system of State health service insurance, including the establishing of a Health Service Insurance Commission and prescribing the powers, duties and functions thereof, the establishing of a health service insurance fund and providing for certain payments thereto, the prescribing of methods and conditions under which professional or other services may be rendered, the regulation of certain persons, firms, associations, and corporations, the making of an appropriation, the enforcement of the provisions hereof, penalties for the violation of the provisions hereof, and repealing acts in conflict herewith.*

*The people of the State of California do enact as follows:*

- 1 SECTION 1. This act is adopted by the people of the State  
2 of California to promote the comfort, health, safety and general  
3 welfare of the people of the State of California.  
4 SEC. 2. This act shall be known and may be cited and  
5 referred to as "The Health Service Insurance Act."  
6 SEC. 3. Words used in this act in the present tense include  
7 the future as well as the present; words used in the masculine  
8 gender include the feminine; the singular number includes the  
9 plural, and the plural the singular; "writing" includes  
10 "printing" and "typwriting"; the word "county" includes  
11 "city and county."  
12 SEC. 4. Unless the context otherwise clearly indicates, as  
13 used in this act, the words and phrases defined in the sections

1 immediately following shall have the meanings ascribed to  
2 them.

3 Sec. 5. "Benefit" means any medical, dental, hospital, or  
4 other service which is made available by this act for the diag-  
5 nosis, treatment, or care of any person coming under the pro-  
6 visions of this act and includes:

7 (a) "Professional benefits," which consist only of the serv-  
8 ices of a physician or dentist, and which include all such  
9 services which either is entitled to render under the laws of the  
10 State of California.

11 (b) "Auxiliary benefits," which consist of maintenance and  
12 care in hospital, *the use of the physical equipment, materials*  
13 *and nonprofessional technical services of X-ray, clinical, and*  
14 *other hospital laboratories, nursing care, drugs, medicines,*  
15 *physiotherapy, occupational therapy, transportation, material*  
16 *appliances and their upkeep.*

17 The determination of the commission that a service is a  
18 professional benefit or an auxiliary benefit is final and con-  
19 clusive.

20 Sec. 6. "Beneficiary" means any person entitled to receive  
21 a benefit under this act.

22 Sec. 7. "Commission" means the Health Service Insur-  
23 ance Commission.

24 Sec. 8. "Physician" means the holder of a valid and  
25 unrevoked "Physician and Surgeon Certificate" entitling him  
26 to practice medicine and surgery in the State of California.

27 Sec. 9. "Dentist" means the holder of a valid and unre-  
28 voked license entitling him to practice dentistry in the State  
29 of California.

30 Sec. 10. "Employer" means any employer of one or more  
31 employees, as the term "employee" is defined in this act, doing  
32 business in the State of California, and includes the State,  
33 every State agency, and each county, city and county, city,  
34 district having power to assess or levy taxes or assessments,  
35 or both, and all public or municipal corporations and quasi  
36 public corporations and public agencies therein, and every  
37 person, firm, voluntary association, and private corporation,  
38 including any public service corporation, any trustee in bank-  
39 ruptcy, receiver, or trustee, and the legal representative of  
40 any deceased employer, but does not include the United States  
41 of America or any foreign State.

42 Sec. 11. "Employee" means every person, including  
43 aliens and minors, receiving a wage at a rate which will yield  
44 a total amount not greater than three thousand dollars per  
45 year and whose net income from all sources together with that  
46 of his spouse is not in excess of three thousand dollars per  
47 year, in the service of an employer, as defined in this act,  
48 under any appointment or contract of hire or apprenticeship,  
49 express or implied, oral or written, whether lawfully or unlaw-  
50 fully employed, and all elected and appointed paid public  
51 officers, and all officers of quasi public or private corporations  
52 while rendering actual service for such corporations for pay,

1 but excluding any person engaged in vending, selling, offering  
2 for sale, or delivering directly to the public, any newspaper,  
3 magazine or periodical where the title to such newspaper,  
4 magazine or periodical has passed to the person so engaged,  
5 and also excluding any person holding an appointment as a  
6 deputy clerk, deputy sheriff or deputy constable, or other  
7 deputy, appointed for the convenience of such appointee, who  
8 receives no compensation from the county, township or  
9 municipal corporation or from the citizens thereof for services  
10 as such deputy, and also excluding any person while both he  
11 and his dependents are absent from the State, *and also exclud-*  
12 *ing every person who files with his employer and with the*  
13 *commission an affidavit that he and his dependents are mem-*  
14 *bers of one or more health service insurance associations,*  
15 *together with certificates of such associations showing such*  
16 *membership, and also excluding any person who adheres to*  
17 *the faith or teachings of any well-recognized religious sect,*  
18 *denomination, or organization who, in accordance with its*  
19 *creed, tenets, or principles, depends for healing upon prayer*  
20 *in the practice of religion, and who shall file with the com-*  
21 *mission and with his employer an affidavit stating such adher-*  
22 *ence and dependence and that he will claim no benefit of any*  
23 *kind under the provisions of this act.*

24 Each of the provisions herein relating to exclusions from  
25 the meaning of "employee" is hereby declared to be separable  
26 and distinct from all other portions or provisions of this sec-  
27 tion or of this act. If any such provision be, for any reason,  
28 declared invalid, the remainder of this act shall remain in full  
29 force and effect and shall be as completely operative as though  
30 such provision had not been included herein; and the Legis-  
31 lature hereby declares that no such provision was a considera-  
32 tion or inducement for the enactment of the whole or any  
33 portion of this act but that it would have passed this act, and  
34 every portion thereof, irrespective of the presence or absence  
35 in the act of any such provision declared unconstitutional.

36 Any person who for hire renders services to another, other  
37 than as an independent contractor, or one who is expressly  
38 excluded herein, is presumed to be an employee within the  
39 meaning of this act. The term "independent contractor"  
40 shall be taken to mean, for the purposes of this act, any per-  
41 son who renders service, other than manual labor, for a  
42 specified recompense for a specified result, under the control  
43 of his principal as to the result of his work only and not as  
44 to the means by which such result is accomplished.

45 An employee is a "casual" employee if, (a) in the usual  
46 and normal course of his employer's trade, business, profes-  
47 sion, or occupation, the particular work to which said employee  
48 is assigned is begun and concluded within nine successive  
49 calendar days; or (b) his employment is not in the course of  
50 the trade, business, profession, occupation, or domestic estab-  
51 lishment of his employer. The phrase "course of trade, busi-  
52 ness, profession or occupation of his employer" shall be taken

1 to include all services tending toward the preservation, mainte-  
2 nance or operation of the business, business premises or busi-  
3 ness property of the employer. The words "trade, business,  
4 profession or occupation of his employer," shall be taken to  
5 include any undertaking actually engaged in by the employer  
6 with some degree of regularity, the trade name, articles of  
7 incorporation or principal business of the employer to the  
8 contrary notwithstanding.

9 It shall not be a defense to the commission, the holder of  
10 a certificate of compliance, or to any health service insurance  
11 association that a person with respect to whom any benefit is  
12 claimed was not lawfully employed, or was the dependent  
13 spouse or minor child of one not lawfully employed by reason  
14 of the violation of any civil service or other law, rule, or regu-  
15 lation respecting the hiring of employees.

16 Workmen associating themselves under a partnership agree-  
17 ment, the principal purpose of which is the performance of  
18 the labor on a particular piece of work, shall be deemed  
19 employees of the person having such work executed.

20 Sec. 42. "Health service insurance" is the provision, by  
21 any means or in any form, by or for any person or group of  
22 persons, of the right to receive, when needed, the benefits of  
23 professional service practice and auxiliary insurance service  
24 as hereinafter defined, when the costs of such benefits and of  
25 their administration are defrayed from funds derived by any  
26 or more of the following means or from any one or more of  
27 the following sources:

28 (a) The issuance of memberships, certificates, contracts or  
29 other evidences of rights or privileges to participate in or use  
30 the benefits, services, facilities or activities of the group or  
31 association or of any subsidiary, associated or affiliated firm,  
32 group, or association.

33 (b) Donations, contributions, or payments of money or  
34 other valuable consideration, mandatory or voluntary, from  
35 any source for the purpose of obtaining the benefits of pro-  
36 fessional service practice and auxiliary insurance service.

37 (c) Appropriations from any fund or funds of this State or  
38 of any political subdivision of this State or from any fund or  
39 funds of any instrumentality of this State.

40 (d) Any other form of common or pooled moneys, property,  
41 credit or other resources to be used to obtain or furnish any  
42 of the benefits, as defined by this act, for or to individual  
43 persons or groups of persons.

44 SEC. 13. "Health service insurance practice" means the  
45 furnishing of medical, dental, hospital, or other service for the  
46 diagnosis, treatment or care of sick or injured persons when  
47 such service is furnished under any contract, plan, or system  
48 whereby a person or a member of a group of persons is entitled  
49 to receive such service in the event of sickness or injury.

50 Sec. 13. "Fund" means the health service insurance  
51 fund.

1 SEC. 14. "Professional service practice" means the fur-  
2 nishing of any professional benefit under this act.

3 SEC. 15. "Auxiliary insurance service" means the fur-  
4 nishing by any person, firm, association or corporation of  
5 auxiliary benefits under this act.

6 SEC. 16. "Professional service practitioner" means any  
7 physician or dentist availing himself of the privilege to engage  
8 in professional service practice.

9 SEC. 17. "Auxiliary service association" means:

10 (a) Any person, firm, association or corporation furnishing  
11 for compensation any or all of the auxiliary benefits upon the  
12 basis of a health service insurance contract and not upon the  
13 basis of a service contract.

14 (b) For the purposes of this act, a county hospital or a  
15 municipal hospital or other public facility provided for rend-  
16 ing or actually rendering or provided for conferring or actu-  
17 ally conferring for compensation any or all of the auxiliary  
18 benefits.

19 (b) For the purposes of this act, a county hospital or  
20 municipal hospital or other public facility shall be considered  
21 an auxiliary service association only to the extent that it  
22 renders services to sick or injured persons for pay or com-  
23 pensation from the fund or that it voluntarily consents thereto.

24 SEC. 18. "Health service insurance association" means any  
25 group of two or more persons, other than a person and his  
26 dependents, who associate themselves together to secure for  
27 themselves and their dependents, or others, by any lawful  
28 means or in any lawful form, the benefits of professional serv-  
29 ice practice or auxiliary insurance service, or both. person,  
30 firm, group, association, or corporation engaged in health  
31 service insurance practice, either by the use of its own or other  
32 facilities and whether for its own benefit or that of third per-  
33 sons or others.

34 SEC. 19. "Certificate of compliance" means a certificate  
35 issued by the commission to a single employer or a group of  
36 employers who are affiliated by stock ownership or common  
37 financial interests, certifying:

38 (a) That the employees of such employer or group of  
39 employers have been and are receiving the benefits of medical,  
40 surgical, dental, hospital and other service, defined herein as  
41 professional service practice and auxiliary insurance service.

42 (b) That such service is being received from the hospital  
43 departments of railroad, industrial, or other private corpora-  
44 tions which have heretofore furnished and at the time the  
45 enactment of this act are furnishing to the employees of the  
46 said employer or group of employers the same or equivalent  
47 services or treatment as would be required by this act.

48 (c) That such service is being rendered for no less than the  
49 same compensation, dues or payments by whomsoever paid,  
50 as would be required with respect to like groups of such  
51 employes if the contributions were paid into the health serv-  
52 ice insurance fund.

1     Sec. 20. "Member" means any person entitled to partici-  
2     pate in or receive the use of benefits, services, facilities, or  
3     activities of a licensed health service insurance association.

4     SEC. 20. "Member" means any person entitled to receive  
5     diagnosis, treatment, and care, in the event of sickness or  
6     injury, from any health service insurance association.

7     Sec. 21. "Patient" means any person who needs or  
8     receives the professional services of a physician or dentist.

9     Sec. 22. "Wage" means every form of compensation paid  
10    by an employer to an employee as consideration for labor or  
11    services, and includes salaries, commissions, bonuses, and the  
12    reasonable money value of gifts, board, rent, housing, lodging,  
13    or other forms of consideration furnished by an employer.

14    Sec. 23. "Resident" means every natural person who has  
15    been physically within this State at least forty-eight weeks of  
16    the next year preceding the time when he is entitled to receive  
17    any benefit; but temporary absence from this State shall not  
18    affect a person's status as such resident if such person has been  
19    living in this State at least five years.

20    Sec. 24. "Dependent" means a dependent spouse or a  
21    dependent minor child.

22    Sec. 30. This act shall be administered by the Health  
23    Service Insurance Commission, which is hereby created.

24    Sec. 31. The commission shall be composed of five mem-  
25    bers, all of whom shall have been residents of California for at  
26    least a total of ten years, two of whom shall be physicians  
27    who have held the degree of doctor of medicine for not less  
28    than ten years, and one of whom shall be a dentist who has  
29    held the degree of doctor of dental surgery or doctor of dental  
30    medicine for not less than ten years.

31    Sec. 32. All commissioners shall be appointed by the  
32    Governor, with the consent of the Senate. The first commis-  
33    sioners shall be appointed within thirty days after the effec-  
34    tive date of this act.

35    Sec. 33. The terms of the first commissioners shall expire:  
36    Two on February 28, 1937, and three on February 28, 1939.  
37    Upon the expiration of these terms, the term for each commis-  
38    sioner shall be four years. In the event of a vacancy in any  
39    term the Governor shall appoint a commissioner for the unex-  
40    pired portion thereof.

41    Sec. 34. If there is a quorum, no vacancy shall impair  
42    the commission's powers. Three commissioners shall consti-  
43    tute a quorum.

44    Sec. 36. No commissioner shall hold any position of trust  
45    or profit or engage in any business, occupation, or profession  
46    the duties or functions of which are inconsistent with or inter-  
47    fere with his duties as such commissioner. This section shall  
48    not be construed as requiring the full time service of any com-  
49    missioner.

50    Sec. 37. Each commissioner shall execute an official bond  
51    in the sum of twenty-five thousand dollars (~~\$25,000~~), ten  
52    thousand dollars.

1 SEC. 38. Each commissioner shall receive an annual salary  
2 of ~~eight thousand~~ *three thousand six hundred* dollars and his  
3 actual and necessary traveling expenses.

4 SEC. 39. Commissioners shall be liable to impeachment for  
5 any misdemeanor in office and shall be tried therefor in the  
6 manner prescribed in and subject to the provisions of Article  
7 IV, sections 17 and 18, of the Constitution.

8 SEC. 40. The Attorney General of the State of California  
9 shall be the attorney for the commission and he may assign  
10 from his staff such assistants or deputies as may be necessary.

11 SEC. 41. The commission shall appoint a chief medical  
12 officer ~~and fix his compensation~~, *who shall receive an annual*  
13 *salary of five thousand dollars.* He shall be a physician, shall  
14 hold the degree of doctor of medicine and shall have been  
15 engaged in the practice of medicine or in medical administra-  
16 tion for at least ten years during the period of twelve years  
17 immediately preceding his appointment, not less than three  
18 years of which shall have been in the State of California.  
19 Upon making public the reason therefor the commission may  
20 remove the chief medical officer from such office. During the  
21 time he holds office the chief medical officer shall:

22 (a) Hold no other position of trust or profit, but shall  
23 devote his entire time to the performance of his official duties;  
24 and

25 (b) Be the chief administrative officer under this act with  
26 respect to all benefits conferred by this act and have all the  
27 duties, powers, and authority which may be delegated to him  
28 by the commission to carry out the purposes of this act.

29 SEC. 42. Subject to civil service laws, the commission may  
30 from time to time appoint a general finance officer and such  
31 assistants and other employees as may be necessary for the gen-  
32 eral financial administration of this act and may fix the method  
33 and amount of their compensation and assign their duties and  
34 require from them security for the faithful performance  
35 thereof. *The annual salary of the general finance officer shall*  
36 *be five thousand dollars.*

37 SEC. 43. Subject to civil service laws, the commission may  
38 from time to time appoint or employ such assistants and other  
39 employees as may be required for the administration of this  
40 act and may assign their duties and fix the method and amount  
41 of their compensation and require of them security for the  
42 faithful performance of their duties.

43 SEC. 44. The commission may engage the services of and  
44 accept the reports and advice of experts concerning technical,  
45 scientific, medico-legal, actuarial, and other matters pertaining  
46 to the administration of this act.

47 SEC. 45. The commission shall designate a member to act  
48 as chairman. The chairman may from time to time divide the  
49 commission into subcommissions of one or more members, for  
50 the purpose of conducting any investigation, inquiry, hearing  
51 or review which may come under the jurisdiction of the com-  
52 mission, assign the members of the commission thereto, and, in

1 case of a subcommission of more than one member, designate  
2 the chief thereof. A subcommission shall hear and make a  
3 determination upon any proceeding instituted by or before the  
4 commission assigned to such subcommission by the chairman,  
5 and shall make its report to the commission. Subcommissions  
6 consisting of professional members only, to be known as pro-  
7 fessional subcommissions, shall be assigned to conduct, hear  
8 and determine all investigations, inquiries, hearings or reviews  
9 relating to professional matters including matters relating to  
10 standards, service and compensation. The report of a sub-  
11 commission shall become the final determination of the commis-  
12 sion within thirty days after said report is filed with the com-  
13 mission by the subcommission unless, within such period, the  
14 chairman, or any member of the commission, has directed that  
15 such report shall be reviewed by the commission as a whole;  
16 provided that no subcommission shall be assigned, without the  
17 unanimous assent of its members, to conduct any such investi-  
18 gation, inquiry, hearing or review, and provided that if such  
19 assent is not given, the commission shall sit en banc.

20 Sec. 50. There is hereby created a health insurance advi-  
21 sory council, hereinafter referred to as the "council" consisting  
22 of ten members, who shall be appointed by, and serve at the  
23 pleasure of, the commission.

24 Sec. 51. The membership of the council shall include at  
25 least two representatives from the California Medical Associa-  
26 tion, and representatives of the dental and nursing professions,  
27 and of hospitals, employers, employees, and agriculture. Every  
28 two physicians, two dentists, one registered nurse, one hos-  
29 pital executive, one employer, one employee, one farmer, and  
30 one voluntarily insured person. Every such representative  
31 shall be actively engaged in the business, profession, or pur-  
32 suit of which he is a representative.

33 Sec. 52. The council shall consider and shall advise the  
34 commission on such matters connected with the financial and  
35 medical administration of this act as may be submitted to it  
36 by the commission. Upon its own motion it may also submit  
37 to the commission such changes in the financial and medical  
38 administration of this act as it deems necessary. When by  
39 the commission. When directed by the commission to make  
40 an investigation in connection with the administration of this  
41 act, the council shall have the powers of the head of a depart-  
42 ment as such powers are specified in section 353 of the Political  
43 Code.

44 Sec. 53. The members of the council shall be paid their  
45 actual and necessary traveling and other necessary expenses  
46 incurred in connection with any activity under the provisions  
47 of this act.

48 Sec. 54. Five councilors shall constitute a quorum.

49 Sec. 55. The commission shall procure and have offices in  
50 the city of Sacramento and in such other places as it may  
51 require in its discretion.

1     SEC. 61. The commission shall have full power and author-  
2     ity uniformly to administer and enforce the provisions of this  
3     act, to make, amend, modify, repeal, and enforce rules and  
4     regulations consistent with the provisions of this act for its  
5     administration and enforcement, to perform all acts and exer-  
6     cise all powers, whether herein specifically designated, or in  
7     addition thereto, which are necessary or convenient to accom-  
8     plish the purposes of this act, and to delegate to others such  
9     powers as may be necessary in administering this act.

10    SEC. 62. The commission shall promptly promulgate all  
11    rules and regulations adopted by it pursuant to this act and  
12    all amendments thereto and modifications or repeals thereof.  
13    For the purposes of this section a rule or a regulation shall be  
14    deemed to be in full force and effect from the time of its  
15    promulgation to the time of

16    (1) Promulgation of an amendment thereto, or

17    (2) Promulgation of a modification or repeal thereto, or

18    (3) A judicial declaration by a court of competent jurisdic-  
19    tion to the effect that said rule or regulation was in excess of  
20    the authority of the commission, whichever is earlier.

21    An amendment or modification of a rule or regulation is a  
22    rule or regulation for the purposes of this section. No act  
23    not otherwise unlawful done by any person in good faith  
24    under the apparent authority of any rule or regulation adopted  
25    by the commission, while such rule or regulation is in effect,  
26    shall give rise to any liability, either civil or criminal, on the  
27    part of any person so acting.

28    SEC. 63. The commission shall have power to regulate and  
29    control professional service practice and auxiliary insurance  
30    service, to investigate, regulate and control the operations and  
31    affairs of all professional service practitioners, auxiliary serv-  
32    ice associations and health service insurance associations and  
33    to prescribe and enforce rates or fees to be charged or paid  
34    for all services to be furnished under this act. In prescribing  
35    such fees, rates, or charges, the commission shall have regard  
36    for the necessity of furnishing proper and adequate benefits  
37    control the furnishing of all services and benefits for which  
38    compensation is made from the fund and to prescribe and  
39    enforce rates or fees to be charged, collected, or paid therefor;  
40    but nothing contained in this act shall be construed as author-  
41    izing any regulation or supervision by the commission of any  
42    health service insurance association.

43    to beneficiaries and for providing adequate, but not excessive,  
44    compensation therefor to professional service practitioners and  
45    auxiliary service associations. The commission may, to accom-  
46    plish the purposes hereof, prescribe, maintain and enforce  
47    reasonable rules and regulations.

48    SEC. 64. The commission shall have the further power to  
49    investigate, regulate and control the operations and affairs of  
50    all persons, firms and corporations, including public corpora-  
51    tions, offering to furnish or furnishing any service of a kind  
52    defined in this act as a benefit, or any other medical, dental,

1 or hospital service, under any form of organization, including,  
2 but not restricted to, the forms of organization defined herein  
3 as an auxiliary service association or health service insurance  
4 association, without regard to the amount of compensation  
5 paid to any employee or to the amount of the net income of  
6 any person entitled to receive any such benefit thereunder.

7 Sec. 65. The commission may cooperate with public health  
8 officers and agents, both public and private, in the improve-  
9 ment of public health and sanitation and in the promotion  
10 of public education on all matters pertaining to health.

11 Sec. 66. The commission may accept and take and hold  
12 in public trust, either by purchase or by donation or gift,  
13 testamentary or otherwise, or in any other manner, without  
14 restrictions, all real and personal property for the benefit of  
15 this health service insurance system. The commission shall  
16 be vested with the legal title, as trustee for the public, and  
17 with the management and disposition of all of the property  
18 acquired by it pursuant to this section.

19 Sec. 67. The commission shall have power to institute and  
20 prosecute actions and proceedings involving any provision of  
21 this act or the administration thereof; and the commission  
22 may defend any action or proceeding brought against it for  
23 any cause whatever.

24 Sec. 68. The commission shall have the powers of the  
25 head of a department as such powers are specified in section  
26 353 of the Political Code.

27 Sec. 70. In the administration of this act, the commission  
28 may hold and conduct hearings on any disputed matter arising  
29 under the provisions of this act.

30 Sec. 71. Claims shall be filed at such place, in such form,  
31 within such time and in such manner as the commission shall  
32 prescribe. The commission shall have power to determine all  
33 controverted claims and all other controversies arising under  
34 this act, and shall adopt such reasonable rules and regulations  
35 as may be necessary to establish a uniform system therefor  
36 throughout the State, and may designate referees to hear and  
37 determine, in the first instance, any such controverted claim  
38 or other controversy.

39 Sec. 72. Any person adversely affected by a decision of a  
40 referee may, within fourteen days after written notice of such  
41 decision, request a rehearing by the referee who made the  
42 decision. Thereupon such referee shall conduct such rehear-  
43 ing upon the matter after giving reasonable written notice  
44 thereof to all persons affected thereby who appeared at such  
45 prior hearing. Such referee shall render a decision on his  
46 rehearing within such uniform time as the commission may  
47 prescribe and shall give notice thereof to all persons interested  
48 who have appeared therein.

49 All notices required to be given by this act or by any rule  
50 or regulation of the commission shall be in writing and may be  
51 served personally, or deposited in the United States registered

1 mail addressed to the party to be notified at his last known  
2 address.

3 Sec. 73. Any person adversely affected by a decision upon  
4 a rehearing, may within fourteen days after written notice  
5 of such decision, request the commission to review such deci-  
6 sion by filing notice to that effect with the referee who con-  
7 ducted such rehearing, and by filing a copy of such notice in  
8 an office of the commission. Thereupon the commission or any  
9 subcommission thereof shall conduct a hearing upon the mat-  
10 ter after giving reasonable written notice thereof to all per-  
11 sons affected by the decision to be reviewed who have appeared  
12 at either or both of such hearing and rehearing. The com-  
13 mission or any subcommission thereof shall render a decision  
14 within thirty days after its hearing is completed, and shall  
15 give written notice of its decision to all persons affected thereby  
16 who appeared thereat and to all persons who appeared at  
17 either or both of such prior hearing and rehearing.

18 Sec. 74. Any party aggrieved by such action of the com-  
19 mission may make a written demand for a certified transcript  
20 of all the papers on file in the commission's office affecting or  
21 relating to such action and all the evidence taken on the  
22 hearing. Such party shall pay such reasonable fee as the  
23 commission may prescribe for every folio of the transcript  
24 and one dollar for certification thereof. Thereupon, the  
25 commission shall, within thirty days, make and certify such  
26 transcript.

27 Sec. 75. Any party affected by a decision of the commis-  
28 sion may apply to any court of competent jurisdiction for a  
29 writ of review for the purpose of having the lawfulness of  
30 the original order, rule, regulation or decision on rehearing  
31 inquired into and determined. Such review shall not be  
32 extended further than to determine whether or not:

- 33 1. The commission acted without or in excess of its powers;
- 34 2. The order or decision was procured by fraud;
- 35 3. The order, decision, rule or regulation was unreasonable;
- 36 4. If findings of fact were made, such findings of fact sup-  
37 port the order or decision under review.

38 The findings of the commission on questions of fact shall  
39 be conclusive and final and shall not be subject to review.  
40 The commission and each party to the proceeding before the  
41 commission shall have the right to appear in the review pro-  
42 ceeding.

43 The provisions of the Code of Civil Procedure of this State  
44 relating to writs of review shall, so far as applicable and not  
45 in conflict with this act, apply to proceedings in the courts  
46 under the provisions of this section.

47 Such writ of review shall be issued if, but only if, applied  
48 for within the sixty days next succeeding any one of the fol-  
49 lowing occurrences: ⑥

50 (a) Notice of a denial by the commission of an application  
51 for an original hearing;

1 (b) Notice of a denial by the commission of an application  
2 for a review by the commission of a decision made by a referee  
3 upon a rehearing;

4 (c) Notice of a decision by the commission on any matter  
5 heard by the commission either originally or upon a review  
6 after a hearing or a rehearing by a referee.

7 Deposit in the United States registered mail, addressed to  
8 the last address of the applicant made known by him to the  
9 commission, shall constitute communication of notice within  
10 the intent of this section.

11 Sec. 76. The following decisions are final and not subject  
12 to review:

13 (a) The determination of a referee unless proceedings for  
14 rehearing or review thereof are taken as herein provided.

15 (b) The action of the commission in denying or revoking a  
16 privilege or a license or making a decision on a claim, com-  
17 plaint or controversy unless application for review thereof is  
18 made to a court of competent jurisdiction within the time spec-  
19 ified in this act.

20 Sec. 77. The commission and its delegated representatives  
21 shall, in administering any provision of this act or conducting  
22 any hearing or investigation hereunder, have power to adminis-  
23 ter oaths and examine under oath any person or witness,  
24 certify to all official acts, take depositions and issue subpoenas  
25 for the attendance of witnesses and the production of books,  
26 accounts, documents, records or other papers.

27 Sec. 78. In any hearing in any part of the State, the pro-  
28 cess of the commission shall extend to all parts of the State and  
29 may be served by any person capable of serving civil process,  
30 such person to receive such compensation as may be allowed by  
31 the commission but not to exceed the fees allowed by law for  
32 similar service.

33 Sec. 79. Each witness who shall appear in response to a  
34 subpoena shall receive for his attendance the fees and mileage  
35 allowed by law to a witness in a civil action.

36 Sec. 80. In case of the refusal of any witness to attend or  
37 testify or produce any papers as required by such subpoena,  
38 the commission may petition the superior court, in and for the  
39 county in which the particular matter is pending, for its  
40 order requiring the obedience of the witness to the subpoena.  
41 The court shall order the witness to appear at the time and  
42 place designated in such order, which time shall be not more  
43 than ten days from the date of the order then and there to  
44 show cause why he has not obeyed the subpoena, a copy of  
45 which order shall be served upon such witness. If it shall  
46 appear to the court that such subpoena was regularly issued  
47 under this act, the court shall order such witness to obey such  
48 subpoena at a time and place to be designated in such order.

49 Sec. 81. Depositions of witnesses within or without the  
50 State may be taken in the manner prescribed by law for like  
51 depositions in civil actions in the superior court.

1     SEC. 82. Any party to a hearing under this act shall have  
2 the right to reasonable notice thereof and of a written copy of  
3 all charges or other matters of concern to such party which  
4 will be presented at such hearing.

5     SEC. 83. Any party to a hearing under the provisions of  
6 this act shall have the right to the attendance of witnesses  
7 in his behalf at such hearing or upon deposition upon making  
8 request that designated persons be subpoenaed. But the com-  
9 mission may require that any party who requests the issuance  
10 of a subpoena for any attending witness shall pay the mileage  
11 and witness fees of such witness if it shall be made satisfac-  
12 torily evident, and the commission finds, that the said party  
13 had no reasonable ground for believing that the said witness  
14 could give competent, material or relevant evidence sub-  
15 stantially tending to establish such party's claim or answer.

16     SEC. 84. No exception need be entered to any ruling made  
17 in any hearing under this act.

18     SEC. 85. Evidence shall be governed by the rules of the  
19 commission and shall not be subject to common law or statu-  
20 tory rules of evidence and procedure; but such competent,  
21 relevant and material evidence is admissible as will serve to  
22 obtain and preserve the substantial rights of the parties.

23     SEC. 86. The commission shall have power to require a  
24 bond in a reasonable amount of any claimant making applica-  
25 tion for a rehearing before a referee or review before the com-  
26 mission, and may assess costs, including attorney's fees against  
27 a claimant whose claim is disallowed upon such rehearing or  
28 review, but these powers shall be exercised only in those  
29 instances in which the claim is made on trivial grounds, or in  
30 which there is satisfactory evidence and the commission finds  
31 an intent on the part of the claimant to harass the commission  
32 in the discharge of its duties or maliciously to harass an oppos-  
33 ing party in interest.

34     SEC. 87. Attorneys appearing for or on behalf of any  
35 beneficiary under the provisions of this act shall receive only  
36 such compensation therefor from said party as may be fixed,  
37 both as to amount and manner of payment, by the rules of the  
38 commission. The charging or receipt of any other amount of  
39 compensation by such attorney is unlawful.

40     SEC. 88. It shall be a misdemeanor to solicit, by agent or  
41 otherwise, for the purpose of appearing for or on behalf of  
42 any party in any matter instituted by or before the commis-  
43 sion or its referees.

44     SEC. 100. The commission shall prescribe, maintain and  
45 enforce reasonable rules and regulations for professional serv-  
46 ice practice and the obtaining thereof by individuals and health  
47 service insurance associations, including, but not restricted to,  
48 the ratio of the number of physicians or dentists to the num-  
49 ber of members. *The provisions of this section are restricted*  
50 *to regulations by the commission of services and benefits for*  
51 *which compensation is paid from the fund.*

1     Sec. 101. No professional service practitioner shall render  
2 any professional services under this act other than personally;  
3 and nothing in this act shall be construed to authorize payment  
4 of compensation to any physician or dentist for professional  
5 services rendered under this act not rendered by him person-  
6 ally; provided, however, that the commission may in its dis-  
7 cretion recognize not more than two bona fide professional  
8 assistants of any physician or dentist rendering such services  
9 under this act, when it is established to the satisfaction of the  
10 commission that these assistants are not supplanting the per-  
11 sonal services of such physician or dentist. *The provisions of*  
12 *this section are restricted to the rendering of services for*  
13 *which compensation is paid from the fund.*

14     Sec. 102. The rendering of services under this act is a  
15 privilege and any physician or dentist and any regularly  
16 established hospital, or laboratory, or any other person or  
17 agency able and desiring to render services necessary for the  
18 proper furnishing of benefits, shall be entitled to render services  
19 in accordance with the provisions of this act; provided, how-  
20 ever, that the commission, after notice and a full opportunity to  
21 be heard pursuant to the provisions of this act may, upon  
22 determining that good and sufficient cause exists, revoke such  
23 privilege. The following shall be deemed to be good and suffi-  
24 cient cause for revocation of the privilege of rendering services  
25 under this act: fraud, deceit, intent to defraud, gross neglect,  
26 habitual intemperance, habitual use of narcotic drugs, rebate  
27 of fees or charges that will result in the actual rendering of  
28 services at rates below those for fees or charges that may be  
29 established by the commission, solicitation of patients, or any  
30 violation of the Medical Practice Act or Dental Practice Act  
31 of this State; provided, that none of the aforementioned causes  
32 shall justify the revocation of such privilege unless done or  
33 committed while the physician, dentist, hospital, laboratory or  
34 other person or agency was rendering services under the pro-  
35 visions of this act. *for which compensation was paid from the*  
36 *fund.*

37     Sec. 103. In addition to its own action against a physician  
38 or dentist for any of the causes specified as sufficient for the  
39 revocation of the privilege of rendering services under this act,  
40 the commission shall file a complaint with the State Board of  
41 Medical Examiners or the State Board of Dental Examiners,  
42 as the case may be, against any physician or dentist found by  
43 the commission to be guilty of any of the acts specified in the  
44 State Medical Practice Act or State Dental Practice Act as  
45 cause for revocation of license.

46     Sec. 110. Any professional service practitioner proposing  
47 to furnish or furnishing any service of a kind defined in this  
48 act as a professional benefit to the members of any health serv-  
49 ice insurance association shall first obtain a license from the  
50 commission so to do.

51     Sec. 111. Any person, firm, or corporation proposing to  
52 furnish, or furnishing, any service of a kind defined in this

1 act as an auxiliary benefit to members of any health service  
2 insurance association shall first obtain a license from the com-  
3 mission to operate as an auxiliary service association.

4 Sec. 112. Any group of persons proposing to operate, or  
5 operating, in a manner or for a purpose defined in this act as  
6 a health service insurance association shall first obtain a license  
7 from the commission so to do.

8 Sec. 113. Any person, firm, association, or corporation  
9 which, on the effective date of this act, is furnishing to or  
10 obtaining for any person or group of persons any service of a  
11 kind defined in this act as a professional or auxiliary benefit is  
12 a health service insurance association when the costs of such  
13 service or services and the administration thereof are defrayed  
14 from funds derived by any one or more of the following means  
15 or from any one or more of the following sources:

16 (a) The issuance of memberships, certificates, contracts,  
17 or other evidences of rights or privileges to participate in or  
18 use the benefits, services, facilities or activities of the group or  
19 association or of any subsidiary, associated, or affiliated firm,  
20 group, association, or corporation.

21 (b) Donations or contributions from any source for the pur-  
22 pose of obtaining the benefits of professional service practice  
23 or auxiliary insurance service.

24 (c) Appropriations from any fund, except the health service  
25 insurance fund, of this State or any political subdivision or  
26 instrumentality of this State.

27 (d) Any other form of common or pooled moneys, property,  
28 credit, or other resources to be used to obtain or furnish any  
29 benefit, as defined by this act, for or to a person or group of  
30 persons.

31 Sec. 114. Any person, firm, association or corporation  
32 required by this act to obtain a license must make written  
33 application therefor to the commission, which application shall  
34 be verified by or on behalf of the applicant in the same manner  
35 as pleadings are verified in civil actions, and then filed in the  
36 office of the commission.

37 Sec. 115. In such form and in addition to such other  
38 information as the commission may require, such application  
39 with respect to a professional service practitioner shall specify:

40 (a) The rate of compensation to be received in return for  
41 services;

42 (b) References to the character, reputation for personal  
43 integrity and standing of the applicant;

44 (c) Information with respect to the means by which appli-  
45 cant intends to assure the fulfillment of any contract that  
46 applicant may undertake to furnish the benefits of professional  
47 service practice.

48 Sec. 116. In such form and in addition to such other  
49 information as the commission may require, such application  
50 with respect to auxiliary service associations shall specify:

1 (a) A description of the types and kinds of service to be  
2 furnished to those persons entitled to participate in the bene-  
3 fits or activities of such association;

4 (b) A description of the physical facilities to be used in  
5 rendering or furnishing such service;

6 (c) The names and office and residence addresses of the per-  
7 sons who will conduct the business of the association and a  
8 succinct statement of their experience and training;

9 (d) A statement of the fees, dues, rates or other charges  
10 imposed upon members of such association.

11 **Sec. 117.** In such form and in addition to such other  
12 information as the commission may require, such application  
13 with respect to health service insurance associations shall  
14 specify:

15 (a) A description of the types of services to be received by  
16 those persons entitled to participate in the benefits or activ-  
17 ities of such association.

18 (b) A description of the physical facilities to be used in  
19 rendering such service.

20 (c) The names and office and residence addresses of the pro-  
21 fessional service practitioner or practitioners who will furnish  
22 the benefits of professional service practice to the members of  
23 such association and the method of compensation by which  
24 they propose to be paid therefor, and the means and agencies  
25 by which the applicant intends to furnish to its members the  
26 benefits of auxiliary insurance service.

27 (d) The names and office and residence addresses of the  
28 persons who will conduct the business of the association, and a  
29 succinct statement of their experience and training.

30 (e) A statement of the fees, dues, rates, or other charges  
31 imposed upon members of such association and of the fees,  
32 rates or other considerations to be paid for services rendered  
33 to the members.

34 **Sec. 118.** Upon the filing of an application for any of the  
35 licenses hereinabove required, the commission shall examine it  
36 and any other papers and documents filed therewith. The  
37 commission may also require, at the actual expense reasonably  
38 incurred and borne by the applicant, a detailed examination,  
39 audit, and investigation of the applicant and its affairs.

40 **Sec. 119.** Before issuing a license to an applicant for any  
41 of the licenses hereinabove required, the commission must find  
42 that at least the following conditions exist:

43 (a) That the proposed plan of applicant's operations and  
44 activities is fair, just, and equitable.

45 (b) That applicant is not engaged in, and does not propose  
46 to engage in, solicitation, directly or through agents, of mem-  
47 bers, subscribers or beneficiaries.

48 (c) If the application is for either a license to operate an  
49 auxiliary service association or a health service insurance asso-  
50 ciation, that the memberships, certificates, contracts, or other  
51 the benefits, services, facilities, or activities of the association,  
52 evidences of rights or privileges for participation in or use of

1 which the applicant proposes to issue, and the method whereby  
2 the same are proposed to be issued, conform to the rules and  
3 regulations of the commission in regard thereto promulgated  
4 pursuant to the provisions of this act and are not such as will  
5 work a fraud or injustice upon any member, intended bene-  
6 ficiary, or other person.

7 (d) If the application is for a license to operate a health  
8 service insurance association, that applicant is able to provide  
9 adequate benefits of professional service practice or auxiliary  
10 insurance service, or both, as the case may be, and properly to  
11 care for its members according to the standards of service  
12 prescribed by the commission.

13 (e) If the application is for a license to operate a health  
14 service insurance association, that applicant has made, and/or  
15 proposes to make, all investments of funds derived from mem-  
16 bers in compliance with the provisions of section 574 of the  
17 Civil Code, as therein prescribed for investments by savings  
18 and loan corporations.

19 SEC. 120. When the commission has determined that an  
20 applicant for any of the licenses a license hereinabove required  
21 is otherwise entitled to a license, it shall require the applicant  
22 to file with it a bond conditioned both: (1) upon the com-  
23 pliance by applicant with the provisions of this act and with  
24 the rules and regulations of the commission; and (2) upon  
25 the protection of those with whom applicant may have any  
26 dealing against fraud or damage by reason of the applicant's  
27 activities. The penal sum of such bond shall be such sum as  
28 the commission may find to be reasonable but not to exceed  
29 twenty-five thousand dollars (\$25,000), and shall be executed  
30 by a corporation authorized to become a surety upon bonds or  
31 undertakings required or authorized by the laws of this State.

32 In any action against the applicant covered by the con-  
33 ditions of said bond, the surety thereon may be joined with  
34 the applicant, in which case the surety, to the amount of the  
35 bond, will be jointly and severally liable with applicant for the  
36 payment of any judgment rendered against applicant in such  
37 action.

38 SEC. 121. Before granting any license to any applicant,  
39 the commission shall require the applicant to pay to the com-  
40 mission a minimum original fee of:

41 (a) Five dollars for a professional service practitioner's  
42 license.

43 (b) Twenty dollars, for an auxiliary service association's  
44 license.

45 (c) Fifty dollars, for a health service insurance association's  
46 license.

47 *mission a minimum original fee of twenty dollars.*

48 In addition to such minimum original fees, the commission  
49 may charge and collect such fees as may be necessary to defray  
50 the necessary expenses incident to superintendence, control,

1 and regulation of each of said classes of such licenses respec-  
2 tively, and regulation of such licenses.

3     Sec. 122. When the commission has approved the bond  
4 which has been filed by the applicant and when the applicant  
5 has paid the prescribed fee therefor, the commission shall issue  
6 to the applicant a license. Such license shall remain in force  
7 and effect unless suspended or revoked until the thirtieth day  
8 of June next following; and thereafter the licensee must renew  
9 its license annually subject to the same conditions as applied  
10 to its original license, each renewal to expire on the succeeding  
11 thirtieth day of June. The commission before renewing a  
12 license shall require the licensee to pay the commission a  
13 renewal fee. The amount of such renewal fee shall be fixed in  
14 the same manner and subject to the same requirements as are  
15 herein prescribed for original fees.

16     Sec. 123. After notice and hearing, the commission may  
17 suspend or revoke the license of any licensee for failing to con-  
18 form to any of the standards prescribed by this act or to any  
19 of the rules or regulations of the commission promulgated pur-  
20 suant to the provisions of this act. Any such hearing shall be  
21 subject to all the provisions of this act relating to hearings  
22 before the commission and review thereof.

23     Sec. 124. Every representation by a health service insur-  
24 ance association, with respect to the diagnosis, treatment, or  
25 other medical or dental services available to its members, must  
26 include a statement containing the name and address of each  
27 physician or dentist by whom such diagnosis, treatment or  
28 service will be given.

29     Sec. 130. Benefits shall be available to the extent and  
30 under the conditions of this act at a time set by the commis-  
31 sion, and not later than December 1, 1936, to an employee and  
32 his dependent spouse and minor children. An employee or  
33 his dependent spouse or minor child shall not be entitled to  
34 benefits under this act unless he or she shall be or become a  
35 resident of and physically within this State or unless he or  
36 she shall be physically within this State and shall have satis-  
37 factorily passed such physical examination as the commission  
38 may prescribe, within ten days immediately preceding becom-  
39 ing so entitled. But no constrained inmate of a penal institu-  
40 tion or of an institution for the insane and no person com-  
41 mitted to an institution for the feeble-minded shall become  
42 entitled to receive any benefits provided in this act.

43     Sec. 131. No benefits shall be paid for by the commission  
44 unless:

45     (a) There shall be paid by or on behalf of the beneficiary  
46 to the commission for any one sickness or injury, fifty per cent  
47 of the cost of the first professional visit and twenty-five per  
48 cent of the maintenance cost of the first day's hospitalization,  
49 collection thereof to be made at such time and in such manner  
50 as may be prescribed by the commission.

1 (b) If an employée, he has had not less than ten days of  
2 employment within the three months preceding the day on  
3 which benefits are claimed.

4 (c) He be the dependent of an employee, and such employee  
5 has had not less than ten days of employment within the three  
6 months preceding the day on which benefits are claimed.

7 SEC. 132. Primary benefits shall include:

8 Class one: The services of a physician who is a professional  
9 service practitioner and who shall be chosen by the patient,  
10 who shall give preventive, diagnostic, or therapeutic treatment  
11 and care to the patient at the physician's office, the patient's  
12 home, a hospital, or elsewhere as the case, in the opinion of  
13 the physician, may warrant.

14 Class two: The services of laboratories when prescribed by  
15 the attending physician.

16 Class three: The services of a dentist who is a professional  
17 ~~service practitioner and who shall be chosen by the patient, for~~  
18 ~~the extraction of teeth, and on the prescription of the attend-~~  
19 ~~ing physician, such other therapeutic dental services as may~~  
20 ~~be authorized by the commission: service practitioner for the~~  
21 ~~extraction of teeth, for which services he shall be chosen by~~  
22 ~~the patient; and for the treatment of acute infections of the~~  
23 ~~teeth, gums, and alveolar processes, and bone adjacent thereto,~~  
24 ~~or fractures of the jaws, which services may be rendered at~~  
25 ~~the request of the patient or by reference of the patient by an~~  
26 ~~attending physician.~~

27 Class four: Prenatal and maternity treatment and care at  
28 the physician's office, at home, in hospital, or elsewhere as the  
29 case, in the opinion of the physician, may warrant.

30 Class five: Maintenance and care in hospital, *the use of the*  
31 *physical equipment, materials and nonprofessional technical*  
32 *services of X-ray, clinical and other hospital laboratories,* and  
33 nursing care as may be prescribed by the attending physician.

34 Class six: Infants and children up to fourteen years of age  
35 shall receive not only sickness and injury benefits, but health  
36 supervision and preventive medical care as the commission  
37 may prescribe.

38 Class seven: Essential drugs and medicines.

39 SEC. 133. The amounts of primary benefits to be furnished  
40 to a patient suffering from any one illness or injury shall be  
41 limited as follows:

42 Class one: Twenty-six weeks.

43 Class two: On the prescription of the attending physician.

44 ~~Class three: On the prescription of the attending physician~~  
45 ~~except for the extraction of teeth. Class three: Thirteen~~  
46 ~~weeks.~~

47 Class four: When necessary, maintenance and care in hos-  
48 pital and nursing care limited as in class five hereunder.

49 Class five: One hundred eleven days, of which the first  
50 twenty-one days shall be without charge to the patient except  
51 for charges expressly imposed by this act, and the remaining  
52 ninety days at a charge to such patient equal to fifteen per

1 cent (15%) of the daily maintenance cost of such benefit;  
2 provided, however, that any beneficiary over sixty-five years of  
3 age shall receive said benefits for not to exceed ninety days in  
4 any consecutive one hundred four weeks, subject to the same  
5 provisions for the first twenty-one days and the last sixty-nine  
6 days as are above set forth; provided, that any beneficiary may  
7 at his expense receive these benefits beyond the limits above  
8 specified at the same basic maintenance cost paid by the com-  
9 mission.

10 Class six: For sickness and injury, as above specified; for  
11 health supervision and preventive medical care, as the commis-  
12 sion may prescribe.

13 Class seven: On the prescription of the attending physician  
14 under uniform rules and regulations to be prescribed by the  
15 commission.

16 The foregoing periods and services may be shortened and  
17 reduced by the commission by reasonable, uniform regulations,  
18 if the resources of the fund make such action necessary or  
19 advisable in its opinion.

20 *The foregoing periods and services may be lengthened and*  
21 *increased by the commission by reasonable, uniform regu-*  
22 *lations if, in its opinion, the resources of the fund permit such*  
23 *action and the public interest makes such action necessary or*  
24 *advisable.*

25 134. Whenever the commission finds that the revenues of  
26 the fund justify provision of benefits in addition to the pri-  
27 mary benefits it may from time to time provide for the furnish-  
28 ing of all or a part of the following additional benefits:

29 (a) Drugs and medicines other than those included in pri-  
30 mary benefits and medical and surgical appliances as may be  
31 prescribed by the attending physician.

32 (b) Nursing service outside of the hospital as may be pre-  
33 scribed by the attending physician.

34 (c) Institutional care for convalescents.

35 (d) The commission shall designate types of dental restora-  
36 tions or replacements or other dental services to be allowed as  
37 additional benefits hereunder. The commission shall, however,  
38 permit the beneficiary and his dentist to designate the type of  
39 dental restorations or replacements and other dental service or  
40 services.

41 The commission may:

42 (1) Pay the whole cost of the dental service rendered; or

43 (2) Such fractional cost thereof as the commission may  
44 determine; or

45 (3) Allow a maximum dental expenditure exclusive of  
46 dental extractions for each beneficiary for any given period or  
47 periods.

48 (d) The commission may provide for other dental services  
49 to be allowed as additional benefits hereunder, permitting the  
50 beneficiary and his dentist to select the type of dental restora-  
51 tions or replacements, or other dental service or services.

1     *The commission may:*

2     (1) *Pay the total cost of the dental service rendered; or*

3     (2) *Such fractional cost thereof as the commission may*  
4 *determine; or*

5     (3) *Allow a maximum total or a fractional cost of dental*  
6 *expenditure, exclusive of the primary benefits provided by*  
7 *class three in section 132, for any beneficiary for any given*  
8 *period or periods.*

9     The benefits provided by this section may be referred to as  
10 "additional benefits."

11     SEC. 135. When a person ceases to be an employee, he  
12 shall, from the date he ceased to be such employee, nevertheless  
13 be considered an employee for an extended period equal to  
14 one week for every five weeks during which contributions with  
15 respect to such employee have been made; provided, that such  
16 extended period shall not become greater than one year. In  
17 the event of his death during such extended period, his depend-  
18 ents shall be entitled to all benefits to which they would have  
19 been entitled had he remained alive for the entire extended  
20 period.

21     SEC. 136. When any employer establishes to the satis-  
22 faction of the commission that its employees have been, and, on  
23 the effective date of this act, and at the time of such employer's  
24 application for the certificate provided for in this section, are  
25 receiving the same or equivalent medical, surgical, dental, hos-  
26 pital and other services, provided for other employees by this  
27 act, from its existing hospital department and the personnel  
28 thereof, as then organized, conducted and operated, the com-  
29 mission shall issue to said employer a certificate of compliance,  
30 and the employees of such employer may continue to receive  
31 the said benefits from and as furnished and provided by the  
32 hospital department of their said employer in lieu of the  
33 benefits furnished under the provisions of this act.

34     Under such conditions said employer and employees shall be  
35 considered as complying with this act; and provided further,  
36 that the commission shall have the power, by resolution after  
37 a hearing, to determine from time to time whether any such  
38 organization, hospital department or corporation and the  
39 employees contributing thereto, or the members thereof, are  
40 in compliance with this act.

41     The commission shall, when it issues such certificate of com-  
42 pliance, approve the reasonable sum paid to the hospital  
43 departments of such employer for the furnishing of the benefits  
44 extended by it to its employees, and arrange for the payment  
45 of the remainder of the contributions in respect to the said  
46 employees to the commission for the furnishing of the benefits  
47 of health service insurance to their spouses and dependent  
48 minor children under the provisions of this act; provided  
49 further, that if such employer so elects, and meets the stand-  
50 ards of the commission, it may be licensed to serve as a health  
51 service insurance association to care for the employees and/or  
52 their spouses and dependent minor children.

1       Sec. 137. No similar benefits shall be provided or allowed  
2 for any person entitled, for the same physical causes, to  
3 medical, dental, hospital, or other treatment or care under any  
4 workmen's compensation insurance act or employer's liability  
5 act of this State or of the United States of America.

6       In the event of any doubt as to whether or not any bene-  
7 ficiary would be entitled, for the same physical causes, to a  
8 similar benefit from any other source, the benefits provided by  
9 this act shall be promptly furnished and the commission shall  
10 be reimbursed therefor as provided in this act.

11       Sec. 138. If any benefit is furnished to any person who,  
12 by reason of the same sickness or injury, has a claim for com-  
13 pensation or damages (including costs of or liability for  
14 medical care), under any workmen's compensation insurance  
15 act or any employer's liability act of this State, or of the  
16 United States of America, or otherwise, against his employer  
17 or against any other person, firm, or corporation for causing  
18 such sickness or injury and for the damages resulting there-  
19 from, the commission shall, to the extent of the disbursement  
20 for furnishing such benefit, have a prior right to be reimbursed  
21 from any sum or damages which such person is entitled to  
22 receive by way of compensation or damages, by suit, settle-  
23 ment, voluntary payment or judgment, and the commission  
24 shall, to such extent, be subrogated to such claim. After hav-  
25 ing received notice that the commission is entitled to reim-  
26 bursement and is subrogated as provided in this section, the  
27 payment of any sum of money or delivery of any thing of  
28 value to such person by way of such compensation or damages  
29 without first reimbursing the commission for such disbursement  
30 shall render the employer or other person, firm, or corporation  
31 making such payment or delivery liable to damages, at the  
32 suit of the commission, in such sum as may be necessary to  
33 reimburse the commission to the extent of such disbursement.

34       Sec. 139. If the person furnished such benefit and having  
35 such claim for compensation or damages (including costs of or  
36 liability for medical care) unreasonably refuses or neglects to  
37 commence action or to institute proceedings to enforce and  
38 collect such claim, the commission may either:

39       (a) Recover from the person furnished such benefit such  
40 sum as may be necessary to reimburse the commission to the  
41 extent of the disbursement for so furnishing the benefit to  
42 such person; or

43       (b) Take such action or institute such proceeding, in the  
44 name and on behalf of such person, to recover such claim  
45 for compensation or damages (including costs of or liability for  
46 medical care) from the one liable to such person therefor, in  
47 which case any sum recovered by settlement or judgment as  
48 the result of such action or proceeding, after deducting the  
49 costs, shall be used first to reimburse the commission to  
50 the extent of its disbursement, and any balance thereof remain-  
51 ing shall be paid to such person having such claim.

1 Nothing in this act shall affect or diminish any physician's,  
2 dentist's, nurse's, hospital's, or other agency's claim for the  
3 value of services rendered by them, whether or not paid for  
4 under this act, in any such action brought to recover such  
5 compensation or damages.

6 SEC. 140. If an employee himself pays for care or treat-  
7 ment when sick or injured because of a dispute over his right  
8 to be furnished such care or treatment under this act, he  
9 shall be reimbursed therefor by the commission from the fund  
10 when it is determined, at a hearing before the commission  
11 under its jurisdiction as elsewhere provided in this act, that he  
12 should have received such benefit under the provisions of  
13 this act.

14 SEC. 150. The commission shall be authorized to enter into  
15 contracts and agreements with persons, firms or corporations  
16 to furnish benefits upon the terms and conditions provided  
17 in this act. Said agreements shall provide for benefits for  
18 such periods of time and contain such other reasonable terms  
19 and provisions consistent with this act as the commission  
20 shall prescribe.

21 SEC. 151. The commission shall, by contractual engage-  
22 ments or other undertakings, make all the primary benefits  
23 enumerated in this act available to any resident of this State  
24 who is neither an employee nor the dependent of an employee  
25 within the meaning of this act, subject, however, to all of  
26 the following four enumerated conditions:

27 (a) The net annual income of the resident from all sources  
28 together with that of his spouse shall not be in excess of  
29 three thousand dollars; and

30 (b) The resident, or some person or agency as hereinafter  
31 described acting on his behalf, shall have paid in advance  
32 the premium or premiums prescribed by the commission; and

33 (c) Within ten days of the time at which he is to become  
34 a beneficiary the resident shall either:

35 (1) Have passed a physical examination prescribed by the  
36 commission; or

37 (2) Have been a beneficiary under the provisions of this  
38 act relating to employees and their dependents; or

39 (3) Have been born in the State of California to parents  
40 at least one of whom since the birth of said child has con-  
41 tinued to be a beneficiary.

42 (d) The person is not a constrained inmate of any penal  
43 institution or of any institution for the insane and is not  
44 one committed to an institution for the feeble minded.

45 SEC. 152. Subject to all of the conditions enumerated in  
46 this act, the following persons and entities may contract for  
47 health service insurance with the commission:

48 (a) A resident on his behalf, and on behalf of his depend-  
49 ents;

50 (b) The United States of America or any department,  
51 bureau or commission thereof or any foreign State upon

1 behalf of any or all of its officers, employees and agents and  
2 their dependents who are residents of this State;

3 (c) Any political subdivision of this State and any instru-  
4 mentality of this State on behalf of any of its residents, the  
5 care of whose health is imposed upon it by law;

6 (d) Any competent person on behalf of any person who  
7 is made eligible to the benefits of this act subject to the pro-  
8 visions of this act relating to conditions precedent to eligibility  
9 for the right to contract for benefits.

10 The commission shall also undertake under equitable con-  
11 ditions and for an equitable contribution from any lawful  
12 source or fund to make the benefits of this act available to  
13 any class of residents on whose behalf the State of California  
14 assumes the burden of providing the benefits enumerated in  
15 this act.

16 Sec. 153. The commission shall be competent to enter into  
17 contractual engagements and other undertakings concerning  
18 health service insurance on behalf of the State of California,  
19 and any such contract or undertaking shall specify among  
20 other things:

21 (a) The length of time during which such engagements and  
22 undertakings shall subsist;

23 (b) The manner and time of paying premiums and other  
24 contributions under such engagements and undertakings;

25 (c) The amounts of premiums and other contributions to  
26 be paid under such engagements and undertakings;

27 (d) The manner and conditions of novation of such engage-  
28 ments and undertakings; and

29 (e) Such other conditions as may be reasonably necessary  
30 for the equitable administration of such engagements and  
31 undertakings.

32 Sec. 154. In order equitably to distribute the costs of  
33 benefits among those who contribute to the fund, whether as  
34 employees or otherwise, the commission may from time to  
35 time establish and alter systems of premium rates giving effect  
36 to differences of costs as between those who are required to  
37 be beneficiaries and those who become beneficiaries by contract  
38 or other undertakings with the commission pursuant to the  
39 provisions of this act. In fixing such premium rates, estab-  
40 lished actuarial principles shall be followed, in determining  
41 differences in costs between those required to be beneficiaries  
42 and those who become beneficiaries by contract with the com-  
43 mission or by other undertakings, arising because of the fol-  
44 lowing:

45 (a) Costs of making the physical examinations authorized  
46 by or provided in this act;

47 (b) Costs of administration;

48 (c) Average morbidity rates;

49 (d) Average number of dependents; and

50 (e) Such other differences as are necessary to uniform and  
51 equitable distribution of the costs of benefits.

1 In giving effect to the foregoing subsections of this section,  
2 all premiums shall be directly proportional to the average  
3 annual net income of the beneficiary and his spouse; provided,  
4 that the minimum premium shall not be less than the premium  
5 determined with respect to an average net income of one  
6 thousand dollars a year. Premiums determined under this  
7 section shall not depend, in the instance of any particular  
8 family; upon the number of persons in a family composed of  
9 parents and dependent minor children.

10 When no general State tax on the annual net income of  
11 natural persons is in effect, the annual net income, for the  
12 purposes of this act, of a person and his spouse shall be deter-  
13 mined with respect to the next preceding completed calendar  
14 year and shall be deemed to be the sum of the following  
15 enumerated items:

16 (a) Their total wage earnings, fees, and other emoluments  
17 for personal services received during the said calendar year,  
18 whether as employees or otherwise; plus

19 (b) An amount determined as follows:

20 (1) Their withdrawals in money or the equivalent from  
21 asset funds devoted, previously to the said withdrawals, to  
22 their principal trade, business, or other gainful occupation;  
23 minus

24 (2) Their investments during the year in money, or the  
25 equivalent in their principal trade, business or other gainful  
26 occupation, of any funds not devoted, previously to the said  
27 principal trade, business or other gainful occupation; and

28 (c) Plus an amount equal to seven per cent of all their real  
29 and personal property not primarily used or held for use  
30 either in their principal trade, business, or other gainful occu-  
31 pation or primarily used or held for use in their domestic  
32 establishment or for both such classes of use, valued at their  
33 reasonable market value as of December 31 of the said calendar  
34 year; provided, that all choses in action shall be deemed to  
35 be property coming within the meaning of this subsection and  
36 subject to its provisions.

37 When the annual net income of natural persons is made the  
38 basis of any general State tax, the annual net income of a  
39 person and his spouse shall, for the purposes of this act, be  
40 determined with respect to the next preceding completed  
41 taxable year and shall be deemed to be the sum of the follow-  
42 ing enumerated items:

43 (a) Their net taxable income under the said income tax  
44 act; plus

45 (b) Their income from all sources, realized in money, that  
46 is either:

47 (1) Not taxable by the State; or

48 (2) Taxable by the State but not taxed under the said  
49 income tax act.

1 In no event shall the income of a person and his spouse, if  
2 neither is an employee, be deemed, for the purpose of deter-  
3 mining any premium for voluntary health service insurance,  
4 to be less than one thousand dollars (\$1,000) a year.

5 The commission shall have power to prescribe the forms  
6 requiring the disclosure of all facts material for determining  
7 net income, and the manner of reporting thereon, for all deter-  
8 minations of net incomes of persons for the purposes of this  
9 act and shall have power to withhold and shall withhold all  
10 benefits under this act from all persons who shall fail to pre-  
11 sent, under oath within a reasonable time after demand by  
12 the commissioner, signed statements in writing on the pre-  
13 scribed forms showing that their incomes entitle them to  
14 receive the benefits of this act; provided, that during such  
15 time of withholding of benefits from any such person and his  
16 dependents, or any of them, the sums payable by employers  
17 with respect to employees under this act, or with respect to  
18 any person procuring voluntary health service insurance under  
19 this act, shall continue to be payable, but the commission shall  
20 hold all sums paid during such time in trust for the person  
21 paying said sums pending the establishment of the income  
22 status of the person from whom or from whose dependents  
23 benefits are being withheld.

24 The commission, for the purpose of ascertaining the correct-  
25 ness of any verified statement or for the purpose of making an  
26 estimate of the net income of any person, shall have power to  
27 examine or cause to be examined by any agent or representa-  
28 tive designated by it for that purpose, any books, records or  
29 memoranda, bearing upon the matters required to be included  
30 in the verified statement.

31 Sec. 155. The commission shall by contractual engage-  
32 ments and other undertakings make available to employees and  
33 to other voluntary subscribers thereto any one or more of the  
34 additional benefits provided for by this act under the condi-  
35 tions set forth in this act with respect to primary benefits.  
36 The commission shall be competent to enter into such under-  
37 taking on behalf of the State of California in accordance with  
38 the conditions enumerated in this act with respect to contrac-  
39 tual agreements and other undertakings relating to primary  
40 benefits.

41 In order equitably to distribute the cost of additional ben-  
42 efits to be made available to those voluntarily subscribing  
43 thereto, either on behalf of themselves, or on behalf of them-  
44 selves and their dependents or on behalf of others, the com-  
45 mission may from time to time establish and alter systems of  
46 premium rates giving effect, in accordance with established  
47 actuarial principles, to the following variable characteristics:

- 48 (a) Costs of physical examinations;
- 49 (b) Differences of average morbidity rates as among the
- 50 several items for which additional benefits may be authorized;
- 51 (c) Differences in costs of the several benefit items which
- 52 may be authorized; and

1 (d) Differences in average number of persons per family as  
2 between those eligible for primary benefits and those subscrib-  
3 ing for additional benefits.

4 But the premium rates determined for particular benefits or  
5 for particular combinations of benefits shall not depend upon  
6 the number of persons in a family consisting of parents and  
7 dependent minor children. The system of premium rates pro-  
8 vided for in this section shall be such that the total cost of  
9 additional benefits subscribed to shall be borne by those who  
10 pay such premiums.

11 SEC. 156. The commission shall from time to time make  
12 rules for the reduction, postponement, suspension, or termina-  
13 tion of the right of a resident and his dependents to receive  
14 any or all benefits hereunder because of nonpayment of pre-  
15 miums, for the methods by which unpaid premiums may be  
16 paid, and for the reinstatement of the right to receive all or a  
17 portion of such benefits by payment of past and present unpaid  
18 premiums.

19 SEC. 157. During the period of a resident's illness  
20 entitling him to benefits hereunder, payment by him of pre-  
21 miums for himself and his dependents may be suspended, pre-  
22 miums accruing during such period to be later paid as may  
23 reasonably be prescribed by the commission.

24 SEC. 158. If she engages in no gainful occupation during  
25 such period, a woman paying premiums hereunder shall not  
26 be required to pay any premium with respect to the period  
27 beginning six weeks before childbirth and ending six weeks  
28 thereafter.

29 SEC. 170. There is hereby created the health service insur-  
30 ance fund which shall be administered by the commission.

31 SEC. 171. The liability of the State of California under  
32 any provision of this act is limited to the resources of the fund  
33 and the State shall not be liable under any condition or in any  
34 circumstance for any amount which can not be recovered from  
35 or paid out of the fund.

36 SEC. 172. All moneys received by the commission shall be  
37 paid over to the State Controller and by him deposited in the  
38 State treasury of this State and credited to the "Health service  
39 insurance fund" hereinabove created and to the particular  
40 account specified by the commission.

41 Compensation for all benefits, all expenses of administration  
42 and all other charges which accrue by reason of the provisions  
43 of this act shall be paid from the fund.

44 The Controller shall issue no warrants upon the Treasurer  
45 for any disbursement, other than in the making of investments  
46 of surplus funds and of reserve funds, except upon the order  
47 of the commission. The commission shall allocate the fund to  
48 the respective fund accounts against which all warrants are to  
49 be drawn and shall indicate on each order upon the Controller  
50 the account against which the warrant is to be drawn.

1     Sec. 173. The State Treasurer shall be custodian of the  
2 fund and shall make disbursements therefrom only in the man-  
3 ner provided by law. He shall execute an additional official  
4 bond in the penal sum of fifty thousand dollars conditioned  
5 upon the faithful performance of his duties under this act. He  
6 shall deposit such portion of the fund as is not required for  
7 immediate use in the manner authorized by law for other State  
8 funds in his custody. All interest earned thereby shall accrue  
9 to the fund and shall be credited to the several fund accounts  
10 in proportion to their average daily balances.

11     Sec. 174. In the manner provided by law any surplus or  
12 reserve in the fund may be invested in securities which are  
13 legal investments for the moneys of the State of California.  
14 Said securities may be converted into money. All such surplus  
15 or reserves shall remain in the custody of the State Treasurer  
16 regardless of whether they be in the form of cash or securities.

17     Sec. 175. All receipts and disbursements under the vol-  
18 untary provisions of this act shall be accounted for separately  
19 from the receipts and disbursements under the mandatory pro-  
20 visions of this act. All costs of administration referable to the  
21 voluntary provisions of this act shall be charged to the expense  
22 accounts of voluntary health service insurance and all costs of  
23 administration referable to the mandatory provisions of this  
24 act shall be charged to the expense accounts of mandatory  
25 health service insurance.

26     All receipts and disbursements occurring by reason of addi-  
27 tional benefits under this act shall be accounted for separately  
28 from receipts and disbursements occurring by reason of pri-  
29 mary benefits under this act. All administrative costs referable  
30 to the administration of additional benefits shall be charged to  
31 the expense accounts of additional benefits.

32     All administrative expenses not directly attributable to or  
33 referable to any particular class of health service insurance  
34 shall be distributed, in proportion to their average daily  
35 balances, among the following classes of accounts:

36     (a) Expense accounts for mandatory health service insur-  
37 ance of primary benefits;

38     (b) Expense accounts for voluntary health service insur-  
39 ance of primary benefits;

40     (c) Expense accounts for additional benefits.

41     Sec. 176. From and after ninety days after the effective  
42 date of this act, every employer other than the State, and other  
43 than an employer to whom a certificate of compliance has been  
44 issued and is in effect, shall pay to the commission an amount  
45 equal to five per cent of the wages paid to his employees, other  
46 than casual employees, during any calendar month; provided  
47 that, from the amount thus made payable, any employer may  
48 deduct an amount equal to one-half of one per cent of the wages  
49 paid to those of his employees who are entitled to benefits under  
50 this act and any workmen's compensation or employer's liabil-  
51 ity act.

1 Said amounts, so adjusted by such deductions, shall be paid  
2 to the commission not later than the fifteenth day of the cal-  
3 endar month next following the month in which said wages  
4 were paid.

5 It shall be unlawful for any employer subject to this section  
6 to deduct from the wage of any employee, with respect to whom  
7 any amount is payable under this section, a sum greater than  
8 three and one-half per cent of the wage of such employee.

9 SEC. 177. From and after ninety days after the effective  
10 date of this act every employer, other than the State and other  
11 than one to whom a certificate of compliance has been issued  
12 and is in effect, shall pay to the commission with respect to each  
13 of his casual employees an amount equal to twelve cents per  
14 calendar day from and including the day on which the employ-  
15 ment is begun to and including the day on which the employ-  
16 ment is concluded. Such amounts shall be paid to the commis-  
17 sion not later than the fifteenth day of the month next follow-  
18 ing the month in which the employer pays the wage of such  
19 casual employee.

20 If a casual employee concludes a casual employment and, on  
21 the same day, begins one or more other casual employments,  
22 only one payment to the commission with respect to that day  
23 shall be made; and such payment shall be made by the employer  
24 for whom the said employee first worked on that day. The  
25 commission may direct that at the conclusion of each casual  
26 employment the employer shall give to each casual employee a  
27 signed statement in writing on the form prescribed by it, show-  
28 ing the beginning date and the closing date of the employment.

29 SEC. 178. From and after ninety days after the effective  
30 date of this act, every employee of the State, *subject to the*  
31 *provisions of this act* other than a casual employee, whose  
32 wage is paid from funds directly controlled by the State shall  
33 pay to the commission such sum as will equal three and one-  
34 half per cent of his wage. The head of each State office or  
35 department shall apply such rate of payment to such  
36 employee's wage and shall certify to the State Controller on  
37 each and every pay roll the amount to be paid and shall  
38 furnish immediately to the commission a copy of each  
39 and every such pay roll; and each such amount shall be  
40 deducted by the head of each office or department and shall be  
41 remitted to the commission, and record thereof shall be made  
42 by the commission. Payment of salaries or wages less such  
43 payment shall be full and complete discharge and acquittance  
44 of all claims and demands whatsoever for the service rendered  
45 by employees during the period covered by such payment,  
46 except their claims to the benefits to which they may be  
47 entitled under the provisions of this act.

48 The provisions of this section shall apply to all casual  
49 employees of the State *subject to the provisions of this act*  
50 and payments for them to the commission except that, in  
51 lieu of three and one-half per cent of the wage, such casual  
52 employees shall pay twelve cents for each calendar day of

1 employment from and including the day of beginning of  
2 the casual employment to and including the day of conclud-  
3 ing such casual employment.

4 Sec. 179. From and after ninety days after the effective  
5 date of this act, there shall be paid into the health service  
6 insurance fund by the State from the general fund and from  
7 every other fund out of which wages are paid to employees,  
8 the following:

9 One and one-half per cent of all wages paid to employees  
10 *subject to the provisions of this act* other than casual  
11 employees; provided, that, from the amount thus made pay-  
12 able, there shall be an allowable deduction equal to one-half  
13 of one per cent paid to such employees as are entitled to  
14 benefits under this act and any workmen's compensation or  
15 employer's liability act.

16 Sec. 180. All the moneys now or hereafter paid into the  
17 health service insurance fund are hereby appropriated, to be  
18 expended by the commission in accordance with law for the  
19 administration of and to carry out the purposes of this act.  
20 Such moneys shall be paid into the fund from the following  
21 sources and subject to the following restrictions and condi-  
22 tions:

23 (a) On the date this act takes effect, there shall be trans-  
24 ferred to the fund out of the general fund of the State, as a  
25 loan, the sum of one hundred thousand dollars (\$100,000).  
26 Thereafter, whenever on the last day of any month there is in  
27 the health service insurance fund the sum of six hundred thou-  
28 sand dollars (\$600,000) in excess of the probable disburse-  
29 ments from the fund for the next succeeding month, the com-  
30 mission shall thereupon transfer the one hundred thousand  
31 dollars (\$100,000), so borrowed, from the health insurance  
32 fund to the general fund.

33 (b) (a) From and after ninety days after the effective date  
34 of this act, there shall be paid monthly out of the general fund  
35 into the health service insurance fund a sum equal to one and  
36 one-half per cent, less allowable deductions of one-half of one  
37 per cent, of the total wages paid to said employees, other than  
38 casual employees, subject to this act, whose wages are paid  
39 from the general fund. The commission shall certify to the  
40 State Controller at the end of each month the total amount  
41 of wages paid such employees, and the Controller shall there-  
42 upon transfer one and one-half per cent, less allowable deduc-  
43 tions of one-half of one per cent, of the amount so certified  
44 from the general fund of the State to the health service insur-  
45 ance fund.

46 (c) (b) From and after ninety days after the effective date  
47 of this act, in addition to such payments out of the general  
48 fund, there shall be paid monthly into the health service insur-  
49 ance fund out of every other fund in the State treasury from  
50 which the wages of employees, other than casual employees,  
51 subject to this act, are paid, a sum equal to one and one-half  
52 per cent, less allowable deductions of one-half of one per cent,

1 of the total wages paid such employees from such fund. The  
2 commission shall certify to the State Controller at the end of  
3 each month the total amount of wages paid such employees  
4 from each such fund, and the Controller shall thereupon trans-  
5 fer one and one-half per cent, less allowable deductions of  
6 one-half of one per cent, of the amount so certified from each  
7 such fund, respectively, to the health service insurance fund.

8 ~~(d)~~ (c) Such other sources from which moneys are to be  
9 paid into the fund pursuant to this act.

10 SEC. 181. The commission may draw, without at the time  
11 furnishing vouchers and itemized statements, sums not to  
12 exceed in the aggregate five hundred thousand dollars, said  
13 sums so drawn to be used as a revolving fund.

14 SEC. 182. No injunction or writ of mandate or other legal  
15 or equitable process shall issue in any suit, action or proceed-  
16 ing in any court against the commission or against any officer  
17 or agent thereof to prevent or enjoin under this act the col-  
18 lection of any payment sought to be collected; but after any  
19 such payment made under protest, duly verified and setting  
20 forth the grounds of objection to the legality of such permit,  
21 the person making such payment may bring an action against  
22 the commission in a court of competent jurisdiction in the  
23 county of Sacramento for the recovery of the payments so paid  
24 under protest. No such action may be instituted more than  
25 sixty days after the payment becomes due and payable, and  
26 failure to bring suit within said sixty days shall constitute  
27 waiver of any and all demands against this State on account of  
28 alleged overpayment hereunder. No grounds of illegality of  
29 the payment shall be considered by the court other than those  
30 set forth in the protest filed at the time of such payment.

31 If, in any such action, judgment is rendered for the plain-  
32 tiff, the amount of the judgment shall first be credited on any  
33 payments due from the plaintiff under this act, and the bal-  
34 ance of the judgment shall be refunded to the plaintiff. In  
35 any such judgment, interest shall be allowed at the rate of  
36 six per cent per annum upon the amount of payment found  
37 to have been illegally collected from the date of such pay-  
38 ment to the date of allowance of credit on account of such  
39 judgment or to a date preceding the date of the refund war-  
40 rant by not more than thirty days, such date to be determined  
41 by the Controller.

42 In no case shall any judgment be rendered in favor of the  
43 plaintiff in any action brought against the commission to  
44 recover any payment hereunder, when such action is brought  
45 by or in the name of an assignee of the person making such  
46 payment, or by any person other than the person who has  
47 made such payment.

48 SEC. 190. Every employer shall make and keep open to  
49 examination by the commission, such records of employment  
50 of his employees, of wages paid to his employees, of sums paid  
51 to the commission by him pursuant to this act, and of such  
52 other employment and pay roll data as the commission may

1 reasonably prescribe. Every employer shall make such  
2 reports to the commission concerning such records as the com-  
3 mission may prescribe. The records or reports so furnished  
4 to the commission and all other records and reports furnished  
5 to the commission shall be deemed to be confidential com-  
6 munications within the meaning of the Code of Civil Pro-  
7 cedure, section 1881.

8 Sec. 191. The commission may compile tabulations of the  
9 data furnished by employers to the commission from records  
10 kept with respect to employees for the use and information  
11 of State departments and of the public, but such reports shall  
12 in no event be in such form as to enable any person other than  
13 those charged with the administration of this act to identify  
14 therein any employer or any employee.

15 Sec. 192. Any patient wilfully failing or refusing to fol-  
16 low the instructions or course of treatment prescribed by the  
17 attending physician shall not be entitled to any further bene-  
18 fits for the particular sickness or injury.

19 Sec. 193. Nothing in this act shall be construed as author-  
20 izing any corporation or any person other than the holder of  
21 a valid and unrevoked "physician and surgeon certificate" or  
22 license to practice dentistry in the State of California, to prac-  
23 tice medicine or dentistry, or to furnish the services of physi-  
24 cians or dentists.

25 Sec. 194. The commission shall make available, under  
26 reasonable rules and regulations, provision for medical or  
27 dental consultation at the request of the attending physician  
28 or dentist; and if in its own judgment such professional con-  
29 sultation is essential to the most effective application of the  
30 benefits specified in this act, it shall order such consultation  
31 as it deems necessary and may require compliance by the  
32 attending physician or dentist with the recommendations  
33 resulting therefrom.

34 Sec. 195. No act, rule, or regulation of the commission  
35 shall abridge, modify, curtail, derogate, prohibit, or in any way  
36 interfere with the right of a beneficiary to make a free choice  
37 of physicians, dentists, or hospitals entitled under this act to  
38 render services. Such choice may be restricted in the case of  
39 employees of an employer holding a certificate of compliance;  
40 but otherwise such selection shall not be restricted by the local  
41 area or district in which such beneficiary resides or works, being  
42 subject only to the consent of the physician, dentist, or hospital  
43 to render the necessary service.

44 *Whenever any member of a fraternal society agrees to select*  
45 *the professional service practitioner who serves the members*  
46 *of such fraternal society, such agreement shall not be deemed*  
47 *to be an infringement upon the free choice of physician or*  
48 *dentist by such person.*

49 Sec. 196. Such free choice may be subjected to inquiry by  
50 the commission if there is reason to believe that the services  
51 being rendered by such physician, dentist, or hospital are being  
52 improperly or negligently furnished or that such selection was

1 entered into with fraudulent intent on the part of either, or  
2 both, the patient and physician, dentist, or hospital.

3 SEC. 197. Unless the physician, dentist, or hospital is paid  
4 directly or indirectly from the funds of a health service insur-  
5 ance association or the health service insurance fund or any  
6 other fund into which payments or contributions are made for  
7 the purpose of receiving, wholly or partially, directly or indi-  
8 rectly, the benefits enumerated in this act, nothing in this act  
9 shall apply to advice, diagnosis, treatment, or other service by  
10 a physician or dentist or to the furnishing of its facilities by a  
11 hospital.

12 SEC. 198. Every bond required by this act shall be  
13 approved by a judge of the superior court.

14 SEC. 199. The operations of professional service practi-  
15 tioners or auxiliary service associations or health service insur-  
16 ance associations are not to be deemed to be or construed as  
17 insurance business. No acts, statutes, or code provisions of  
18 this State relating to insurance shall be applicable to profes-  
19 sional service practitioners, auxiliary service associations or  
20 health service insurance associations.

21 SEC. 199. *The provisions of this act shall not apply to the*  
22 *transaction of disability or medical and hospital service insur-*  
23 *ance by an insurer admitted to transact any such insurance*  
24 *pursuant to the provisions of the Insurance Code.*

25 SEC. 200. Every payment, premium, contribution or dona-  
26 tion made under the provisions of this act or to carry out the  
27 purposes thereof, shall be deductible from the amount of any  
28 income tax which may become due by reason of any such tax  
29 which is levied in this State.

30 SEC. 201. It shall be the duty of every member of a part-  
31 nership, firm, or association and of the president, secretary,  
32 and general manager of every corporation to cause such part-  
33 nership, firm, association, or corporation to comply with all  
34 provisions of this act.

35 SEC. 202. It is a misdemeanor to:

36 (a) Wilfully make any false statement or representation to  
37 obtain any benefit or payment, to obtain payment or compen-  
38 sation for services rendered or materials furnished, or to  
39 obtain a reduction in the amount of any contribution, pay-  
40 ment or premium.

41 (b) Wilfully fail to make any payment required to be made  
42 by this act.

43 (c) Refuse to allow the commission, or its authorized repre-  
44 sentatives, to make any inspection necessary to be made for  
45 the proper administration of this act.

46 (d) Hinder the commission, or its authorized representa-  
47 tives, in the administration of this act.

48 (e) Violate any provision of this act by action or omission.

49 SEC. 203. Any person or officer responsible for the viola-  
50 tion of this act by any firm, partnership, or corporation is  
51 guilty of a misdemeanor.

1     Sec. 204. If any section, subsection, sentence, clause, or  
2 phrase of this act is for any reason held to be unconstitutional,  
3 such decision shall not affect the validity of the remaining por-  
4 tions of this act. The Legislature hereby declares that it  
5 would have passed this act, and each section, subsection,  
6 sentence, clause, and phrase hereof, irrespective of the fact  
7 that any one or more other sections, subsections, sentences,  
8 clauses, or phrases be declared unconstitutional.

9     Sec. 205. All acts and portions of acts in conflict with this  
10 act are hereby repealed.

11     SEC. 206. *If in any proceeding or action arising under*  
12 *this act the intent of the Legislature relevant thereto is not*  
13 *fairly and clearly to be inferred from the text of the act,*  
14 *reference shall be made to those portions of the report of the*  
15 *Senate interim committee on the high cost of sickness under*  
16 *the captions "Basis" of legislation on health insurance and*  
17 *"Declaration of Public Policy" with respect to legislation on*  
18 *health insurance. The said portions of said report are hereby*  
19 *adopted, subject to the conditions expressed in this section, as*  
20 *declaratory of the intent of the Legislature in enacting this*  
21 *act.*

22     SEC. 207. *Nothing in this act shall be construed as affect-*  
23 *ing any workmen's compensation or employers' liability act of*  
24 *this State.*

25     SEC. 208. *Anything in this act to the contrary notwith-*  
26 *standing, any bona fide fraternal society, operating under the*  
27 *lodge system, and which inducts its members into the same,*  
28 *through the medium of ritualistic services, and that has been*  
29 *in existence in this State for five successive years immediately*  
30 *prior to the effective date hereof, and that has at least two*  
31 *thousand five hundred paid up members in this State, and*  
32 *which society gives or contributes any sick benefits, cash bene-*  
33 *fits, or any medical attention to its members, on account of*  
34 *sickness or accident, shall be exempt from the provisions of*  
35 *this act, and every member of any such society who is entitled*  
36 *to receive from the same any such cash, sick or accident bene-*  
37 *fits or medical attention, and which member is or may be*  
38 *construed to be an employee within the meaning of this act,*  
39 *shall be exempt from all the provisions of this act by filing*  
40 *with his employer any affidavit stating such membership and*  
41 *the facts concerning such benefits or medical attention, to*  
42 *which he is entitled from such society, and thereupon his*  
43 *employer shall also be exempt from the provisions of this act*  
44 *with respect to that employee.*

45     SEC. 209. *Anything in this act to the contrary notwith-*  
46 *standing any bona fide health service insurance association*  
47 *composed of the employees of any city that has been in exist-*  
48 *ence in this State for five successive years immediately prior*  
49 *to the effective date of this act, and that has at least two*  
50 *thousand five hundred paid up members in such association,*  
51 *and which association gives or contributes any sick benefits,*  
52 *cash benefits or any medical attention to its members, on*

1 account of sickness or accident, shall be exempt from the  
2 provisions of this act, and every member of such association  
3 who is entitled to receive from the same any such cash, sick  
4 or accident benefits or medical attention, and which member  
5 is or may be construed to be an employee within the meaning  
6 of this act, shall be exempt from all the provisions of this  
7 act by filing with his employer an affidavit stating such mem-  
8 bership and the facts concerning such benefits or medical  
9 attention to which he is entitled from such association, and  
10 thereupon his employer shall also be exempt from the provi-  
11 sions of this act with respect to that employee.

AMENDED IN ASSEMBLY MAY 16, 1939.  
AMENDED IN ASSEMBLY APRIL 14, 1939.

**ASSEMBLY BILL**

**No. 2172**

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INTRODUCED BY MESSRS. ROSENTHAL, ATKINSON, CAS-  
SIDY, O'DAY, GALLAGHER, DILLS, GILMORE, RICHIE,  
VOIGT, GILBERT, KILPATRICK, KING, COLLINS, DEL  
MUTOLO, HAWKINS AND LORE,

January 25, 1939.

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REFERRED TO COMMITTEE ON UNEMPLOYMENT.

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*An act to amend the title and sections 1 and 3 of, and to add sections 6.1, 52.3, 75.1, 112 and 113 and Articles 11 to 18, inclusive, comprising sections 151 to 358, inclusive, to the Unemployment Reserves Act, relating to a system of health insurance within the system of unemployment reserves.*

*The people of the State of California do enact as follows:*

1 SECTION 1. The title of the act cited in the title hereof is  
2 hereby amended to read as follows: An act to establish a  
3 system of social insurance, consisting of unemployment and  
4 health insurance and to establish a system of employment  
5 offices.

6 SEC. 2. Section 1 of the act cited in the title hereof is  
7 hereby amended to read as follows:

8 Section 1. As a guide to the interpretation and applica-  
9 tion of this act the public policy of this State is declared to  
10 be as follows:

11 Experience has shown that large numbers of the population  
12 of California do not enjoy permanent employment by reason  
13 of which their purchasing power is unstable. This is detri-  
14 mental to the interests of the people of California as a whole.

15 The benefit to all persons resulting from public and private  
16 enterprise is realized in the final consumption of goods and  
17 services. It is contrary to public policy to permit the pro-  
18 duction of goods and services without including in their cost  
19 of production provision against that harm to the population  
20 consequent upon periods of unemployment of those who con-  
21 tribute to the production and distribution of such goods and  
22 services.

1 Experience has shown that private charity and public relief  
2 can not alone alleviate the effects of unemployment.

3 Experience has shown that if the State awaits the coming  
4 of excessive unemployment it can neither create immediately  
5 the organization necessary to orderly, economical and effec-  
6 tive relief nor bear the financial burden of relief without dis-  
7 rupting its whole system of ordinary revenues and without  
8 jeopardizing its credit. Unemployment is therefore a serious  
9 menace to the health, morals and welfare of the people of the  
10 State.

11 Experience has further shown that economic insecurity due  
12 to illness and disability is also a serious menace to the health,  
13 morals and welfare of the people of the State and a major  
14 cause of destitution and dependency; that the costs of medical  
15 and hospital care have greatly increased; that the individual  
16 wage earner finds it virtually impossible to make provision  
17 against the costs and losses resulting from the illness and  
18 disability of himself and his dependents the occurrence and  
19 extent of which are for him unpredictable; that accompanying  
20 this situation and a product of it is the presence of large  
21 numbers of well-trained physicians and surgeons without  
22 adequate practice and with markedly insufficient incomes;  
23 that there is a serious failure to utilize existing facilities for  
24 medical care in spite of the widespread need therefor by large  
25 numbers of the people of this State.

26 Unemployment, illness and the disability resulting therefrom  
27 are, therefore, a subject of general interest and concern which  
28 requires appropriate action by the Legislature of this State  
29 to prevent their spread, to check the growth of public  
30 dependency and to lighten their burden which now so often  
31 falls with crushing force upon the unemployed or ill worker  
32 and his family. The achievement of a minimum of social  
33 security requires legislative measures providing protection  
34 against these greatest hazards of our economic life.

35 To meet in some measure the situation thus shown to be  
36 created by excessive unemployment, by illness and by dis-  
37 ability, the Legislature hereby declares that in its considered  
38 judgment the public good and the general welfare of the citi-  
39 zens of this State require the enactment of this measure for  
40 the compulsory setting aside of funds to be used in providing  
41 money benefits for wage earners who become unemployed and  
42 unable to find work or who become unemployed and disabled  
43 for work, and health services for wage earners and their  
44 dependents when ill or injured.

45 To achieve these ends, the Legislature hereby further  
46 declares its intention that all of the provisions of this act shall  
47 be liberally construed to extend its benefits and to reduce the  
48 hazards of unemployment and illness and the suffering caused  
49 thereby to a minimum.

1     SEC. 3. Section 3 of said act is hereby amended to read  
2 as follows:

3     Sec. 3. This act shall be known and may be cited as the  
4 Social Insurance Act.

5     SEC. 4. Section 6.1 is hereby added to said act, to read  
6 as follows:

7     Sec. 6.1. Notwithstanding the definitions contained in sec-  
8 tion 6:

9     (a) "Department" refers to the Department of Social  
10 Insurance and Employment Service;

11     (b) "Commission" refers to the governing authority;

12     (c) "Governing authority" refers to the officer or officers  
13 in whom the administration of all the provisions of this act  
14 is vested;

15     (d) "Week" refers to a calendar week.

16     SEC. 5. Section 52.3 is hereby added to said act, to read  
17 as follows:

18     Sec. 52.3. Notwithstanding the definitions of "benefit  
19 year" and "base period" otherwise present in this act, on and  
20 after July 1, 1941:

21     (a) The term "benefit year" with respect to all individuals  
22 means the twelve consecutive month period ending the thirtieth  
23 day of June of any year;

24     (b) The term "base period" means the twelve consecutive  
25 month period preceding a benefit year and ending the thirty-  
26 first day of December of any year.

27     SEC. 6. Section 75.1 is hereby added to said act, to read  
28 as follows:

29     Sec. 75.1. Notwithstanding the provisions of section 75, the  
30 Department of Employment shall be known and is hereafter  
31 to be designated as the Department of Social Insurance and  
32 Employment Service.

33     SEC. 7. Section 112 is hereby added to the act cited in the  
34 title hereof, to read as follows:

35     Sec. 112. With respect to the administration of every pro-  
36 vision of this act, the governing authority shall make such  
37 reports in such form and containing such information as the  
38 Social Security Board may from time to time require and it  
39 shall comply with such provisions of the Social Security Board  
40 as the board from time to time finds necessary to insure the  
41 correctness and verification of the reports required.

42     SEC. 8. Section 113 is hereby added to the act cited in the  
43 title hereof, to read as follows:

44     Sec. 113. With respect to the administration of every pro-  
45 vision of this act, the governing authority is hereby authorized  
46 to cooperate and to enter into working agreements with other  
47 State agencies engaged in the administration of any law relat-  
48 ing to workmen's compensation, industrial hygiene, the pre-  
49 vention of disease or the treatment, care, compensation or  
50 vocational rehabilitation of any sick or disabled person and  
51 such State agencies and the appropriate officers and employees  
52 thereof are hereby authorized to cooperate and enter into

1 working agreements with the governing authority with respect  
2 to the administration of this act and any similar law or laws  
3 of this State.

4 SEC. 9. Articles 11 to 18, inclusive, comprising sections 151  
5 to 358, inclusive, are hereby added to the act cited in the title  
6 hereof, to read as follows:  
7

8 Article 11. Health Insurance, Generally.

9 Sec. 151. The provisions of Articles 11 to 18 of this act  
10 establish and provide for a plan of compulsory health insur-  
11 ance integrated with the system of unemployment insurance,  
12 together with such plans of voluntary health insurance for  
13 which provision is made herein.

14 The provisions of Articles 11 to 18 of this act may be  
15 cited as the Health Insurance Code.

16 Sec. 152. The provisions and definitions of Articles 1 to 9,  
17 inclusive, of this act apply to the system of health insurance  
18 established under the Health Insurance Code unless otherwise  
19 provided in the code.

20 Sec. 153. Disability unemployment benefits and medical  
21 benefits are correlative units of an integrated system of health  
22 insurance and the Legislature hereby declares that this inte-  
23 grated system is dependent upon the concurrent operation of  
24 both units and unless and until a disability benefit system and  
25 a medical benefit system are established and operative as pro-  
26 vided by this act, one part of the integrated system is not to be  
27 operative in any respect.

28 Sec. 154. Disability unemployment benefits shall be due  
29 and payable on and after July 1, 1941, to eligible individuals,  
30 and not before.

31 Medical benefits shall be provided and shall be due and  
32 payable on and after July 1, 1941, to eligible individuals, and  
33 not before.

34 Sec. 155. "Benefits," as used in the Health Insurance  
35 Code, is a generic phrase applying to unemployment compen-  
36 sation benefits and disability unemployment benefits and medi-  
37 cal benefits.

38 Sec. 156. "Unemployment compensation benefits" refers  
39 to benefits as defined in section 10 of this act.

40 Sec. 157. "Licensed physician and surgeon" refers to an  
41 individual holding a physician's and surgeon's certificate  
42 under Chapter 5 of Division II of the Business and Profes-  
43 sions Code.

44 Sec. 158. "Health insurance fund" refers to the fund  
45 established by this code for the payment of disability unem-  
46 ployment benefits and medical benefits.  
47

48 Article 12. Disability Unemployment Benefits.

49  
50 Sec. 165. "Disability unemployment benefits" means  
51 money payments payable to an individual with respect to his  
52 unemployment when accompanied by a disability.

1 Sec. 166. "Disability" means inability to work or unfit-  
2 ness for work by reason of injury or illness.

3 An individual shall be deemed to be disabled for any period  
4 throughout which he suffers from a disability.

5 Sec. 167. Each individual eligible under this article who  
6 is unemployed and disabled during any full week shall be paid  
7 with respect to such week, disability unemployment benefits in  
8 an amount equal to his weekly benefit amount for unemploy-  
9 ment compensation benefits, which would be payable to him,  
10 if eligible, under the provisions of Article 5 of this act.

11 Each eligible individual who is unemployed in any week  
12 and is disabled for one or more full days but for less than the  
13 full week, and who is eligible for unemployment compensation  
14 benefits when not suffering from any disability shall be paid  
15 unemployment compensation benefits or disability unemploy-  
16 ment benefits as follows: Unemployment compensation benefits  
17 to be chargeable against the benefit account in the unemploy-  
18 ment fund for the whole week if the disability exists for less  
19 than a major fraction of such week, and disability unemploy-  
20 ment benefits to be chargeable against the disability unem-  
21 ployment benefits account in the health insurance fund for the  
22 whole week if the disability exists for a major fraction of  
23 such week.

24 An individual, if eligible, is entitled to both disability unem-  
25 ployment benefits and unemployment compensation benefits in  
26 the same benefit year. The payment of one does not exhaust  
27 his right to the other except that both may not be paid simul-  
28 taneously inasmuch as unemployment compensation benefits  
29 are for individuals out of work and able to work and disability  
30 unemployment benefits are for individuals not able to work  
1 because of a disability.

2 Sec. 168. The maximum total amount of disability unem-  
3 ployment benefits payable to an individual in any one benefit  
4 year shall be an amount equal to the maximum total amount  
5 of unemployment compensation benefits which would be pay-  
6 able to the individual with respect to such benefit year under  
7 the provisions of Article 5 of this act.

8 Sec. 169. A disabled individual shall be eligible to receive  
9 disability unemployment benefits with respect to any week in  
0 which he is unemployed and is disabled for one or more days,  
1 exclusive of Sundays or other holidays, only if the governing  
2 authority finds that:

3 (a) He has notified the governing authority of his disability  
4 and unemployment and has made a claim for disability unem-  
5 ployment benefits as required by the regulations;

6 (b) He is under the care of a licensed physician and sur-  
7 geon registered under this code;

8 (c) He has been certified as disabled and has thereafter  
9 continued to be disabled and recertified as disabled as required  
0 by the regulations;

1 (d) He has been continuously disabled and unemployed for  
2 a waiting period of one week by a disability which continues

1 to exist during the period for which he claims benefits. No  
2 week shall be counted as a week of disability and unemploy-  
3 ment for the purposes of this subdivision:

4 (1) Unless it occurs within the benefit year which includes  
5 the week with respect to which he claims payment of disability  
6 unemployment benefits, except that this requirement shall not  
7 interrupt the payment of disability unemployment benefits for  
8 consecutive weeks of disability and unemployment and except  
9 that the week or the two consecutive weeks immediately pre-  
10 ceding a benefit year, if part of one uninterrupted period of  
11 disability and unemployment which continues into such benefit  
12 year, shall be deemed for the purposes of subdivision (d) only  
13 to be within such benefit year as well as within the preceding  
14 benefit year;

15 (2) If disability unemployment benefits are payable with  
16 respect to such week;

17 (3) If the individual was ineligible for disability unem-  
18 ployment benefits with respect to such week, as provided in  
19 section 170, or was not eligible with respect to such week as  
20 provided in subdivisions (a), (b) and (c) of this section;

21 (e) He has during his base period earned wages in employ-  
22 ment, for employers, equal to not less than the minimum  
23 amount otherwise prescribed to be earned during his base  
24 period as a condition of eligibility for unemployment compen-  
25 sation benefits.

26 Sec. 170. An individual shall be ineligible for disability  
27 unemployment benefits with respect to any full week as to  
28 which the governing authority finds that he has received or is  
29 entitled to receive any wages, or any remuneration in the form  
30 of unemployment benefits (a) under this act or an unemploy-  
31 ment compensation act of any other State or of the Federal  
32 Government, or (b) under a workmen's compensation law or  
33 employer's liability law of this State or of any other State  
34 or of the Federal Government, except that if such wages or  
35 such remuneration is less than the disability unemployment  
36 benefits which would otherwise be due, the individual shall be  
37 entitled to receive for such week, if otherwise eligible, disabili-  
38 ty unemployment benefits reduced by the amount of such  
39 wages or remuneration.

40 Sec. 171. A pregnant woman is conclusively presumed to  
41 be a disabled individual and eligible to receive disability  
42 unemployment benefits for a period of eight consecutive weeks  
43 beginning with the fourth week prior to the time of her con-  
44 finement as determined by a licensed physician and surgeon  
45 registered under this code if the governing authority finds  
46 that she has complied with all the provisions of section 169  
47 except the provisions of subdivision (d), from which subdivi-  
48 sion she is exempt.

49 Sec. 172. A claimant shall give notice of his unemploy-  
50 ment and disability to the governing authority and shall be  
51 certified and recertified by a licensed physician and surgeon

1 registered under this code with respect thereto within the  
2 time and in accordance with the manner and form prescribed  
3 by the regulations of the governing authority with the advice  
4 and consent of the advisory council.

5 No period of disability shall be deemed to have commenced  
6 until and unless notice has been given and certification made  
7 unless the governing authority finds from suitable evidence  
8 that the circumstances show a just and reasonable cause for  
9 failure to comply with the provisions of this section, in which  
10 event a claimant may be excused from compliance therewith.

11 Sec. 173. Claims for disability unemployment benefits  
12 shall be made in accordance with such regulations as the gov-  
13 erning authority may prescribe with the advice and consent  
14 of the advisory council.

15 Each employer shall post and maintain printed statements  
16 of the regulations in places readily accessible to individuals  
17 in his service and shall make available to each individual a  
18 printed statement of such regulations. The governing author-  
19 ity shall supply printed statements without cost to each  
20 employer and to such other persons as it deems appropriate.

21 Sec. 174. A claim for disability unemployment benefits  
22 shall be promptly examined and on the basis of the facts  
23 found and the opinion of the certifying physician an initial  
24 determination shall be made whether or not the claim is valid,  
25 and if valid, the weekly benefit amount payable, the week  
26 with respect to which benefits shall commence and the maxi-  
27 mum total amount of benefits payable in the benefit year.  
28 An initial determination may for good cause be reconsidered  
29 and an amended determination made with respect thereto.

30 The claimant or his representative shall be promptly noti-  
31 fied of the determination, or of an amended determination,  
32 as the case may be, and the reasons therefor. Unless the  
33 claimant or his representative within seven calendar days  
34 after delivery or mailing of the notification files an appeal  
35 from the determination, the determination shall be final and  
36 disability unemployment benefits shall be paid or denied in  
37 accordance therewith unless an appeal is taken.

38 If an appeal is duly filed, benefits with respect to the period  
39 prior to the final decision on appeal shall be paid only after  
40 the decision, unless an appeal tribunal affirms an initial  
41 determination allowing benefits, in which case benefits shall  
42 be paid regardless of any appeal which may thereafter be  
43 taken. If, under the initial determination or amended deter-  
44 mination, benefits in any amount or with respect to any week  
45 are payable irrespective of the decision on the issues upon  
46 which a hearing on appeal is requested, the benefits shall be  
47 paid regardless of the appeal.

48 If, subsequent to an initial determination, benefits with  
49 respect to any week for which a claim has been filed are  
50 denied for reasons other than matters included in the initial  
51 determination, the claimant shall be promptly notified of the  
52 denial and the reasons therefor and may appeal therefrom

1 within the time and in accordance with the procedure pro-  
2 vided for appeals from an initial determination or amended  
3 initial determination.

4 Sec. 175. To hear and decide appealed claims, the board  
5 of review shall appoint one or more impartial appeal tribunals.  
6 Each tribunal shall consist of a referee. No person shall  
7 participate on behalf of the board of review in any case in  
8 which he is an interested party. The governing authority  
9 shall provide the board of review and the appeal tribunals  
10 with proper facilities and assistants for the execution of their  
11 functions.

12 Sec. 176. An appeal tribunal shall promptly refer to the  
13 medical director all issues on an appeal involving medical  
14 questions including any issue as to the disability of the claim-  
15 ant. The medical director shall offer the claimant an oppor-  
16 tunity for a fair hearing on the questions referred and may  
17 cause such investigation to be made and evidence taken, includ-  
18 ing a new examination of the claimant by a physician or  
19 physicians in the employ of the department as he may deem  
20 necessary for a proper disposition of any question referred  
21 to him.

22 On the basis of the facts found, he shall render his decision  
23 thereon, which decision notwithstanding any other provisions  
24 of this act, shall be final and shall not be subject to review  
25 by any other appeal tribunal, the board of review, or any  
26 court. In the conduct of hearings, investigations and exami-  
27 nations under this section the medical director may desig-  
28 nate a district medical supervisor or a medical referee (who  
29 shall be a licensed physician in the employ of the department)  
30 to exercise on his behalf any of his duties or powers under  
31 this section.

32 Sec. 177. All proceedings shall be open to the public unless  
33 a closed hearing is requested by the claimant. The medical  
34 records, except to the extent necessary for the proper admin-  
35 istration of this act, shall be confidential and shall not be  
36 published or be open to public inspection in any manner  
37 revealing the identity of an individual.

38 Sec. 178. An appeal tribunal, after affording the parties  
39 reasonable opportunity for a fair hearing shall, unless the  
40 appeal is withdrawn, affirm or modify the findings of fact  
41 and decision of the department.

42 The parties shall be duly notified of the tribunal's deci-  
43 sion, together with its reasons therefor, which shall be deemed  
44 to be the final decision of the board of review, unless within  
45 ten days after the date of delivery or mailing of such decision  
46 a further appeal to the board of review is permitted.

47 Sec. 179. The board of review may on its own motion  
48 affirm, modify, or set aside any decision of a referee on the  
49 basis of the evidence previously submitted in such case, or  
50 direct the taking of additional evidence, or may permit any  
51 of the parties to such decision to initiate further appeals  
52 before it. The board of review shall permit such further

1 appeal by any of the parties to a decision which has been  
2 overruled or modified by a referee.

3 The board of review may remove to itself or transfer to  
4 another referee the proceedings on any claim pending before  
5 a referee. Any proceeding so removed to the board of review  
6 shall be heard by a quorum thereof. The board of review shall  
7 promptly notify the parties to any proceedings of the findings  
8 and decision.

9 All final determinations of the board of review shall be sub-  
10 ject to examination by the courts in the manner prescribed  
11 by law.

12 Sec. 180. The Legislature hereby expressly reserves the  
13 right to amend or repeal all or any part of this code at any  
14 time, and there shall be no vested private right of any kind  
15 against such amendment or repeal. All the rights, privileges  
16 or immunities proffered by this article or by acts done pur-  
17 suant thereto shall exist subject to the power of the Legislature  
18 to amend or repeal this article at any time.

19 Sec. 181. "Board of Review," as used in this article, refers  
20 to the agency under this act for the administration of appeals  
21 in connection with unemployment compensation benefits, and  
22 if none is established, then "Board of Review," as used in  
23 this article, refers to the governing authority.

#### 24 Article 13. Medical Benefit Contributions.

25  
26  
27 Sec. 190 191. The definitions of "personal services,"  
28 "employing unit," "hiring unit," and "wages" contained in  
29 this article are for the purposes of medical benefits and med-  
30 ical benefits contributions under the Health Insurance Code  
31 exclusively.

32 Sec. 191. "Personal services" means services, including  
33 services in interstate commerce, performed for wages or under  
34 any contract, written or oral, express or implied by an indi-  
35 vidual for an employing unit as defined in section 194.

36 Services for wages shall be deemed to be personal services  
37 subject to the Health Insurance Code for medical benefits and  
38 medical benefit contributions unless and until it is shown to  
39 the satisfaction of the governing authority or of a court, if  
40 judicial recourse is had, that

41 (a) Such individual has been and will continue to be free  
42 from control or direction over the performance of such serv-  
43 ices, both under his contract of services and in fact; and

44 (b) Such service is either outside the usual course of the  
45 business for which such service is performed or that such  
46 service is performed outside of all the places of business of the  
47 enterprise for which such service is performed; and

48 (c) Such individual is customarily engaged in, an independ-  
49 ently established business, profession, trade or enterprise.

50 Sec. 192. (a) Personal services include an individual's  
51 entire service, performed within or both within and without  
52 this State if:

- 1 1. The service is localized in this State; or
- 2 2. The service is not localized in any State but some of the
- 3 service is performed in this State, and (1) the base of opera-
- 4 tions; or, if there is no base of operations; then the place from
- 5 which such service is directed or controlled; is in this State;
- 6 or (2) the base of operations or place from which such service
- 7 is directed or controlled is not in any State in which some part
- 8 of the service is performed, but the individual's residence is
- 9 in this State.

10 (b) Services not covered under subdivision (a) of this sec-

11 tion, and performed entirely without this State, shall be

12 deemed to be personal services if the individual performing

13 such services is a resident of this State and the governing

14 authority approves the election of the employing unit for

15 whom such services are performed that the entire service of

16 such individual shall be deemed to be personal services subject

17 to the Health Insurance Code for medical benefits and medical

18 benefit contributions.

19 (c) Service shall be deemed to be localized within a State if

- 20 1. The service is performed entirely within such State; or
- 21 2. The service is performed both within and without such
- 22 State, but the service performed without such State is inci-
- 23 dental to the individual's service within the State; for example,
- 24 is temporary or transitory in nature; or consists of isolated
- 25 transactions.

26 *Sec. 192. "Personal services" refers to "employment" as*

27 *defined in Article 2 in this act and includes the services within*

28 *the scope of the definition of employment.*

29 *Sec. 193. Personal services do not include: services*

30 *excluded from the scope of the definition of employment by*

31 *this act.*

32 (a) Services not subject to the jurisdiction of the State

33 under the Constitution and laws of the United States;

34 (b) Services performed by an individual in the employ of

35 his son, daughter, or spouse, or any two or more of such rela-

36 tives associated together as sole partners; and service per-

37 formed by a child under the age of twenty-one in the employ

38 of his father or mother or both of them jointly.

39 *Sec. 194. "Employing unit," for purposes of medical bene-*

40 *fits and medical benefit contributions; means the State or any*

41 *political subdivision, or instrumentality or district thereof*

42 *and any individual or type of organization, including any*

43 *partnership, association, trust, estate, joint stock company,*

44 *insurance company or corporation, whether municipal, public*

45 *or private, domestic or foreign, or the receiver, liquidator,*

46 *conservator, trustee in bankruptcy, trustee or successor thereof,*

47 *or the legal representative of a deceased person, which has, or*

48 *subsequent to January 1, 1939, had in its employ one or more*

49 *individuals performing services which constitute personal ser-*

50 *vices. All individuals performing services within this State*

51 *for any employing unit which maintains two or more separate*

52 *establishments within this State shall be deemed to be employed*

1 by a single employing unit subject to the Health Insurance  
2 Code for medical benefits and medical benefits contributions.

3 Each individual employed to perform or to assist in per-  
4 forming the work of any individual employed by an employ-  
5 ing unit subject to the Health Insurance Code for medical  
6 benefits and medical benefits contributions shall be deemed to  
7 be employed by such employing unit, whether such individual  
8 was hired or paid directly by such employing unit or by such  
9 individual so employed, providing the employing unit had  
10 actual or constructive knowledge of the work. *refers to*  
11 *“employing unit” as defined in Article 2 of this act.*

12 Sec. 195. “Hiring unit” means - “employer” as defined  
13 in Article 2 of this act.

14 (a) Any employing unit, as defined in section 194, which  
15 for some portion of a day, in each of four different weeks;  
16 whether or not such weeks are or were consecutive, has within  
17 the current calendar year or had within the preceding calendar  
18 year in its personal service one or more individuals, irrespec-  
19 tive of whether it is the same individual employed in each  
20 such day;

21 (b) Any individual or employing unit, as defined in section  
22 194, which acquired the organization, trade or business, or any  
23 distinct or severable portion thereof, or substantially all the  
24 assets of such trade or business or portion thereof, of another  
25 employing unit, as defined in section 194, which at the time of  
26 such acquisition was a hiring unit;

27 (c) Any individual or employing unit, as defined in section  
28 194, which acquired the organization, trade or business, or  
29 any distinct or severable portion thereof, or substantially all  
30 the assets of such trade or business or portion thereof, of  
31 another employing unit, as defined in section 194, if the expe-  
32 rience of such individual or employing unit, as defined in  
33 section 194, subsequent to such acquisition, both within the  
34 calendar year, would equal the experience necessary to con-  
35 stitute an employing unit, as defined in section 194, a hiring  
36 unit under subdivision (a) of this section;

37 (d) Any employing unit, as defined in section 194, which,  
38 having become a hiring unit under this act has not ceased to  
39 be a hiring unit by compliance with the procedure and con-  
40 ditions prescribed in section 9.7 of this act.

41 Sec. 196. “Wages,” for purposes of medical benefits and  
42 medical benefits contributions, means all remuneration pay-  
43 able for personal services, whether by private agreement or  
44 consent or by force of statute, including commissions, bonuses,  
45 and the cash value of all remuneration payable in any medium  
46 other than cash, except that it does not include anything pay-  
47 able by a hiring unit over and above three thousand dollars  
48 per year either in cash or value. Tips or gratuities received  
49 by an individual in the course of his personal services from  
50 persons other than his employing unit, as defined in section  
51 194, shall be treated as wages payable by such employing unit.  
52 The reasonable cash value of remuneration payable by any

1 medium other than cash shall be determined and the reason-  
2 able amount of tips or gratuities may be estimated in accord-  
3 ance with rules or regulations prescribed by the governing  
4 authority.

5 The term "wages" does not include the actual amount of  
6 any required or necessary business expense incurred by an  
7 individual in connection with his employment, or, in lieu of  
8 the actual amount of such expenses, the reasonably estimated  
9 amount allowed therefor in accordance with such rules or  
10 regulations as the governing authority may adopt.

11 Sec. 197. On and after January 1, 1940, medical benefits  
12 contributions to the health insurance fund shall accrue and  
13 become payable by every hiring unit for the whole of each  
14 calendar year in which the hiring unit is subject to this code,  
15 with respect to wages payable for personal services performed  
16 during such calendar year to any one individual. Each hir-  
17 ing unit shall pay contributions equal to 1 per cent of the  
18 wages payable by it with respect to personal services. Such  
19 contributions shall become due and be paid to the governing  
20 authority for the health insurance fund at such times and in  
21 accordance with such regulations as the governing authority  
22 may prescribe, and shall not be deducted in whole or in part  
23 from the wages of individuals in such hiring unit's service.

24 Sec. 198. Each individual shall make medical benefits  
25 contributions to the health insurance fund of 1 per cent of his  
26 wages paid by a hiring unit with respect to his personal serv-  
27 ices performed after January 1, 1940. Each hiring unit shall  
28 be liable for the payment of its workers' medical benefits con-  
29 tributions and shall, notwithstanding any provisions of law  
30 in this State to the contrary, withhold in trust the amount of  
31 its workers' medical benefits contributions from their wages  
32 at the time such wages are paid, and furnish such evidence  
33 thereof to its workers as the governing authority may by  
34 regulation prescribe. Each hiring unit shall transmit all such  
35 contributions, in addition to its own medical benefits contribu-  
36 tions, to the governing authority for the health insurance  
37 fund, in such manner and at such times as the governing  
38 authority may by regulation prescribe. If any hiring unit  
39 fails to deduct the medical benefits contributions of any of its  
40 workers at the time their wages are paid, or fails to make a  
41 deduction therefor at the time wages are paid for the next  
42 succeeding pay roll period, it alone shall thereafter be liable  
43 for such contributions and in the collection thereof such contri-  
44 butions shall be treated as the hiring unit's contributions  
45 required of such hiring unit.

46 Sec. 198.5. In addition to the contributions required to be  
47 paid into the health insurance fund by hiring units and their  
48 workers, the State of California in addition to its contribution  
49 as a hiring unit, shall contribute, and there is hereby author-  
50 ized to be appropriated, but not appropriated, to the health  
51 insurance fund for the calendar year 1940, and for each calen-  
52 dar year thereafter, an amount for each year equal to 1 per

1 cent of the total wages paid by all hiring units (including  
2 itself) to their workers with respect to personal services per-  
3 formed in such year and an amount equal to 1 per cent of the  
4 earnings or income in such year of a voluntarily insured,  
5 whichever is the basis of their eligibility, which amount hereby  
6 authorized to be appropriated shall be reduced by the amount  
7 of any moneys paid into the health insurance fund with respect  
8 to such year received from the Federal Government or any  
9 agency thereof for medical benefits. The amount thus author-  
10 ized to be appropriated to the health insurance fund shall be  
11 determined by the Director of Finance, with the approval of  
12 the Governor, upon the basis of estimates with respect to each  
13 calendar year submitted to the Department of Finance by the  
14 governing authority. The governing authority shall, within  
15 fifteen days after the close of each calendar year, submit an  
16 estimate to the Department of Finance of such amount with  
17 respect to such calendar year, the estimate to be based upon  
18 reports made to the governing authority by hiring units  
19 showing wages paid with respect to personal services per-  
20 formed in such year, and the past experience of the depart-  
21 ment as to delinquencies by employers and hiring units. In  
22 making such reports the amount so determined with respect  
23 to each year shall be reduced by any amounts paid into the  
24 fund with respect to such year received from the Federal  
25 Government which are available for medical benefits. The  
26 Governor shall include amounts so determined in the budget  
27 presented by him to each regular session of the Legislature for  
28 appropriate action. Nothing in this section or *this code* con-  
29 stitutes a present appropriation of money by the State *from*  
30 *the general fund.*

31 Sec. 199. Medical benefits contributions by workers are  
32 exempt from garnishment, attachment, execution, or any other  
33 remedy for the collection of debts.

34 Sec. 200. All medical benefits contributions from hiring  
35 units and workers shall be due and payable and collected in  
36 the same manner and at the same time that unemployment  
37 compensation contributions are due and payable and collected.

38 *Sec. 201. Anything in this act contained to the contrary*  
39 *notwithstanding, any individual who adheres to the faith or*  
40 *teaching of any well-recognized religious sect, denomination*  
41 *or organization, and in accordance with its creed, tenets or*  
42 *principles depends for healing upon prayer in the practice of*  
43 *religion, who is employed by any hiring unit, shall be exempted*  
44 *from the system of health insurance upon filing with the Medi-*  
45 *cal Director an affidavit, in duplicate, stating such adherence*  
46 *and dependence and disclaiming any disability unemployment*  
47 *benefits and medical benefits under the system. Said Medical*  
48 *Director shall forthwith file one of said duplicate affidavits*  
49 *with the hiring unit employing such person and thereupon,*  
50 *such hiring unit and the State shall, with respect to that indi-*  
51 *vidual, be exempted from liability for the contributions pro-*  
52 *vided by sections 197, 198 and 198.5 of this act. But this*

1 *section shall not be construed as exempting any hiring unit*  
2 *from payment to the Health Insurance Fund of the contribu-*  
3 *tions in this act required of all hiring units not specifically*  
4 *exempted.*

5  
6 Article 14. Health Insurance Fund.

7  
8 Sec. 205. There is hereby established as a special fund in  
9 the State treasury, separate and apart from all public moneys  
10 or funds of this State, a health insurance fund, the moneys  
11 and assets of which shall be held in trust by the State Treas-  
12 urer and administered under the direction of the governing  
13 authority with the advice and consent of the advisory council  
14 exclusively, for the purpose of disability unemployment  
15 benefits and medical benefits.

16 This fund shall consist of:

17 (a) All contributions and interest, fines and penalties  
18 thereon, collected under section 44 of this act with respect  
19 to wages paid by employers for employment on and after  
20 January 1, 1940;

21 (b) All medical benefits contributions and interest, fines  
22 and penalties thereon collected under this code with respect to  
23 wages paid or payable by hiring units for personal services on  
24 and after January 1, 1940;

25 (c) All money appropriated by the State for medical  
26 benefits;

27 (d) All money received for disability unemployment bene-  
28 fits or medical benefits or for both from the United States of  
29 America or any agency thereof, including the Social Security  
30 Board, or from any other source;

31 (e) Any property or securities acquired through the use of  
32 money belonging to the fund;

33 (f) All earnings of such money or securities.

34 Sec. 206. The State Treasurer shall be the treasurer of  
35 the health and insurance fund and shall have the custody  
36 of all money belonging to the fund and not otherwise held,  
37 deposited or invested under this code. The official bond of the  
38 State Treasurer shall cover the faithful performance of his  
39 duties as treasurer of the health insurance fund. The Depart-  
40 ment of Finance shall invest or otherwise deal with the health  
41 insurance fund under the supervision of the governing author-  
42 ity with the advice and consent of the advisory council.

43 Sec. 207. The Treasurer shall maintain in the health insur-  
44 ance fund six separate accounts: (a) The disability unem-  
45 ployment clearing account; (b) the disability unemployment  
46 benefits account; (c) the disability unemployment benefits  
47 administration account; (d) the medical benefits clearing  
48 account; (e) the medical benefits account; (f) the medical  
49 benefits administration account.

50 All money collected under section 44 of this act with respect  
51 to wages paid on or after the effective date of this act shall be  
52 immediately credited to the disability unemployment clearing

1 account and all money collected under this code for medical  
2 benefits shall be immediately credited to the medical benefits  
3 clearing account. Refunds payable or credits due for con-  
4 tributions collected under section 44 of this act may be paid  
5 from the disability unemployment benefits clearing account  
6 on warrants issued by the Controller under the direction of  
7 the governing authority. Refunds payable or credits due  
8 under this act of medical benefits contributions collected under  
9 this code may be paid from the medical benefits clearing  
10 account on warrants issued by the Controller under the direc-  
11 tion of the governing authority.

12 After clearance thereof, all money in the disability unem-  
13 ployment clearing account shall be immediately transferred  
14 and credited to the disability unemployment benefits account,  
15 but if any amount is received from the Federal Government  
16 for disability unemployment benefits purposes, then an amount  
17 in the disability unemployment benefits clearing account,  
18 equal to the amount received from the Federal Government  
19 for disability unemployment benefits purposes, shall be  
20 transferred to the medical benefits account and the remainder  
21 transferred to the disability unemployment benefits account  
22 except that an amount not to exceed 10 per cent of the amount  
23 available for transfer to the disability unemployment benefits  
24 account, to be determined by the Department of Finance,  
25 shall be transferred and credited to the disability unemploy-  
26 ment benefits administration account.

27 After the clearance thereof, all money in the medical bene-  
28 fits clearing account shall be immediately transferred and  
29 credited to the medical benefits account, except that an amount  
30 not to exceed 10 per cent to be determined by the Department  
31 of Finance, shall be transferred and credited to the medical  
32 benefits administration account.

33 All money received from the Federal Government for  
34 disability unemployment benefits purposes or medical benefits  
35 purposes shall be deposited in the proper accounts in the  
36 health insurance fund in accordance with the terms of the  
37 Federal grant.

38 Amounts not in excess of the amount standing to the credit  
39 of the disability unemployment benefits account in the fund  
40 may be withdrawn by the governing authority for payments  
41 for disability unemployment benefits provided in this code.  
42 Amounts not in excess of the amounts standing to the credit  
43 of the medical benefits account in the fund may be withdrawn  
44 by the governing authority for payments for medical benefits  
45 provided by this code. Amounts not in excess of the amount  
46 standing to the credit of the particular administration account  
47 may be withdrawn from the account by the governing author-  
48 ity for the payment of expenses necessary or incidental to  
49 the administration of the system of benefits for which the  
50 administration account is established.

51 All surplus money in the health insurance fund may be  
52 invested solely in interest bearing obligations of the United

1 States Government or of the State of California, and all  
2 interest or earnings therefrom shall be deposited in the  
3 respective account from which the money invested was taken.

4 Money in the disability unemployment benefits account shall  
5 be expended solely for the purposes of disability unemploy-  
6 ment benefits, and money in the medical benefits account shall  
7 be expended solely for the purposes of medical benefits, and  
8 the balances of both accounts shall not lapse at any time,  
9 but shall remain continuously available to the governing  
10 authority for expenditures not inconsistent with the purposes  
11 for which the money was collected.

12 All money in the health insurance fund shall be used and  
13 expended as herein authorized and is hereby continuously  
14 appropriated without regard to fiscal years for the payment  
15 of refunds, for the payment of disability unemployment bene-  
16 fits and medical benefits, and for the payment of administra-  
17 tion expenses necessary or incidental to the administration of  
18 this code in accordance with the provisions of this section.

19 Sec. 208. None of the provisions of Article 3 of this act  
20 applies to the health insurance fund.

21 Sec. 209. Withdrawals by the governing authority from  
22 the health insurance fund are exempt from the operation of  
23 sections 664 and 669 of the Political Code. The governing  
24 authority shall, at the end of each calendar quarter, file with  
25 the Controller an abstract or statement showing the total  
26 amount of moneys paid out from the moneys withdrawn from  
27 the fund under the provisions of this code. Such abstract or  
28 statement shall be in such form as said Controller requires.

29 Sec. 210. All provisions of law with respect to penalties,  
30 interest, liens, assessments, summary collection of judgments,  
31 and priorities under legal dissolutions or distributions, appli-  
32 cable in respect to the unemployment compensation contribu-  
33 tions required to be paid under Article 4 shall be applicable  
34 in respect to the medical benefits contributions required to be  
35 paid under this article; but except as otherwise expressly  
36 provided, none of the provisions of Article 4 shall in anywise  
37 be applicable to the medical benefits contributions required to  
38 be paid into the health insurance fund.

39 Sec. 211. Adjustments of the contribution payments  
40 required of hiring units by the provisions of Article 13, or in  
41 the event such adjustment can not be made, refunds of amounts  
42 erroneously paid as contributions, shall be made within the  
43 time and in the manner provided by Article 4 of this act with  
44 respect to unemployment compensation contributions, and  
45 refunds erroneously made and credits erroneously allowed may  
46 be recovered by the governing authority for the medical bene-  
47 fits contributions account.

48 Sec. 212. (a) If any disability unemployment benefits and  
49 medical benefits or both are paid to any individual having  
50 a right or claim for compensation or damages in whole or in  
51 part for or on account of any disability, injury or illness  
52 against any other person, or having a right or claim for

1 compensation under a workmen's compensation or employer's  
2 liability law of this State, or any other State or the Federal  
3 Government, the health insurance fund shall, to the extent  
4 of the disability unemployment benefits paid or medical bene-  
5 fits paid or both, be entitled to reimbursement out of any sum  
6 or damages which the recipient of such disability unemploy-  
7 ment benefits or medical benefits or both receives or is entitled  
8 to receive by way of compensation or through suit, settlement  
9 or judgment, and the governing authority on behalf of the  
10 health insurance fund shall to that extent be subrogated to  
11 the rights or claims of the recipient of the disability unemploy-  
12 ment benefits or medical benefits or both against such other  
13 person in cases in which the injurious act of such third person  
14 causes a disabling condition entitling the recipient to assist-  
15 ance under this code and in cases in which the workmen's  
16 compensation law or employer's liability law of this State, or  
17 of any other State or the Federal Government, grants com-  
18 pensation within the scope of this code.

19 Upon giving notice to the person against whom the right  
20 or claim exists or is asserted, the governing authority has a  
21 lien upon the right or claim and the sum or damages paid  
22 or received thereunder to the extent of the amount for which  
23 the health insurance fund is entitled to reimbursement.

24 (b) If any individual claiming or receiving disability unem-  
25 ployment benefits or medical benefits or both has a right or  
26 claim described in subdivision (a) and he unreasonably refuses  
27 or neglects to take the necessary action to enforce his right or  
28 claim within such time as the governing authority may by  
29 regulation prescribe, the governing authority may at its own  
30 expense take such action or proceedings in the name and  
31 in behalf of the individual as it deems necessary to enforce his  
32 right or claim. Any sum recovered by the governing author-  
33 ity in such an action or proceeding through a settlement,  
34 judgment or otherwise, in excess of the amount to which the  
35 health insurance fund is entitled by way of reimbursement,  
36 plus the reasonable expenses of the governing authority in  
37 connection with such action or proceeding, shall be held by  
38 the governing authority as trustee for the individual in whose  
39 behalf the action was undertaken. In the event that the  
40 governing authority undertakes an action or proceeding and  
41 fails therein, the costs and expenses thereof shall be payable  
42 out of the administration account applicable to the particular  
43 benefits for which it was sought to secure reimbursement.

44 (c) The governing authority may pay disability unemploy-  
45 ment benefits and medical benefits to any individual having  
46 or claiming to have rights to compensation or damages pending  
47 the settlement or determination of his right or claim. The  
48 payment of disability unemployment benefits or medical bene-  
49 fits or both to such an individual shall be without prejudice  
50 to any method of recovery provided in this section. If the  
51 governing authority makes or intends to make advances of

1 disability unemployment benefits or medical benefits, it shall  
2 give notice to the person against whom the recipient of such  
3 benefits has or claims a right to compensation or damages and  
4 after the receipt of such notice and of a certified statement  
5 of the amount of the advances actually made such person  
6 shall repay to the governing authority to the extent of the  
7 amount for which he is liable, less any sums which he may  
8 have actually paid prior to the receipt of such notice, the  
9 amount of disability unemployment benefits and the value of  
10 medical benefits paid by the governing authority. The receipt  
11 by the governing authority of any of such repayments and to  
12 the extent thereof constitutes a full and valid discharge of  
13 the claims of the recipient of disability unemployment benefits  
14 or medical benefits or both against such third person.  
15

16 Article 15. Medical Benefits.  
17

18 Sec. 225. "Medical benefits" is a generic phrase refer-  
19 ring to:

- 20 (a) Service benefits;  
21 (b) Reimbursement benefits.

22 Sec. 226. "Dependent" refers to:

- 23 (a) Legally dependent spouse;  
24 (b) Dependent children under the age of twenty-one.

25 Dependent does not include any person who is not the  
26 dependent of an individual earning during the base period  
27 applicable with respect to the benefit year wages for personal  
28 services for a hiring unit or units of not less than \$300, irre-  
29 spective of whether or not such individual earns over \$3,000  
30 during such base period.

31 Sec. 227. Every individual and each of his dependents  
32 shall be eligible to receive service benefits throughout any  
33 benefit year if the individual has during the base period appli-  
34 cable with respect to the benefit year earned wages for personal  
35 services for a hiring unit or units of not less than \$300 nor  
36 more than \$3,000.

37 All service benefits shall be continuously available without  
38 any waiting period.

39 "Service beneficiary" refers to every individual and his  
40 dependents who are eligible for service benefits.

41 Sec. 228. The maximum period of hospitalization for each  
42 service beneficiary and each of his dependents shall be for  
43 a period of twelve weeks in any one benefit year for each  
44 separate and distinct illness.

45 Sec. 229. Service benefits shall consist of the following:

46 (a) General practitioner services rendered by a licensed  
47 physician or surgeon licensed in this State registered under  
48 this code, whenever required by the standards of good medical  
49 practice for preventive, diagnostic, therapeutic or other med-  
50 ical treatment or care;

51 (b) Stipulated consultation and specialist services to the  
52 extent permitted by the financial resources of the medical

1 benefits fund, but in every case to extend to major surgery,  
2 emergency specialist and obstetrical service;

3 (c) Laboratory analyses and X ray diagnosis;

4 (d) Necessary hospitalization including ambulance services;

5 (e) All drugs, medicines and serums, including preventive  
6 toxins, antitoxins and vaccines;

7 (f) Licensed nursing services to the extent permitted by the  
8 financial resources of the medical benefits account in the  
9 health insurance fund;

10 (g) The following services, to the extent permitted by the  
11 financial resources of the medical benefits account in the health  
12 insurance fund:

13 (1) Extraction of teeth;

14 (2) Treatment of osteomyelitis of the jaw;

15 (3) Trench mouth;

16 (4) Jaw fractures;

17 (5) Inflammatory conditions of the tissues of the oral  
18 cavity.

19 Licensed dentists as well as persons holding a physician's  
20 and surgeon's certificate shall be eligible to register under this  
21 code for the rendition of all or any of service benefits author-  
22 ized by this subdivision if and when such services are provided.

23 (h) Preventive dental care for children between the ages of  
24 two and six years, to be rendered through diagnostic centers  
25 by licensed dentists registered under this code if and when  
26 Federal assistance for such care becomes available.

27 *(i) Optometrical services by a licensed optometrist regis-*  
28 *tered under this code, together with the frames, lenses and*  
29 *appliances prescribed or furnished in connection therewith to*  
30 *the extent permitted by the financial resources of the medical*  
31 *benefits fund.*

32 *Licensed optometrists shall be eligible to register under this*  
33 *code for the rendition of all or any of the service benefits*  
34 *authorized by this subdivision if and when such services are*  
35 *provided.*

36 Service benefits in subdivisions (b) to (f), inclusive, are  
37 available only when reasonably deemed necessary by the attend-  
38 ing practitioner or at the request of the medical director.

39 Sec. 230. Service benefits in section 229 may be added to  
40 by allied and supplementary services as the financial resources  
41 of the medical benefits account in the health insurance fund  
42 permit after service benefits provided in section 229 have  
43 become generally available.

44 Sec. 231. No service benefits shall be available in treatment  
45 of physical or mental conditions for which medical treatment  
46 is received under Division IV of the Labor Code or a work-  
47 men's compensation act of the Federal Government or of  
48 another State.

49 Sec. 232. An individual, who has during the base period  
50 applicable with respect to the benefit year earned wages for  
51 personal services for a hiring unit or units of more than  
52 \$3000 shall not be eligible for service benefits nor are his

1 dependents eligible, but he \$3,000, and his dependents shall  
2 not be eligible for service benefits, except for hospitalization  
3 under section 228 for which hospitalization he and his depen-  
4 dents are eligible. The individual shall be eligible for reim-  
5 bursement benefits, with respect to such benefit year.

6 Reimbursement benefits shall constitute cash payments to  
7 persons eligible therefor in reimbursement of expenditures,  
8 other than for hospitalization, made for services rendered to  
9 him and his dependents during the benefit year which services  
10 would have been available to him and his dependents had he  
11 or they been eligible for service benefits. ~~complete service bene-~~  
12 ~~fits instead of only hospitalization.~~

13 The governing authority shall allocate and make available  
14 from the medical benefits account in the health insurance  
15 fund, for the payment of reimbursement benefits for each  
16 benefit year a total amount to be determined as follows: The  
17 total of the sums allocated for service benefits, *except hospitali-*  
18 *zation*, for the benefit year shall be divided by the number of  
19 individuals who have, during the base period applicable with  
20 respect to such benefit year, earned wages for personal serv-  
21 ices for a hiring unit or units of not less than \$300 nor more  
22 than \$3000; the quotient thus obtained shall then be multiplied  
23 by the number of individuals eligible for reimbursement bene-  
24 fits for such benefit year and the resulting product shall be  
25 the total amount allocated and available for the payment of  
26 reimbursement benefits to the individuals eligible therefor  
27 during such benefit year.

28 Claims for reimbursement benefits shall be filed with the  
29 governing authority within the time set and in the form and  
30 manner prescribed and such claims shall be allowed in accord-  
31 ance with a fee schedule established by regulations, and pay-  
32 ment shall be made from the total amount so allocated for  
33 the benefit year within which the services were rendered and,  
34 if the total amount so allocated is insufficient for full reim-  
35 bursement, all claims shall be equally prorated.

36  
37 Article 16. Voluntarily Insured.

38  
39 Sec. 275. Service benefits may be allowed on a voluntary  
40 basis in accordance with the terms fixed by the governing  
41 authority, with the advice and consent of the advisory council,  
42 to individuals who are exempt from or not subject to medical  
43 benefits contributions and who do not receive more than \$3000  
44 during the base period applicable with respect to the benefit  
45 year for which he secures voluntary insurance for service  
46 benefits for himself and, if permitted, for his dependents.

47 In determining eligibility for voluntary insurance for serv-  
48 ice benefits under this code the governing authority may  
49 examine income tax returns to the State, and, if permitted,  
50 to the Federal Government.

51 No one shall be eligible for entrance into insurance for  
52 service benefits on a voluntary basis who is over the age of

1 fifty years nor may he continue such voluntary insurance for  
2 service benefits after he has reached the age of sixty-five,  
3 except that in respect to groups of employed persons under  
4 section 278 eligibility shall be determined upon the basis of  
5 earnings.

6 Sec. 276. Individuals voluntarily insured shall contribute  
7 according to special premium rates to be set by the governing  
8 authority in accordance with actuarial principles.

9 Sec. 277. Individuals voluntarily insured shall be entitled  
10 to the same service benefits to which the compulsorily insured  
11 are entitled.

12 Sec. 278. Service benefits upon a voluntary basis to groups  
13 of individuals who are eligible for voluntary insurance upon  
14 an individual basis, may be allowed, upon special rates deter-  
15 mined from actuarial principles, and in accordance with regu-  
16 lations established by the governing authority with the advice  
17 and consent of the advisory council.

18 If the group is a group of employed individuals no age  
19 limits shall be imposed. The group in the case of employed  
20 individuals shall not be of less than fifty persons and in all  
21 other cases one hundred persons.

22

23 Article 17. Organization of Medical Services.

24

25 Sec. 300. All licensed physicians and surgeons may register  
26 under the Health Insurance Code for the purpose of entering  
27 into contracts with the State as independent contractors for  
28 rendering medical services to service beneficiaries and their  
29 dependents.

30 The medical director is hereby granted express authority  
31 and full power to employ under civil service a salaried medical  
32 service for any part of this State when necessary for securing  
33 to the service beneficiaries the rendition of the service benefits  
34 contemplated by this code.

35 Sec. 301. A service beneficiary and his dependent spouse  
36 may each select any licensed physician and surgeon registered  
37 under this code for the purposes of securing general prac-  
38 titioner services for themselves and they may select any  
39 licensed physician and surgeon registered under this code for  
40 their dependents. Every licensed physician and surgeon  
41 registered under this code is entitled to reject any service  
42 beneficiary and his dependents.

43 Sec. 302. Every registered physician and surgeon upon  
44 accepting a service beneficiary and his dependents shall, until  
45 a change is made by him, or by the person entitled to choice,  
46 be charged with the supervision of the health of the service  
47 beneficiary and his dependents and shall be obliged to render  
48 general practitioner services as required by the standards of  
49 good medical practice for preventive, diagnostic, therapeutic,  
50 or other medical treatment or care and to certify disability.

51 Sec. 303. Persons entitled to choice who fail to exercise  
52 their right to choose a licensed physician and surgeon regis-

1 tered under this code shall be assigned to licensed physicians  
2 and surgeons registered under this code who have indicated  
3 themselves as desirous of having additions to their lists, which  
4 assignments shall be by administrative rule and regulation  
5 and order providing for a fair and equitable distribution,  
6 subject always to the right to change by the person entitled  
7 to choice and to the right of the physician and surgeon to  
8 reject. At all times a service beneficiary and his dependents  
9 shall be on the medical list of a licensed physician and sur-  
10 geon registered under this code.

11 Sec. 304. A licensed physician and surgeon registered  
12 under this code shall receive remuneration to be determined  
13 by the number of service beneficiaries and their dependents  
14 upon his medical list. The maximum number of service bene-  
15 ficiaries and their dependents on any list shall be determined  
16 by the governing authority with the advice and consent of the  
17 advisory council.

18 Sec. 305. X-ray and laboratory services shall be performed  
19 by public laboratories and approved private laboratories which  
20 have contracted to render services at stipulated rates com-  
21 parable to the costs of efficiently operated public laboratories.

22 Specialists and consultant services shall be rendered in  
23 public diagnostic centers which diagnostic centers shall be  
24 organized in various places throughout the State as adjuncts  
25 to selected public hospitals in the area. Specialist and con-  
26 sultant services may also be rendered in approved private  
27 diagnostic centers which may comprise approved private units,  
28 the services of which are coordinated with the services of  
29 selected public hospitals or approved private hospitals render-  
30 ing hospitalization services under this code. Approved private  
31 diagnostic centers and approved private hospitals shall be  
32 compensated in accordance with contracts prescribing the  
33 compensation at stipulated rates comparable to costs of effi-  
34 ciently operated public diagnostic centers and public hospitals.

35 Emergency specialist and consultant services shall be pro-  
36 vided in accordance with the rules and regulations established  
37 by the medical director after consultation with the advisory  
38 council.

39 No diagnostic center or hospital may be approved for the  
40 rendition of service benefits which discriminates arbitrarily  
41 against practitioners or groups of practitioners registered  
42 under this code.

43 Sec. 306. Remuneration for all services not otherwise pro-  
44 vided for in this code shall be fixed by the governing authority  
45 with the advice and consent of the advisory council.

46 Sec. 307. Drugs and medicaments may be purchased from  
47 any pharmacy which has agreed to sell them at prices fixed  
48 by the governing authority with the consent of the advisory  
49 council.

50 Sec. 308. Persons entitled to choice, notwithstanding the  
51 provisions of the foregoing sections, may choose any nonprofit  
52 group unit of licensed physicians and surgeons who have

1 associated themselves into a unit registered under this code  
2 for the bona fide cooperative rendition of a general practi-  
3 tioner and other supplementary medical services centered in  
4 a bona fide common plant, which group as a unit and not as  
5 individual practitioners is responsible for the preventive,  
6 diagnostic and therapeutic care of service beneficiaries and  
7 their dependents in accordance with the standards established  
8 pursuant to the code.

9 A registered group unit of licensed physicians and surgeons  
10 shall receive compensation under the supervision of the Med-  
11 ical Director, upon the basis of a fixed amount per annum  
12 for the number of individuals upon its list, the amount of  
13 which to be dependent upon the scope of the medical services  
14 rendered to individuals by the group unit.

15  
16 Article 18. Administration.

17  
18 Sec. 350. There is a Bureau of Medical Service established  
19 in the Division of Social Insurance in the Department of Social  
20 Insurance and Employment Service.

21 Sec. 351. The agency within the department which collects,  
22 maintains the records and does the disbursing for unemploy-  
23 ment compensation benefits shall collect, account for, prepare  
24 the records, and do the disbursing for disability unemploy-  
25 ment benefits and medical benefits.

26 Sec. 352. The administration of the Bureau of Medical  
27 Service shall be vested in a director to be known as the Med-  
28 ical Director, who shall be appointed under the civil service  
29 by the governing authority with the approval of the advisory  
30 council.

31 The governing authority in all matters that pertain to or  
32 arise out of the Health Insurance Code shall act only with the  
33 advice and consent of the advisory council.

34 The Medical Director shall sit with and advise the advisory  
35 council in all of its activities.

36 The advisory council shall be appointed by the Governor and  
37 shall in all cases be comprised of a licensed physician and sur-  
38 geon registered under this code selected from a panel presented  
39 by the licensed physicians and surgeons registered under this  
40 code, the Director of the Department of Public Health, a rep-  
41 resentative of medical schools, graduates of which are eligible  
42 for a physician's and surgeon's certificate, selected from a  
43 panel presented by such medical schools in this State, three  
44 representatives of labor selected from panels presented by bona  
45 fide state-wide labor organizations in the State, and two repre-  
46 sentatives of employers selected from panels presented by  
47 bona fide employer organizations of the State.

48 Sec. 353. The Medical Director appointed under civil  
49 service shall be a licensed physician and surgeon who has had  
50 at least ten years in the active practice of medicine.

51 Sec. 354. The State shall be divided into medical service  
52 districts, each of which shall be in charge of a district medical

1 supervisor selected in accordance with the State Civil Service  
2 Act. The district medical supervisors shall be licensed phy-  
3 sicians and surgeons who have had at least five years in the  
4 active practice of medicine.

5 Sec. 355. In each district there shall be established a panel  
6 committee selected by the licensed physicians and surgeons  
7 registered under the code, which committee shall serve in an  
8 advisory capacity to the district medical supervisors. The  
9 panel committees in each district shall, by postcard ballot,  
10 select the panel from which the Governor shall select a repre-  
11 sentative to represent the licensed physicians and surgeons  
12 registered under this code upon the advisory council.

13 In addition, in each medical service district, panel commit-  
14 tees shall be established, consisting of representatives of pro-  
15 fessional groups engaged in rendering medical service benefits  
16 under the provisions of the Health Insurance Code, and they  
17 shall likewise be entitled to select a panel by postcard ballot  
18 election, which panel shall select a representative to confer  
19 with the advisory council upon all matters pertaining to their  
20 professional interests.

21 Sec. 356. The Medical Director may establish a Bureau  
22 of Accounting and Efficiency for the purpose of making cost  
23 analyses and determining the most efficient method of organiz-  
24 ing and administering the system of medical services estab-  
25 lished under this code.

26 Sec. 357. The governing authority with the advice and  
27 consent of the Medical Director and the advisory council shall  
28 prepare and promulgate rules and regulations governing the  
29 administration of disability unemployment benefits which  
30 rules and regulations shall include the establishment of a  
31 medical referee service in connection therewith to be per-  
32 formed through the Medical Service Bureau by the medical  
33 supervisor with such additional medical assistants as may be  
34 required.

35 The Medical Director with the advice and consent of the  
36 advisory council shall prepare and promulgate rules and regu-  
37 lations governing the administration of medical benefits, which  
38 rules and regulations shall include procedures for the deter-  
39 mination of the scope of general as distinguished from spe-  
40 cialist practices and shall also determine that certain drugs,  
41 serums, vaccines, toxins and antitoxins of great cost shall be  
42 supplied directly through diagnostic centers, that these drugs,  
43 serums, vaccines, toxins and antitoxins and other listed drugs  
44 may be supplied in limited amounts only where such limita-  
45 tion becomes necessary for the protection of the health insur-  
46 ance fund, and that certain common household remedies are  
47 not to be a charge on the fund at all and which shall fix the  
48 percentage of the medical benefits account which may be allo-  
49 cated for drugs and other medicaments.

50 Sec. 358. The Medical Director with the advice and con-  
51 sent of the advisory council shall prepare rules and regula-  
52 tions governing disciplinary action to be taken in regard to all

1 individuals and their dependents insured under the provisions  
2 of this code, licensed physicians and surgeons registered under  
3 this code, and any other person or group of persons rendering  
4 services under this code who are guilty of violating their obli-  
5 gations in respect to disability, unemployment benefits and  
6 medical benefits.

7 All proceedings shall be closed to the public and, except  
8 to the extent necessary for the proper administration of this  
9 act, the medical records shall be confidential and shall not  
10 be published or be open to inspection in any manner reveal-  
11 ing the identity of an individual.

12 Rules and regulations governing disciplinary action against  
13 any individual against whom disciplinary action may be taken  
14 under this section shall in all cases make provision for both  
15 a hearing and consultation with the proper panel committee  
16 before any recommendation may be made by a district medical  
17 supervisor and shall permit actual deprivation of privileges  
18 only by the Medical Director and only after consultation with  
19 the advisory council and an appellate body one member of  
20 which shall be a member of the professional or technical group  
21 to which the person accused belongs, has conducted a review  
22 relative to the district recommendations.

23 All disciplinary proceedings shall be subject to review by  
24 the courts in the manner provided by law.

25 SEC. 10. All references to the Unemployment Reserves  
26 Act after the effective date of this amendatory act shall be con-  
27 strued as referring to the Social Insurance Act in accordance  
28 with the amendment made by this amendatory act in section 3  
29 of the act now entitled the Social Insurance Act instead of the  
30 Unemployment Reserves Act.

31 SEC. 11. (a) The provisions of this amendatory act with  
32 respect to section 52.3 of the Social Insurance Act shall be  
33 exclusively applicable with respect to any individual upon  
34 and after July 1, 1941. No provisions of the Social Insurance  
35 Act as in effect prior to the amendment of the Social Insur-  
36 ance Act by this amendatory act shall be construed to limit or  
37 to extend the rights of any individual as fixed by the amend-  
38 ment made by this amendatory act in the provisions of the  
39 Social Insurance Act relating to benefit years and base periods  
40 after July 1, 1941.

41 (b) The provisions of the Social Insurance Act relating to  
42 base periods and benefit years prior to the amendment thereof  
43 by this amendatory act shall be exclusively applicable with  
44 respect to any individual for whom there is a current benefit  
45 year already established on July 1, 1941.

46 (c) If any individual with respect to whom there is not  
47 established a current benefit year on July 1, 1941, files a valid  
48 claim for benefits after July 1, 1940, and before July 1, 1941,  
49 there shall be established a benefit year with respect to such  
50 individual which shall begin on the first day of the calendar

1 quarter in which his claim is filed and ending on June 30,  
2 1941. Any otherwise eligible individual shall be entitled dur-  
3 ing such benefit year to the total amount of benefits equal to  
4 one-quarter of the amount to which he would be entitled dur-  
5 ing a benefit year under section 52.3 as added by this amenda-  
6 tory act times the number of calendar quarters (counting any  
7 fraction of a calendar quarter as if it were a calendar quarter)  
8 which comprise such benefit year. As to any such individual  
9 the term benefit year wherever used in this act exclusive of the  
10 Health Insurance Code shall mean the benefit year established  
11 pursuant to this section 11 of this amendatory act.

12 SEC. 12. If any article, section, subsection, sentence, clause  
13 or phrase of this act is for any reason held to be unconstitu-  
14 tional, such decision shall not affect the validity of the remain-  
15 ing portions of this act. The Legislature hereby declares that  
16 it would have passed this act, and each article, section, subsec-  
17 tion, sentence, clause and phrase thereof irrespective of the  
18 fact that any one or more of the articles, sections, subsections,  
19 sentences, clauses or phrases be declared unconstitutional.