Ninety Years of Health Insurance Reform Efforts in California

Bill and Proposition Files

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1918 – Legislative Ballot Proposition, SCA 26
Pages 2-3

1935 – SB 454 (Williams), Senate Committee on the Investigation of Sickness
Pages 4-38

1939 – AB 2172 (Rosenthal), On Behalf of Governor Culbert Olson
Pages 39-64

October 2007
HEALTH INSURANCE. 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 sickness losses; costs 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.

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 in 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 unexpected expenses of sickness and disability, and for the general good of the community 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 the 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 distress is caused by sickness, and it will meet this need, only to make them average contributions. We have substituted the just distribution 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 to 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 compulsory 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.
Health legislation has been endorsed by the
American State Federation of Labor and Employ-
ees' Trade Council and by the State Boards of
Health. It is favored by many employers and
leading physicians, including Dr. Alexander
Roberts, Medical Director of the Red Cross in-
urance whose writings show that he favors the
California system. Theodore Roosevelt and
Secretary McAfee have recently declared for it.

Organized opposition in California comes
not only from physicians, from Christian Scientists,
but from private commercial insurance com-
panies also.

VOTE "No" on this amendment.

WILLIAM KEHOE,
State Senator First District.

AGAINST SENATE CONSTITU-
TIONAL AMENDMENT NO. 26.

This amendment is wholly unnecessary, because
the legislature already has power to establish a
just and reasonable system of health insurance.
The amendment would allow classification now
banned by the Constitution.

The plan is to insure only those wage earners
and their families and dependents who are
regularly employed at medium salaries, say
$3.00 a week or less, and to ignore everyone else.
For example, all self-employed people, such as
shopkeepers, contractors, farmers, and worst of all,
to ignore all persons, with
their children and dependents, who are not able,
because of sickness or disability, to work regu-
larly or at all.

To illustrate: Two families are next door
neighbors; the broadwinner in one family has an
employed and earns $1,500 a year, or less; sick-
ness overtakes him; the state would pay two-
thirds of his wages and furnish medicine, surgery
and dentistry to him and his family. His neigh-
bor is out of employment and destitute, or is
unemployed, or has an annual income of $1,000
over; when sickness overtakes him or any
member of his family, the state utterly ignores
this situation.

The Constitution forbids such injustice; the
amendment would permit it. In fact the amend-
ment destroys every constitutional guaranty of
personal liberty as far as the insurance is con-
cerned, and even abandons the Initiative so that
the people cannot remove the system once it is
fastened upon them; only the Referendum re-
mains.

Since the scheme ignores the sick and down-
and-outs, and is political and not humanitarian,
It will not relieve the state from maintaining
charities and hospitals.

It is not the English system nor even the Ger-
man. Both of them are fair and humane in
comparison, though sickness and poverty have
increased even under them. Lloyd George's
popularity exists in spite of the fact in social
insurance, not because of it. Dr. Lambert may
approve the principle of health insurance, but not
the oppressive nature planned for California.

The cost is to be met by forced contribution
from employers, employees, and the state. The
first estimate by the Social Insurance Commis-
sion was $27,500,000 a year; others estimate
$50,000,000—about double the present annual cost
of the state government. All this in face of the
war expenses and the fact that industry is
already staggering under its heavy load. Cen-
tral and several Eastern states have already
rejected the system.

Do you want to take on this added annual
expense of $50,000,000? Do you want to drive
fraternal insurance societies to the wall? Do
you want compulsory physical examination, med-
cine and surgery? Do you want to abolish the
law that every man's house is his castle so that
the government agent may enter your home and
interfere with the most sacred relations of life?
Do you want to wreck the whole idea of life,
liberty and the pursuit of happiness? Do you
want to more than Germanize California?
Then vote "No" on this amendment.

J. W. BALLARD,
State Senator Thirty-eighth District.
AMENDED IN SENATE MAY 3, 1935.
AMENDED IN SENATE APRIL 24, 1935.
AMENDED IN SENATE APRIL 19, 1935.
AMENDED IN SENATE APRIL 15, 1935.

ENATE BILL No. 454

INTRODUCED BY SENATORS WILLIAMS, TICKLE AND DIFANI,

January 25, 1935.

REFERRED TO COMMITTEE ON PUBLIC HEALTH AND QUARANTINE.

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 thereunto, 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 of California to promote the comfort, health, safety and general welfare of the people of the State of California.
2 Sec. 2. This act shall be known and may be cited and referred to as “The Health Service Insurance Act.”
3 Sec. 3. Words used in this act in the present tense include the future as well as the present; words used in the masculine gender include the feminine; the singular number includes the plural, and the plural the singular; “writing” includes “printing” and “typewriting”; the word “county” includes “city and county.”
4 Sec. 4. Unless the context otherwise clearly indicates, as used in this act, the words and phrases defined in the sections
Immediately following shall have the meanings ascribed to
them.

Sec. 5. "Benefit" means any medical, dental, hospital, or
other service which is made available by this act for the diag-
nosis, treatment, or care of any person coming under the pro-
visions of this act and includes:
(a) "Professional benefits," which consist only of the serv-
ices of a physician or dentist, and which include all such
services which either is entitled to render under the laws of the
State of California.
(b) "Auxiliary benefits," which consist of maintenance and
care in hospital, the use of the physical equipment, materials
and nonprofessional technical services of X-ray, clinical, and
other hospital laboratories, nursing care, drugs, medicines,
physiotherapy, occupational therapy, transportation, material
appliances and their upkeep.
The determination of the commission that a service is a
professional benefit or an auxiliary benefit is final and con-
ductive.

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

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

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

Sec. 9. "Dentist" means the holder of a valid and unrev-
oked license entitling him to practice dentistry in the State
of California.

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

Sec. 11. "Employee" means every person, including
aliens and minors, receiving a wage at a rate which will yield
a total amount not greater than three thousand dollars per
year and whose net income from all sources together with that
of his spouse is not in excess of three thousand dollars per
year, in the service of an employer, as defined in this act,
under any appointment or contract of hire or apprenticeship,
express or implied, oral or written, whether lawfully or unlaw-
fully employed, and all elected and appointed paid public
officers, and all officers of quasi public or private corporations
while rendering actual service for such corporations for pay,
but excluding any person engaged in vending, selling, offering
for sale, or delivering directly to the public, any newspaper,
magazine or periodical where the title to such newspaper,
magazine or periodical has passed to the person so engaged,
and also excluding any person holding an appointment as a
deputy clerk, deputy sheriff or deputy constable, or other
deputy, appointed for the convenience of such appointee, who
receives no compensation from the county, township or
municipal corporation or from the citizens thereof for services
as such deputy, and also excluding any person while both he
and his dependents are absent from the State, and also exclud-
ing every person who files with his employer and with the
commission an affidavit that he and his dependents are mem-
bers of one or more health service insurance associations,
together with certificates of such associations showing such
membership, and also excluding any person who adheres to
the faith or teachings of any well-recognized religious sect,
denomination, or organization who, in accordance with its
creed, tenets, or principles, depends for healing upon prayer
in the practice of religion, and who shall file with the com-
mission and with his employer an affidavit stating such adher-
ence and dependence and that he will claim no benefit of any
kind under the provisions of this act.

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

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

An employee is a "casual" employee if, (a) in the usual
and normal course of his employer's trade, business, profes-
sion, or occupation, the particular work to which said employee
is assigned is begun and concluded within nine successive
calendar days; or (b) his employment is not in the course of
the trade, business, profession, occupation, or domestic estab-
ishment of his employer. The phrase "course of trade, busi-
ness, profession or occupation of his employer" shall be taken
to include all services tending toward the preservation, maintenance or operation of the business, business premises or business property of the employer. The words "trade, business, profession or occupation of his employer," shall be taken to include any undertaking actually engaged in by the employer with some degree of regularity, the trade name, articles of incorporation or principal business of the employer, to the contrary notwithstanding.

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

Workmen associating themselves under a partnership agreement, the principal purpose of which is the performance of the labor on a particular piece of work, shall be deemed employees of the person having such work executed.

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

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

(b) Donations, contributions or payments of money or other valuable consideration, mandatory or voluntary, from any source for the purpose of obtaining the benefits of professional service practice and auxiliary insurance service.

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

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

Sec. 12. "Health service insurance practice" means the furnishing of medical, dental, hospital, or other service for the diagnosis, treatment or care of sick or injured persons when such service is furnished under any contract, plan, or system whereby a person or a member of a group of persons is entitled to receive such service in the event of sickness or injury.

Sec. 13. "Fund" means the health service insurance fund.
Sec. 14. "Professional service practice" means the furnishing of any professional benefit under this act.

Sec. 15. "Auxiliary insurance service" means the furnishing by any person, firm, association or corporation of auxiliary benefits under this act.

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

Sec. 17. "Auxiliary service association" means:
(a) Any person, firm, association or corporation furnishing for compensation any or all of the auxiliary benefits upon the basis of a health service insurance contract and not upon the basis of a service contract.

(b) For the purposes of this act, a county hospital or a municipal hospital or other public facility provided for rendering or actually rendering or provided for conferring or actually conferring for compensation any or all of the auxiliary benefits.

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

Sec. 18. "Health service insurance association" means any group of two or more persons, other than a person and his dependents, who, associate themselves together to secure for themselves and their dependents, or others, by any lawful means or in any lawful form, the benefits of professional service practice or auxiliary insurance service, or both, person, firm, group, association, or corporation engaged in health service insurance practice, either by the use of its own or other facilities and whether for its own benefit or that of third persons or others.

Sec. 19. "Certificate of compliance" means a certificate issued by the commission to a single employer or a group of employers who are affiliated by stock ownership or common financial interests, certifying:
(a) That the employees of such employer or group of employers have been and are receiving the benefits of medical, surgical, dental, hospital and other service, defined herein as professional service practice and auxiliary insurance service.

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

(c) That such service is being rendered for no less than the same compensation, dues or payments by whomsoever paid, as would be required with respect to like groups of such employees if the contributions were paid into the health service insurance fund.
Sec. 20. "Member" means any person entitled to participate in or receive the use of benefits, services, facilities, or activities of a licensed health service insurance association.

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

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

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

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

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

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

Sec. 31. The commission shall be composed of five members, all of whom shall have been residents of California for at least a total of ten years, two of whom shall be physicians who have held the degree of doctor of medicine for not less than ten years, and one of whom shall be a dentist who has held the degree of doctor of dental surgery or doctor of dental medicine for not less than ten years.

Sec. 32. All commissioners shall be appointed by the Governor, with the consent of the Senate. The first commissioners shall be appointed within thirty days after the effective date of this act.

Sec. 33. The terms of the first commissioners shall expire: Two on February 28, 1937, and three on February 28, 1939.

Upon the expiration of these terms, the term for each commissioner shall be four years. In the event of a vacancy in any term the Governor shall appoint a commissioner for the unexpired portion thereof.

Sec. 34. If there is a quorum, no vacancy shall impair the commission's powers. Three commissioners shall constitute a quorum.

Sec. 36. No commissioner shall hold any position of trust or profit or engage in any business, occupation, or profession or the duties or functions of which are inconsistent with or interfere with his duties as such commissioner. This section shall not be construed as requiring the full time service of any commissioner.

Sec. 37. Each commissioner shall execute an official bond in the sum of twenty-five thousand dollars ($25,000), ten thousand dollars.
Sec. 38. Each commissioner shall receive an annual salary of eight thousand three hundred dollars and his actual and necessary traveling expenses.

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

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

Sec. 41. The commission shall appoint a chief medical officer and fix his compensation, who shall receive an annual salary of five thousand dollars. He shall be a physician, shall hold the degree of doctor of medicine and shall have been engaged in the practice of medicine or in medical administration for at least ten years during the period of twelve years immediately preceding his appointment, not less than three years of which shall have been in the State of California. Upon making public the reason therefor the commission may remove the chief medical officer from such office. During the time he holds office the chief medical officer shall:

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

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

Sec. 42. Subject to civil service laws, the commission may from time to time appoint a general finance officer and such assistants and other employees as may be necessary for the general financial administration of this act and may fix the method and amount of their compensation and assign their duties and require from them security for the faithful performance thereof. The annual salary of the general finance officer shall be five thousand dollars.

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

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

Sec. 45. The commission shall designate a member to act as chairman. The chairman may from time to time divide the commission into subcommittees of one or more members, for the purpose of conducting any investigation, inquiry, hearing or review which may come under the jurisdiction of the commission, assign the members of the commission thereto, and, in
case of a subcommission of more than one member, designate
the chief thereof. A subcommission shall hear and make a
determination upon any proceeding instituted by or before the
commission assigned to such subcommission by the chairman,
and shall make its report to the commission. Subcommissions
consisting of professional members only, to be known as pro-
fessional subcommissions, shall be assigned to conduct, hear
and determine all investigations, inquiries, hearings or reviews
relating to professional matters including matters relating to
standards, service and compensation. The report of a sub-
commission shall become the final determination of the com-
mission within thirty days after said report is filed with the com-
misson by the subcommission unless, within such period, the
chairman, or any member of the commission, has directed that
such report shall be reviewed by the commission as a whole;
provided that no subcommission shall be assigned, without the
unanimous assent of its members, to conduct any such investiga-
tion, inquiry, hearing or review, and provided that if such
assent is not given, the commission shall sit en banco.

Sec. 50. There is hereby created a health insurance advisory
council, hereinafter referred to as the “council” consisting
of ten members, who shall be appointed by, and serve at the
pleasure of, the commission.

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

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

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

Sec. 54. Five councilors shall constitute a quorum.

Sec. 55. The commission shall procure and have offices in
the city of Sacramento and in such other places as it may
require in its discretion.
Sec. 61. The commission shall have full power and authority uniformly to administer and enforce the provisions of this act, to make, amend, modify, repeal, and enforce rules and regulations consistent with the provisions of this act for its administration and enforcement, to perform all acts and exercise all powers, whether therein specifically designated, or in addition thereto, which are necessary or convenient to accomplish the purposes of this act, and to delegate to others such powers as may be necessary in administering this act.

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

1. Promulgation of an amendment thereto, or
2. A judicial declaration by a court of competent jurisdiction to the effect that said rule or regulation was in excess of the authority of the commission, whichever is earlier.

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

Sec. 63. The commission shall have power to regulate and control professional service practice and auxiliary insurance service; to investigate, regulate and control the operations and affairs of all professional service practitioners, auxiliary service associations and health service insurance associations and to prescribe and enforce rates or fees to be charged or paid for all services to be furnished under this act. In prescribing such fees, rates, or charges, the commission shall have regard for the necessity of furnishing proper and adequate benefits control the furnishing of all services and benefits for which compensation is made from the fund and to prescribe and enforce rates or fees to be charged, collected, or paid therefor; but nothing contained in this act shall be construed as authorizing any regulation or supervision by the commission of any health service insurance association.

to beneficiaries and for providing adequate, but not excessive, compensation therefore to professional service practitioners and auxiliary service associations. The commission may, to accomplish the purposes hereof, prescribe, maintain and enforce reasonable rules and regulations.

Sec. 64. The commission shall have the further power to investigate, regulate and control the operations and affairs of all persons, firms and corporations, including public corporations, offering to furnish or furnishing any service of a kind defined in this act as a benefit, or any other medical, dental,
or hospital service, under any form of organization, including;
bout restricted to the forms of organization defined herein
as an auxiliary service association, or health service insurance
association, without regard to the amount of compensation
paid to any employee, or to the amount of the net income of
any person entitled to receive any such benefits hereunder.
Sec. 65. The commission may cooperate with public health
officers and agents, both public and private, in the improve-
ment of public health and sanitation and in the promotion
of public education on all matters pertaining to health.
Sec. 66. The commission may accept and take and hold
in public trust, either by purchase or by donation or gift,
 testamentary or otherwise, or in any other manner, without
restrictions, all real and personal property for the benefit of
this health service insurance system. The commission shall
be vested with the legal title, as trustee for the public, and
with the management and disposition of all of the property
acquired by it pursuant to this section.
Sec. 67. The commission shall have power to institute and
prosecute actions and proceedings involving any provision of
this act, or the administration thereof; and the commission
may defend any action or proceeding brought against it for
any cause whatever.
Sec. 68. The commission shall have the powers of the
head of a department as such powers are specified in section
353 of the Political Code.
Sec. 70. In the administration of this act, the commission
may hold and conduct hearings on any disputed matter arising
under the provisions of this act.
Sec. 71. Claims shall be filed at such place, in such form,
within such time and in such manner as the commission shall
prescribe. The commission shall have power to determine all
controverted claims and all other controversies arising under
this act, and shall adopt such reasonable rules and regulations
as may be necessary to establish a uniform system therefor
throughout the State, and may designate referees to hear and
determine, in the first instance, any such controverted claim
or other controversy.
Sec. 72. Any person adversely affected by a decision of a
referee may, within fourteen days after written notice of such
decision, request a rehearing by the referee who made the
decision. Thereupon such referee shall conduct such rehear-
ing upon the matter after giving reasonable written notice
thereof to all persons affected thereby who appeared at such
prior hearing. Such referee shall render a decision on his
hearing within such uniform time as the commission may
prescribe and shall give notice thereof to all persons interested
who have appeared therein.
All notices required to be given by this act or by any rule
or regulation of the commission shall be in writing and may be
served personally, or deposited in the United States registered
ail addressed to the party to be notified at his last known
address.

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

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

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

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

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

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

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

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

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

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

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

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

(b) The action of the commission in denying or revoking a privilege or a license or making a decision on a claim, complaint or controversy unless application for review thereof is made to a court of competent jurisdiction within the time specified in this act.

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

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

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

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

Sec. 81. Depositions of witnesses within or without the State may be taken in the manner prescribed by law for like depositions in civil actions in the superior court.
Sec. 82. Any party to a hearing under this act shall have the right to reasonable notice thereof and of a written copy of all charges or other matters of concern to such party which will be presented at such hearing.

Sec. 83. Any party to a hearing under the provisions of this act shall have the right to the attendance of witnesses in his behalf at such hearing or upon deposition upon making request that designated persons be subpoenaed. But the commission may require that any party who requests the issuance of a subpoena for any attending witness shall pay the mileage and witness fees of such witness if it shall be made satisfactorily evident, and the commission finds, that the said party had no reasonable ground for believing that the said witness could give competent, material or relevant evidence substantially tending to establish such party's claim or answer.

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

Sec. 85. Evidence shall be governed by the rules of the commission and shall not be subject to common law or statutory rules of evidence and procedure; but such competent, relevant and material evidence is admissible as will serve to obtain and preserve the substantial rights of the parties.

Sec. 86. The commission shall have power to require a bond in a reasonable amount of any claimant making application for a rehearing before a referee or review before the commission, and may assess costs, including attorney's fees against a claimant whose claim is disallowed upon such rehearing or review, but these powers shall be exercised only in those instances in which the claim is made on trivial grounds, or in which there is satisfactory evidence and the commission finds an intent on the part of the claimant to harass the commission in the discharge of its duties or maliciously to harass another party in interest.

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

Sec. 88. It shall be a misdemeanor to solicit, by agent or otherwise, for the purpose of appearing for or on behalf of any party in any matter instituted by or before the commission or its referees.

Sec. 100. The commission shall prescribe, maintain and enforce reasonable rules and regulations for professional service practice and the obtaining thereof by individuals and health service insurance associations, including, but not restricted to, the ratio of the number of physicians or dentists to the number of members. The provisions of this section are restricted to regulations by the commission of services and benefits for which compensation is paid from the fund.
Sec. 101. No professional service practitioner shall render any professional services under this act other than personally; and nothing in this act shall be construed to authorize payment of compensation to any physician or dentist for professional services rendered under this act not rendered by him personally; provided, however, that the commission may in its discretion recognize not more than two bona fide professional assistants of any physician or dentist rendering such services under this act, when it is established to the satisfaction of the commission that these assistants are not supplanting the personal services of such physician or dentist. The provisions of this section are restricted to the rendering of services for which compensation is paid from the fund.

Sec. 102. The rendering of services under this act is a privilege and any physician or dentist and any regularly established hospital, or laboratory, or any other person or agency able and desiring to render services necessary for the proper furnishing of benefits, shall be entitled to render services in accordance with the provisions of this act; provided, however, that the commission, after notice and a full opportunity to be heard pursuant to the provisions of this act may, upon determining that good and sufficient cause exists, revoke such privilege. The following shall be deemed to be good and sufficient cause for revocation of the privilege of rendering services under this act: fraud, deceit, intent to defraud, gross neglect, habitual intemperance, habitual use of narcotic drugs, rebate of fees or charges that will result in the actual rendering of services at rates below those for fees or charges that may be established by the commission, solicitation of patients, or any violation of the Medical Practice Act or Dental Practice Act of this State; provided, that none of the aforementioned causes shall justify the revocation of such privilege unless done or committed while the physician, dentist, hospital, laboratory or other person or agency was rendering services under the provisions of this act for which compensation was paid from the fund.

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

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

Sec. 111. Any person, firm, or corporation proposing to furnish, or furnishing, any service of a kind defined in this act as a professional benefit to the members of any health service insurance association shall first obtain a license from the commission so to do.
act as an auxiliary benefit to members of any health service
insurance association shall first obtain a license from the com-
mission to operate as an auxiliary service association.

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

Sec. 113. Any person, firm, association, or corporation
which, on the effective date of this act, is furnishing to or
obtaining for any person or group of persons any service of a
kind defined in this act as a professional or auxiliary benefit in
a health service insurance association when the costs of such
service or services and the administration thereof are defrayed
from funds derived by any one or more of the following means:
or from any one or more of the following sources:
(a) The issuance of memberships, certificates, contracts,
or other evidences of rights or privileges to participate in or
use the benefits, services, facilities or activities of the group or
association or of any subsidiary, associated, or affiliated firm,
group, association, or corporation.
(b) Donations or contributions from any source for the pur-
pose of obtaining the benefits of professional service practice
or auxiliary insurance service.
(c) Appropriations from any fund, except the health service
insurance fund, of this State or any political subdivision or
instrumentality of this State.
(d) Any other form of common or pooled moneys, property,
credit, or other resources to be used to obtain or furnish any
benefit, as defined by this act, for or to a person or group of
persons.

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

Sec. 115. In such form and in addition to such other
information as the commission may require, such application
with respect to a professional service practitioner shall specify:
(a) The rate of compensation to be received in return for
services;
(b) References to the character, reputation for personal
integrity and standing of the applicant;
(c) Information with respect to the means by which appli-
cant intends to assure the fulfillment of any contract that
applicant may undertake to furnish the benefits of professional
service practice.

Sec. 116. In such form and in addition to such other
information as the commission may require, such application
with respect to auxiliary service associations shall specify:
(a) A description of the types and kinds of service to be furnished to those persons entitled to participate in the benefits or activities of such association;

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

(c) The names and office and residence addresses of the persons who will conduct the business of the association and a succinct statement of their experience and training;

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

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

(a) A description of the types of services to be received by those persons entitled to participate in the benefits or activities of such association;

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

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

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

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

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

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

(b) That applicant is not engaged in, and does not propose to engage in, solicitation, directly or through agents, of members, subscribers or beneficiaries.

(c) If an application is for either a license to operate an auxiliary service association or a health service insurance association, that the memberships, certificates, contracts, or other the benefits, services, facilities, or activities of the association, evidences of rights or privileges for participation in or use of
which the applicant proposes to issue, and the method whereby
the same are proposed to be issued, conform to the rules and
regulations of the commission in regard thereto promulgated
pursuant to the provisions of this act and are not such as will
work a fraud or injustice upon any member, intended bene-

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

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

Sec. 120. When the commission has determined that an
applicant for any of the licenses a license hereinabove required
is otherwise entitled to a license, it shall require the applicant
to file with it a bond conditioned both: (1) upon the com-
pliance by applicant with the provisions of this act and with
the rules and regulations of the commission; and (2) upon
the protection of those with whom applicant may have any
dealing against fraud or damage by reason of the applicant's
activities. The penal sum of such bond shall be such sum as
the commission may find to be reasonable but not to exceed
twenty-five thousand dollars ($25,000), and shall be executed
by a corporation authorized to become a surety upon bonds or
undertakings required or authorized by the laws of this State.
In any action against the applicant covered by the con-
ditions of said bond, the surety thereon may be joined with
the applicant, in which case the surety, to the amount of the
bond, will be jointly and severally liable with applicant for the
payment of any judgment rendered against applicant in such
action.

Sec. 121. Before granting any license to any applicant,
the commission shall require the applicant to pay to the com-
mision a minimum original fee of

(a) Five dollars for a professional service practitioner's
license.
(b) Twenty dollars for an auxiliary service association's
license.
(c) Fifty dollars for a health service insurance association's
license.
mission a minimum original fee of twenty dollars.
In addition to such minimum original fees, the commission
may charge and collect such fees as may be necessary to defray
the necessary expenses incident to superintendence, control,
and regulation of each of said classes of such licenses respectively; and regulation of such licenses.

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

Sec. 123. After notice and hearing, the commission may suspend or revoke the license of any licensee for failing to conform to any of the standards prescribed by this act or to any of the rules or regulations of the commission promulgated pursuant to the provisions of this act. Any such hearing shall be subject to all the provisions of this act relating to hearings before the commission and review thereof.

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

Sec. 130. Benefits shall be available to the extent and under the conditions of this act at a time set by the commission, and not later than December 1, 1936, to an employee and his dependent spouse and minor children. An employee or his dependent spouse or minor child shall not be entitled to benefits under this act unless he or she shall be a resident of and physically within this State or unless he or she shall be physically within this State and shall have satisfactorily passed such physical examination as the commission may prescribe, within ten days immediately preceding becoming so entitled. But no constrained inmate of a penal institution or of an institution for the insane and no person committed to an institution for the feeble-minded shall become entitled to receive any benefits provided in this act.

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

(a) There shall be paid by or on behalf of the beneficiary to the commission for any one sickness or injury, fifty per cent of the cost of the first professional visit and twenty-five per cent of the maintenance cost of the first day's hospitalization, collection thereof to be made at such time and in such manner as may be prescribed by the commission.
(b) If an employee, he has had not less than ten days of employment within the three months preceding the day on which benefits are claimed.
(c) He be the dependent of an employee, and such employee has had not less than ten days of employment within the three months preceding the day on which benefits are claimed.

Sec. 132. Primary benefits shall include:
Class one: The services of a physician who is a professional service practitioner and who shall be chosen by the patient, who shall give preventive, diagnostic, or therapeutic treatment and care to the patient at the physician's office, the patient's home, a hospital, or elsewhere as the case, in the opinion of the physician, may warrant.
Class two: The services of laboratories when prescribed by the attending physician.
Class three: The services of a dentist who is a professional service practitioner and who shall be chosen by the patient, for the extraction of teeth, and on the prescription of the attending physician, such other therapeutic dental services as may be authorized by the commission: service practitioner for the extraction of teeth, for which services he shall be chosen by the patient; and for the treatment of acute infections of the teeth, gums, and alveolar processes, and bone adjacent thereto, or fractures of the jaws, which services may be rendered at the request of the patient or by reference of the patient by an attending physician.
Class four: Prenatal and maternity treatment and care at the physician's office, at home, in hospital, or elsewhere as the case, in the opinion of the physician, may warrant.
Class five: Maintenance and care in hospital, the use of the physical equipment, materials and non-professional technical services of X-ray, clinical and other hospital laboratories, and nursing care as may be prescribed by the attending physician.
Class six: Infants and children up to fourteen years of age shall receive not only sickness and injury benefits, but health supervision and preventive medical care as the commission may prescribe.
Class seven: Essential drugs and medicines.

Sec. 133. The amounts of primary benefits to be furnished to a patient suffering from any one illness or injury shall be limited as follows:
Class one: Twenty-six weeks.
Class two: On the prescription of the attending physician.
Class three: On the prescription of the attending physician except for the extraction of teeth. Class three: Thirteen weeks.
Class four: When necessary, maintenance and care in hospital and nursing care limited as in class five hereunder.
Class five: One hundred eleven days, of which the first twenty-one days shall be without charge to the patient except for charges expressly imposed by this act, and the remaining ninety days at a charge to such patient equal to fifteen per
cent of the daily maintenance cost of such benefit; provided, however, that any beneficiary over sixty-five years of age shall receive said benefits for not to exceed ninety days in any consecutive one hundred four weeks, subject to the same provisions for the first twenty-one days and the last sixty-nine days as are above set forth; provided, that any beneficiary may at his expense receive these benefits beyond the limits above specified at the same basic maintenance cost paid by the commission.

Class six: For sickness and injury, as above specified; for health supervision and preventive medical care, as the commission may prescribe.

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

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

The foregoing periods and services may be lengthened and increased by the commission by reasonable, uniform regulations if, in its opinion, the resources of the fund permit such action and the public interest makes such action necessary or advisable.

184. Whenever the commission finds that the revenues of the fund justify provision of benefits in addition to the primary benefits it may from time to time provide for the furnishing of all or a part of the following additional benefits:

(a) Drugs and medicines other than those included in primary benefits and medical and surgical appliances as may be prescribed by the attending physician.

(b) Nursing service outside of the hospital as may be prescribed by the attending physician.

(c) Institutional care for convalescents.

(d) The commission shall designate types of dental restorations or replacements or other dental services to be allowed as additional benefits hereunder. The commission shall, however, permit the beneficiary and his dentist to designate the type of dental restorations or replacements and other dental service or services.

The commission may:

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

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

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

(d) The commission may provide for other dental services to be allowed as additional benefits hereunder, permitting the beneficiary and his dentist to select the type of dental restorations or replacements, or other dental service or services.
The commission may:

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

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

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

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

Sec. 135. When a person ceases to be an employee, he shall, from the date he ceased to be such employee, nevertheless be considered an employee for an extended period equal to one week for every five weeks during which contributions with respect to such employee have been made; provided, that such extended period shall not become greater than one year. In the event of his death during such extended period, his dependents shall be entitled to all benefits to which they would have been entitled had he remained alive for the entire extended period.

Sec. 136. When any employer establishes to the satisfaction of the commission that its employees have been, and, on the effective date of this act, and at the time of such employer's application for the certificate provided for in this section, are receiving the same or equivalent medical, surgical, dental, hospital and other services, provided for other employees by this act, from its existing hospital department and the personnel thereof, as then organized, conducted and operated, the commission shall issue to said employer a certificate of compliance, and the employees of such employer may continue to receive the said benefits from and as furnished and provided by the hospital department of their said employer in lieu of the benefits furnished under the provisions of this act.

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

The commission shall, when it issues such certificate of compliance, approve the reasonable sum paid to the hospital departments of such employer for the furnishing of the benefits extended by it to its employees, and arrange for the payment of the remainder of the contributions in respect to the said employees to the commission for the furnishing of the benefits of health service insurance to their spouses and dependent minor children under the provisions of this act; provided further, that if such employer so elects, and meets the standards of the commission, it may be licensed to serve as a health service insurance association to care for the employees and/or their spouses and dependent minor children.
Sec. 137. No similar benefits shall be provided or allowed for any person entitled, for the same physical causes, to medical, dental, hospital, or other treatment or care under any workmen's compensation insurance act or employer's liability act of this State or of the United States of America.

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

Sec. 138. If any benefit is furnished to any person who, by reason of the same sickness or injury, has a claim for compensation or damages (including costs of or liability for medical care), under any workmen's compensation insurance act or any employer's liability act of this State, or of the United States of America, or otherwise, against his employer or against any other person, firm, or corporation for causing such sickness or injury and for the damages resulting therefrom, the commission shall, to the extent of the disbursement for furnishing such benefit, have a prior right to be reimbursed from any sum or damages which such person is entitled to receive by way of compensation or damages, by suit, settlement, voluntary payment or judgment, and the commission shall, to such extent, be subrogated to such claim. After having received notice that the commission is entitled to reimbursement and is subrogated as provided in this section, the payment of any sum of money or delivery of any thing of value to such person by way of such compensation or damages without first reimbursing the commission for such disbursement shall render the employer or other person, firm, or corporation making such payment or delivery liable to damages, at the suit of the commission, in such sum as may be necessary to reimburse the commission to the extent of such disbursement.

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

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

(b) Take such action or institute such proceeding, in the name and on behalf of such person, to recover such claim for compensation or damages (including costs of or liability for medical care) from the one liable to such person therefor, in which case any sum recovered by settlement or judgment as the result of such action or proceeding, after deducting the costs, shall be used first to reimburse the commission to the extent of its disbursement, and any balance thereof remaining shall be paid to such person having such claim.
Nothing in this act shall affect or diminish any physician's, dentist's, nurse's, hospital's, or other agency's claim for the value of services rendered by them, whether or not paid for under this act, in any such action brought to recover such compensation or damages.

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

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

Sec. 151. The commission shall, by contractual engagements or other undertakings, make all the primary benefits enumerated in this act available to any resident of this State who is neither an employee nor the dependent of an employee within the meaning of this act, subject, however, to all of the following four enumerated conditions:

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

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

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

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

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

(3) Have been born in the State of California to parents at least one of whom since the birth of said child has continued to be a beneficiary.

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

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

(a) A resident on his behalf, and on behalf of his dependents;

(b) The United States of America or any department, bureau or commission thereof or any foreign State upon
behalf of any or all of its officers, employees and agents and their dependents who are residents of this State;

(c) Any political subdivision of this State and any instrumentality of this State on behalf of any of its residents, the care of whose health is imposed upon it by law;

(d) Any competent person on behalf of any person who is made eligible to the benefits of this act subject to the provisions of this act relating to conditions precedent to eligibility for the right to contract for benefits.

The commission shall also undertake under equitable conditions and for an equitable contribution from any lawful source or fund to make the benefits of this act available to any class of residents on whose behalf the State of California assumes the burden of providing the benefits enumerated in this act.

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

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

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

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

(d) The manner and conditions of novation of such engagements and undertakings; and

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

Sec. 154. In order equitably to distribute the costs of benefits among those who contribute to the fund, whether as employees or otherwise, the commission may from time to time establish and alter systems of premium rates giving effect to differences of costs as between those who are required to be beneficiaries and those who become beneficiaries by contract or other undertakings with the commission pursuant to the provisions of this act. In fixing such premium rates, established actuarial principles shall be followed, in determining differences in costs between those required to be beneficiaries and those who become beneficiaries by contract with the commission or by other undertakings, arising because of the following:

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

(b) Costs of administration;

(c) Average morbidity rates;

(d) Average number of dependents; and

(e) Such other differences as are necessary to uniform and equitable distribution of the costs of benefits.
In giving effect to the foregoing subsections of this section, all premiums shall be directly proportional to the average annual net income of the beneficiary and his spouse; provided, that the minimum premium shall not be less than the premium determined with respect to an average net income of one thousand dollars a year. Premiums determined under this section shall not depend, in the instance of any particular family, upon the number of persons in a family composed of parents and dependent minor children.

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

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

(b) An amount determined as follows:

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

minus

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

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

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

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

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

(1) Not taxable by the State; or

(2) Taxable by the State but not taxed under the said income tax act.
In no event shall the income of a person and his spouse, if neither is an employee, be deemed, for the purpose of determining any premium for voluntary health service insurance, to be less than one thousand dollars ($1,000) a year.

The commission shall have power to prescribe the forms requiring the disclosure of all facts material for determining net income, and the manner of reporting thereon, for all determinations of net incomes of persons for the purposes of this act and shall have power to withhold and shall withhold all benefits under this act from all persons who shall fail to present, under oath within a reasonable time after demand by the commissioner, signed statements in writing on the prescribed forms showing that their incomes entitle them to receive the benefits of this act; provided, that during such time of withholding of benefits from any such person and his dependents, or any of them, the sums payable by employers with respect to employees under this act, or with respect to any person procuring voluntary health service insurance under this act, shall continue to be payable, but the commission shall hold all sums paid during such time in trust for the person paying said sums pending the establishment of the income status of the person from whom or from whose dependents benefits are being withheld.

The commission, for the purpose of ascertaining the correctness of any verified statement or for the purpose of making an estimate of the net income of any person, shall have power to examine or cause to be examined by any agent or representative designated by it for that purpose, any books, records or memoranda, bearing upon the matters required to be included in the verified statement.

Sec. 155. The commission shall by contractual engagements and other undertakings make available to employees and to other voluntary subscribers therefor any one or more of the additional benefits provided for by this act under the conditions set forth in this act with respect to primary benefits. The commission shall be competent to enter into such undertakings on behalf of the State of California in accordance with the conditions enumerated in this act with respect to contractual agreements and other undertakings relating to primary benefits.

In order equitably to distribute the cost of additional benefits to be made available to those voluntarily subscribing thereto, either on behalf of themselves or on behalf of themselves and their dependents or on behalf of others, the commission may from time to time establish and alter systems of premium rates giving effect, in accordance with established actuarial principles, to the following variable characteristics:

(a) Costs of physical examinations;

(b) Differences of average morbidity rates as among the several items for which additional benefits may be authorized;

(c) Differences in costs of the several benefit items which may be authorized; and
(d) Differences in average number of persons per family as between those eligible for primary benefits and those subscribing for additional benefits.

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

Sec. 156. The commission shall from time to time make rules for the reduction, postponement, suspension, or termination of the right of a resident and his dependents to receive any or all benefits hereunder because of nonpayment of premiums, for the methods by which unpaid premiums may be paid, and for the reinstatement of the right to receive all or a portion of such benefits by payment of past and present unpaid premiums.

Sec. 157. During the period of a resident's illness entitled to benefits hereunder, payment by him of premiums for himself and his dependents may be suspended, premiums accruing during such period to be later paid as may reasonably be prescribed by the commission.

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

Sec. 170. There is hereby created the health service insurance fund which shall be administered by the commission.

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

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

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

The Controller shall issue no warrants upon the Treasurer for any disbursement, other than in the making of investments of surplus funds and of reserve funds, except upon the order of the commission. The commission shall allocate the fund to the respective fund accounts against which all warrants are to be drawn and shall indicate on each order upon the Controller the account against which the warrant is to be drawn.
Sec. 173. The State Treasurer shall be custodian of the fund and shall make disbursements therefrom only in the manner provided by law. He shall execute an additional official bond in the penal sum of fifty thousand dollars conditioned upon the faithful performance of his duties under this act. He shall deposit such portion of the fund as is not required for immediate use in the manner authorized by law for other State funds in his custody. All interest earned thereby shall accrue to the fund and shall be credited to the several fund accounts in proportion to their average daily balances.

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

Sec. 175. All receipts and disbursements under the voluntary provisions of this act shall be accounted for separately from the receipts and disbursements under the mandatory provisions of this act. All costs of administration referable to the voluntary provisions of this act shall be charged to the expense accounts of voluntary health service insurance and all costs of administration referable to the mandatory provisions of this act shall be charged to the expense accounts of mandatory health service insurance. All receipts and disbursements occurring by reason of additional benefits under this act shall be accounted for separately from receipts and disbursements occurring by reason of primary benefits under this act. All administrative costs referable to the administration of additional benefits shall be charged to the expense accounts of additional benefits.

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

(a) Expense accounts for mandatory health service insurance of primary benefits;
(b) Expense accounts for voluntary health service insurance of primary benefits;
(c) Expense accounts for additional benefits.

Sec. 176. From and after ninety days after the effective date of this act, every employer other than the State, and other than an employer to whom a certificate of compliance has been issued and is in effect, shall pay to the commission an amount equal to five per cent of the wages paid to his employees, other than casual employees, during any calendar month; provided that, from the amount thus made payable, any employer may deduct an amount equal to one-half of one per cent of the wages paid to those of his employees who are entitled to benefits under this act and who are covered by any workmen’s compensation or employer’s liability act.
Said amounts, so adjusted by such deductions, shall be paid to the commission not later than the fifteenth day of the calendar month next following the month in which said wages were paid.

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

Sec. 177. From and after ninety days after the effective date of this act every employer, other than the State and other than one to whom a certificate of compliance has been issued and is in effect, shall pay to the commission with respect to each of his casual employees an amount equal to twelve cents per calendar day from and including the day on which the employment is begun to and including the day on which the employment is concluded. Such amounts shall be paid to the commission not later than the fifteenth day of the month next following the month in which the employer pays the wage of such casual employee.

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

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

The provisions of this section shall apply to all casual employees of the State subject to the provisions of this act and payments for them to the commission except that, in lieu of three and one-half per cent of the wage, such casual employees shall pay twelve cents for each calendar day of
employment from and including the day of beginning of
the casual employment to and including the day of conclud-
ing such casual employment.

Sec. 179. From and after ninety days after the effective
date of this act, there shall be paid into the health service
insurance fund by the State from the general fund and from
every other fund out of which wages are paid to employees,
the following:
One and one-half per cent of all wages paid to employees
subject to the provisions of this act other than casual
employees; provided, that, from the amount thus made pay-
able, there shall be an allowable deduction equal to one-half
of one per cent paid to such employees as are entitled to
benefits under this act and any workmen’s compensation or
employer’s liability act.

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

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

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

(c) (b) From and after ninety days after the effective date
of this act, in addition to such payments out of the general
fund, there shall be paid monthly into the health service insur-
ance fund out of every other fund in the State treasury from
which the wages of employees, other than casual employees,
subject to this act, are paid, a sum equal to one and one-half
per cent, less allowable deductions of one-half of one per cent,
of the total wages paid such employees from such fund. The
commission shall certify to the State Controller at the end of
each month the total amount of wages paid such employees
from each such fund, and the Controller shall thereupon trans-
fer one and one-half per cent, less allowable deductions of
one-half of one per cent, of the amount so certified from each
such fund, respectively, to the health service insurance fund.

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

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

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

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

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

Sec. 190. Every employer shall make and keep open to
examination by the commission, such records of employment
of his employees, of wages paid to his employees, of sums paid
to the commission by him pursuant to this act, and of such
other employment and pay roll data as the commission may
reasonably prescribe. Every employer shall make such reports to the commission concerning such records as the commission may prescribe. The records or reports so furnished to the commission and all other records and reports furnished to the commission shall be deemed to be confidential communications within the meaning of the Code of Civil Procedure, section 1881.

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

Sec. 192. Any patient wilfully failing or refusing to follow the instructions or course of treatment prescribed by the attending physician shall not be entitled to any further benefits for the particular sickness or injury.

Sec. 193. Nothing in this act shall be construed as authorizing any corporation or any person other than the holder of a valid and unrevoked "physician and surgeon certificate" or license to practice dentistry in the State of California, to practice medicine or dentistry, or to furnish the services of physicians or dentists.

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

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

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

Sec. 196. Such free choice may be subjected to inquiry by the commission if there is reason to believe that the services being rendered by such physician, dentist, or hospital are being improperly or negligently furnished or that such selection was
entered into with fraudulent intent on the part of either, or
both, the patient and physician, dentist, or hospital.

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

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

Sect. 199. The operations of professional service practi-
tioners or auxiliary service associations or health service insur-
ance associations are not to be deemed to be or construed as
insurance business. No act, statute, or code provisions of
this State relating to insurance shall be applicable to profes-
sional service practitioners, auxiliary service associations or
health service insurance associations.

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

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

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

Sect. 202. It is a misdemeanor to:
(a) Wilfully make any false statement or representation to
obtain any benefit or payment, to obtain payment or compen-
sation for services rendered or materials furnished, or to
obtain a reduction in the amount of any contribution, pay-
ment or premium.

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

(c) Refuse to allow the commission, or its authorized repres-
entatives, to make any inspection necessary to be made for
the proper administration of this act.

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

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

Sect. 203. Any person or officer responsible for the viola-
tion of this act by any firm, partnership, or corporation is
guilty of a misdemeanor.
SEC. 204. If any section, subsection, sentence, clause, or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The Legislature hereby declares that it would have passed this act, and each section, subsection, sentence, clause, and phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses, or phrases be declared unconstitutional.

SEC. 206. All acts and portions of acts in conflict with this act are hereby repealed.

SEC. 207. Nothing in this act shall be construed as affecting any workmen's compensation or employers' liability act of this State.

SEC. 208. Anything in this act to the contrary notwithstanding, any bona fide fraternal society, operating under the lodge system, and which inducts its members into the same, through the medium of ritualistic services, and that has been in existence in this State for five successive years immediately prior to the effective date hereof, and that has at least two thousand five hundred paid-up members in this State, and which society gives or contributes any sick benefits, cash benefits, or any medical attention to its members, on account of sickness or accident, shall be exempt from the provisions of this act, and every member of any such society who is entitled to receive from the same any such cash, sick or accident benefits or medical attention, and which member is or may be construed to be an employee within the meaning of this act, shall be exempt from all the provisions of this act by filing with his employer any affidavit stating such membership and the facts concerning such benefits or medical attention, to which he is entitled from such society, and thereupon his employer shall also be exempt from the provisions of this act with respect to that employee.

SEC. 209. Anything in this act to the contrary notwithstanding, any bona fide health-service insurance association composed of the employees of any city that has been in existence in this State for five successive years immediately prior to the effective date of this act, and that has at least two thousand five hundred paid-up members in such association, and which association gives or contributes any sick benefits, cash benefits or any medical attention to its members, on
account of sickness or accident, shall be exempt from the provisions of this act, and every member of such association who is entitled to receive from the same any such cash, sick or accident benefits or medical attention, and which member is or may be construed to be an employee within the meaning of this act, shall be exempt from all the provisions of this act by filing with his employer an affidavit stating such membership and the facts concerning such benefits or medical attention to which he is entitled from such association, and thereupon his employer shall also be exempt from the provisions of this act with respect to that employee.
AMENDED IN ASSEMBLY MAY 16, 1939.
AMENDED IN ASSEMBLY APRIL 14, 1939.

ASSEMBLY BILL No. 2172

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.

REFERRED TO COMMITTEE ON UNEMPLOYMENT.

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 hereby amended to read as follows: An act to establish a system of social insurance, consisting of unemployment and health insurance and to establish a system of employment offices.

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

Section 1. As a guide to the interpretation and application of this act the public policy of this State is declared to be as follows:

Experience has shown that large numbers of the population of California do not enjoy permanent employment by reason of which their purchasing power is unstable. This is detrimental to the interests of the people of California as a whole.

The benefit to all persons resulting from public and private enterprise is realized in the final consumption of goods and services. It is contrary to public policy to permit the production of goods and services without including in their cost of production provision against that harm to the population consequent upon periods of unemployment of those who contribute to the production and distribution of such goods and services.
Experience has shown that private charity and public relief can not alone alleviate the effects of unemployment.

Experience has shown that if the State awaits the coming of excessive unemployment it can neither create immediately the organization necessary to orderly, economical and effective relief nor bear the financial burden of relief without disrupting its whole system of ordinary revenues and without jeopardizing its credit. Unemployment is therefore a serious menace to the health, morals and welfare of the people of the State.

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

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

To meet in some measure the situation thus shown to be created by excessive unemployment, by illness and by disability, the Legislature hereby declares that in its considered judgment the public good and the general welfare of the citizens of this State require the enactment of this measure for the compulsory setting aside of funds to be used in providing money benefits for wage earners who become unemployed and unable to find work or who become unemployed and disabled for work, and health services for wage earners and their dependents when ill or injured.

To achieve these ends, the Legislature hereby further declares its intention that all of the provisions of this act shall be liberally construed to extend its benefits and to reduce the hazards of unemployment and illness and the suffering caused thereby to a minimum.
Sec. 3. Section 3 of said act is hereby amended to read as follows:

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

Sec. 4. Section 6.1 is hereby added to said act, to read as follows:

Sec. 6.1. Notwithstanding the definitions contained in section 6:

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

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

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

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

Sec. 5. Section 52.3 is hereby added to said act, to read as follows:

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

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

(b) The term "base period" means the twelve consecutive month period preceding a benefit year and ending the thirtieth day of December of any year.

Sec. 6. Section 75.1 is hereby added to said act, to read as follows:

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

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

Sec. 112. With respect to the administration of every provision of this act, the governing authority shall make such reports in such form and containing such information as the Social Security Board may from time to time require and it shall comply with such provisions of the Social Security Board as the board from time to time finds necessary to insure the correctness and verification of the reports required.

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

Sec. 113. With respect to the administration of every provision of this act, the governing authority is hereby authorized to cooperate and to enter into working agreements with other State agencies engaged in the administration of any law relating to workmen's compensation, industrial hygiene, the prevention of disease or the treatment, care, compensation or vocational rehabilitation of any sick or disabled person and such State agencies and the appropriate officers and employees thereof are hereby authorized to cooperate and enter into
working agreements with the governing authority with respect
to the administration of this act and any similar law or laws
of this State.

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

Article 11. Health Insurance, Generally.

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

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

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

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

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

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

Sec. 155. “Benefits,” as used in the Health Insurance
Code, is a generic phrase applying to unemployment compen-
sation benefits and disability unemployment benefits and medi-
cal benefits.

Sec. 156. “Unemployment compensation benefits” refers
to benefits as defined in section 10 of this act.

Sec. 157. “Licensed physician and surgeon” refers to an
individual holding a physician’s and surgeon’s certificate
under Chapter 5 of Division II of the Business and Profes-
sions Code.

Sec. 158. “Health insurance fund” refers to the fund
established by this code for the payment of disability unem-
ployment benefits and medical benefits.


Sec. 165. “Disability unemployment benefits” means
money payments payable to an individual with respect to his
unemployment when accompanied by a disability.
Sec. 166. "Disability" means inability to work or unfitness for work by reason of injury or illness.

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

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

Each eligible individual who is unemployed in any week and is disabled for one or more full days but for less than the full week, and who is eligible for unemployment compensation benefits when not suffering from any disability shall be paid unemployment compensation benefits or disability unemployment benefits as follows: Unemployment compensation benefits to be chargeable against the benefit account in the unemployment fund for the whole week if the disability exists for less than a major fraction of such week, and disability unemployment benefits to be chargeable against the disability unemployment benefits account in the health insurance fund for the whole week if the disability exists for a major fraction of such week.

An individual, if eligible, is entitled to both disability unemployment benefits and unemployment compensation benefits in the same benefit year. The payment of one does not exhaust his right to the other except that both may not be paid simultaneously inasmuch as unemployment compensation benefits are for individuals out of work and able to work and disability unemployment benefits are for individuals not able to work because of a disability.

Sec. 168. The maximum total amount of disability unemployment benefits payable to an individual in any one benefit year shall be an amount equal to the maximum total amount of unemployment compensation benefits which would be payable to the individual with respect to such benefit year under the provisions of Article 5 of this act.

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

(a) He has notified the governing authority of his disability and unemployment and has made a claim for disability unemployment benefits as required by the regulations;

(b) He is under the care of a licensed physician and surgeon registered under this code;

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

(d) He has been continuously disabled and unemployed for a waiting period of one week by a disability which continues
to exist during the period for which he claims benefits. No
week shall be counted as a week of disability and unemploy-
ment for the purposes of this subdivision:
(1) Unless it occurs within the benefit year which includes
the week with respect to which he claims payment of disability
unemployment benefits, except that this requirement shall not
interrupt the payment of disability unemployment benefits for
consecutive weeks of disability and unemployment and except
that the week or the two consecutive weeks immediately pre-
ceding a benefit year, if part of one uninterrupted period of
disability and unemployment which continues into such benefit
year, shall be deemed for the purposes of subdivision (d) only
to be within such benefit year as well as within the preceding
benefit year;
(2) If disability unemployment benefits are payable with
respect to such week;
(3) If the individual was ineligible for disability unem-
ployment benefits with respect to such week, as provided in
section 170, or was not eligible with respect to such week as
provided in subdivisions (a), (b) and (c) of this section;
(e) He has during his base period earned wages in employ-
ment, for employers, equal to not less than the minimum
amount otherwise prescribed to be earned during his base
period as a condition of eligibility for unemployment compen-
sation benefits.

Sec. 170. An individual shall be ineligible for disability
unemployment benefits with respect to any full week as to
which the governing authority finds that he has received or is
entitled to receive any wages, or any remuneration in the form
of unemployment benefits (a) under this act or an unemploy-
ment compensation act of any other State or of the Federal
Government, or (b) under a workmen’s compensation law or
employer’s liability law of this State or of any other State
or of the Federal Government, except that if such wages or
such remuneration is less than the disability unemployment
benefits which would otherwise be due, the individual shall be
entitled to receive for such week, if otherwise eligible, disability
unemployment benefits reduced by the amount of such
wages or remuneration.

Sec. 171. A pregnant woman is conclusively presumed to
be a disabled individual and eligible to receive disability
unemployment benefits for a period of eight consecutive weeks
beginning with the fourth week prior to the time of her con-
finement as determined by a licensed physician and surgeon.

Sec. 172. A claimant shall give notice of his unemploy-
ment and disability to the governing authority and shall be:
certified and recertified by a licensed physician and surgeon
registered under this code with respect thereto within the
time and in accordance with the manner and form prescribed
by the regulations of the governing authority with the advice
and consent of the advisory council.

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

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

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

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

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

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

If, subsequent to an initial determination, benefits with
respect to any week for which a claim has been filed are
denied for reasons other than matters included in the initial
determination, the claimant shall be promptly notified of the
denial and the reasons therefor and may appeal therefrom
within the time and in accordance with the procedure provided for appeals from an initial determination or amended initial determination.

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

Sec. 176. An appeal tribunal shall promptly refer to the medical director all issues on an appeal involving medical questions including any issue as to the disability of the claimant. The medical director shall offer the claimant an opportunity for a fair hearing on the questions referred and may cause such investigation to be made and evidence taken, including a new examination of the claimant by a physician or physicians in the employ of the department as he may deem necessary for a proper disposition of any question referred to him.

On the basis of the facts found, he shall render his decision thereon, which decision notwithstanding any other provisions of this act, shall be final and shall not be subject to review by any other appeal tribunal, the board of review, or any court. In the conduct of hearings, investigations and examinations under this section the medical director may designate a district medical supervisor or a medical referee (who shall be a licensed physician in the employ of the department) to exercise on his behalf any of his duties or powers under this section.

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

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

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

Sec. 179. The board of review may on its own motion affirm, modify, or set aside any decision of a referee on the basis of the evidence previously submitted in such case, or direct the taking of additional evidence, or may permit any of the parties to such decision to initiate further appeals before it. The board of review shall permit such further
appeal by any of the parties to a decision which has been
overruled or modified by a referee.

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

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

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

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

Article 13. Medical Benefit Contributions.

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

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

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

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

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

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

Sec. 192. (a) Personal services include an individual's
entire service, performed within or both within and without
this State if:
1. The service is localized in this State; or
2. The service is not localized in any State but some of the
service is performed in this State, and (1) the base of opera-
tions, or, if there is no base of operations, then the place from
which such service is directed or controlled, is in this State;
or (2) the base of operations or place from which such service
is directed or controlled is not in any State in which some part
of the service is performed, but the individual's residence is
in this State.
(b) Services not covered under subdivision (a) of this sec-
tion, and performed entirely without this State, shall be
deemed to be personal services if the individual performing
such services is a resident of this State and the governing
authority approves the election of the employing unit for
whom such services are performed that the entire service of
such individual shall be deemed to be personal services subject
to the Health Insurance Code for medical benefits and medical
benefit contributions.
(c) Service shall be deemed to be localized within a State if
1. The service is performed entirely within such State; or
2. The service is performed both within and without such
State, but the service performed without such State is inci-
dental to the individual's service within the State; for example,
is temporary or transitory in nature; or consists of isolated
transactions.
Sec. 192. "Personal services" refers to "employment" as
deefined in Article 2 in this act and includes the services within
the scope of the definition of employment.
Sec. 193. Personal services do not include - services
excluded from the scope of the definition of employment by
this act.
(a) Services not subject to the jurisdiction of the State
under the Constitution and laws of the United States;
(b) Services performed by an individual in the employ of
his son, daughter, or spouse, or any two or more of such relatives associated together as sole partners, and service per-
formed by a child under the age of twenty-one in the employ
of his father or mother or both of them jointly.
Sec. 194. "Employing unit," for purposes of medical benef-
fits and medical benefit contributions, means the State or any
political subdivision, or instrumentality or district thereof
and any individual or type of organization, including any
partnership; association; trust; estate; joint stock company;
insurance company or corporation, whether municipal; public
or private, domestic or foreign, or the receiver, liquidator;
conservator, trustee in bankruptcy; trustee or successor thereof;
or the legal representative of a deceased person, which has, or
subsequent to January 1, 1929, had in its employ one or more
individuals performing services which constitute personal serv-
ices. All individuals performing services within this State
for any employing unit which maintains two or more separate
establishments within this State shall be deemed to be employed.
by a single employing unit subject to the Health Insurance
Code for medical benefits and medical benefits contribu-
tions. Each individual employed to perform or to assist in per-
forming the work of any individual employed by an employ-
ing unit subject to the Health Insurance Code for medical
benefits and medical benefits contributions shall be deemed to
be employed by such employing unit, whether such individual
was hired or paid directly by such employing unit or by such
individual so employed, providing the employing unit had
actual or constructive knowledge of the work, refers to
“employing unit” as defined in Article 2 of this act.

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

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

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

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

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

Sec. 196. “Wages,” for purposes of medical benefits and
medical benefits contributions, means all remuneration pay-
able for personal services, whether by private agreement or
consent or by force of statute, including commissions, bonuses,
and the cash value of all remuneration payable in any medium
other than cash, except that it does not include anything pay-
able by a hiring unit over and above three thousand dollars
per year either in cash or value. Tips or gratuities received
by an individual in the course of his personal services from
persons other than his employing unit, as defined in section
194, shall be treated as wages payable by such employing unit.
The reasonable cash value of remuneration payable by any
medium other than cash shall be determined and the reason-
able amount of tips or gratuities may be estimated in accord-
ance with rules or regulations prescribed by the governing
authority.
The term "wages" does not include the actual amount of
any required or necessary business expense incurred by an
individual in connection with his employment, or, in lieu of
the actual amount of such expenses, the reasonably estimated
amount allowed therefor in accordance with such rules or
regulations as the governing authority may adopt.
Sec. 197. On and after January 1, 1940, medical benefits
contributions to the health insurance fund shall accrue and
become payable by every hiring unit for the whole of each
calendar year in which the hiring unit is subject to this code,
with respect to wages payable for personal services performed
during such calendar year to any one individual. Each hiring
unit shall pay contributions equal to 1 per cent of the
wages payable by it with respect to personal services. Such
contributions shall become due and be paid to the governing
authority for the health insurance fund at such times and in
accordance with such regulations as the governing authority
may prescribe, and shall not be deducted in whole or in part
from the wages of individuals in such hiring unit's service.
Sec. 198. Each individual shall make medical benefits
contributions to the health insurance fund of 1 per cent of his
wages paid by a hiring unit with respect to his personal serv-
ices performed after January 1, 1940. Each hiring unit shall
be liable for the payment of its workers' medical benefits con-
tributions and shall, notwithstanding any provisions of law
in this State to the contrary, withhold in trust the amount of
its workers' medical benefits contributions from their wages
at the time such wages are paid, and furnish such evidence
thereof to its workers as the governing authority may by
regulation prescribe. Each hiring unit shall transmit all such
contributions, in addition to its own medical benefits contrib-
utions, to the governing authority for the health insurance
fund, in such manner and at such times as the governing
authority may by regulation prescribe. If any hiring unit
fails to deduct the medical benefits contributions of any of its
workers at the time their wages are paid, or fails to make a
deduction therefor at the time wages are paid for the next
succeeding pay roll period, it alone shall thereafter be liable
for such contributions and in the collection thereof such contrib-
utions shall be treated as the hiring unit's contributions
required of such hiring unit.
Sec. 198.5. In addition to the contributions required to be
paid into the health insurance fund by hiring units and their
workers, the State of California in addition to its contribution
as a hiring unit, shall contribute, and there is hereby author-
ized to be appropriated, but not appropriated, to the health
insurance fund for the calendar year 1940, and for each calen-
dar year thereafter, an amount for each year equal to 1 per
cent of the total wages paid by all hiring units (including
itself) to their workers with respect to personal services per-
formed in such year and an amount equal to 1 per cent of the
earnings or income in such year of a voluntarily insured,
whichever is the basis of their eligibility, which amount hereby
authorized to be appropriated shall be reduced by the amount
of any moneys paid into the health insurance fund with respect
to such year received from the Federal Government or any
agency thereof for medical benefits. The amount thus author-
ized to be appropriated to the health insurance fund shall be
determined by the Director of Finance, with the approval of
the Governor, upon the basis of estimates with respect to each
calendar year submitted to the Department of Finance by the
governing authority. The governing authority shall, within
fifteen days after the close of each calendar year, submit an
estimate to the Department of Finance of such amount with
respect to such calendar year, the estimate to be based upon
reports made to the governing authority by hiring units
showing wages paid with respect to personal services per-
formed in such year, and the past experience of the depart-
ment as to delinquencies by employers and hiring units. In
making such reports the amount so determined with respect
to each year shall be reduced by any amounts paid into the
fund with respect to such year received from the Federal
Government which are available for medical benefits. The
Governor shall include amounts so determined in the budget
presented by him to each regular session of the Legislature for
appropriate action. Nothing in this section or this code con-
stitutes a present appropriation of money by the State from
the general fund.

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

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

Sec. 201. Anything in this act contained to the contrary
notwithstanding, any individual who adheres to the faith or
teaching of any well-recognized religious sect, denomination
or organization, and in accordance with its creed, tenets or
principles depends for healing upon prayer in the practice of
religion, who is employed by any hiring unit, shall be exempted
from the system of health insurance upon filing with the Medi-
cal Director an affidavit, in duplicate, stating such adherence
and dependence and disclaiming any disability unemployment
benefits and medical benefits under the system. Said Medical
Director shall forthwith file one of said duplicate affidavits
with the hiring unit employing such person and thereupon,
such hiring unit and the State shall, with respect to that indi-
vidual, be exempted from liability for the contributions pro-
vided by sections 197, 198 and 198.5 of this act. But this
section shall not be construed as exempting any hiring unit
from payment to the Health Insurance Fund of the contribu-
tions in this act required of all hiring units not specifically
exempted.


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

This fund shall consist of:
(a) All contributions and interest, fines and penalties
thereon, collected under section 44 of this act with respect
to wages paid by employers for employment on and after
January 1, 1940;
(b) All medical benefits contributions and interest, fines
and penalties thereon collected under this code with respect to
wages paid or payable by hiring units for personal services on
and after January 1, 1940;
(c) All money appropriated by the State for medical
benefits;
(d) All money received for disability unemployment bene-
fits or medical benefits or for both from the United States of
America or any agency thereof, including the Social Security
Board, or from any other source;
(e) Any property or securities acquired through the use of
money belonging to the fund;
(f) All earnings of such money or securities.

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

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

All money collected under section 44 of this act with respect
to wages paid on or after the effective date of this act shall be
immediately credited to the disability unemployment clearing
account and all money collected under this code for medical
benefits shall be immediately credited to the medical benefits
clearing account. Refunds payable or credits due for con-
tributions collected under section 44 of this act may be paid
from the disability unemployment benefits clearing account
on warrants issued by the Controller under the direction of
the governing authority. Refunds payable or credits due
under this act of medical benefits contributions collected under
this code may be paid from the medical benefits clearing
account on warrants issued by the Controller under the direc-
tion of the governing authority.

After clearance thereof, all money in the disability unem-
ployment clearing account shall be immediately transferred
and credited to the disability unemployment benefits account,
but if any amount is received from the Federal Government
for disability unemployment benefits purposes, then an amount
in the disability unemployment benefits clearing account,
equal to the amount received from the Federal Government
for disability unemployment benefits purposes, shall be
transferred to the medical benefits account and the remainder
transferred to the disability unemployment benefits account
except that an amount not to exceed 10 per cent of the amount
available for transfer to the disability unemployment benefits
account, to be determined by the Department of Finance,
shall be transferred and credited to the disability unemploy-
ment benefits administration account.

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

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

Amounts not in excess of the amount standing to the credit
of the disability unemployment benefits account in the fund
may be withdrawn by the governing authority for payments
for disability unemployment benefits provided in this code.
Amounts not in excess of the amounts standing to the credit
of the medical benefits account in the fund may be withdrawn
by the governing authority for payments for medical benefits
provided by this code. Amounts not in excess of the amount
standing to the credit of the particular administration account
may be withdrawn from the account by the governing author-
ity for the payment of expenses necessary or incidental to
the administration of the system of benefits for which the
administration account is established.

All surplus money in the health insurance fund may be
invested solely in interest bearing obligations of the United
States Government or of the State of California, and all
interest or earnings therefrom shall be deposited in the
respective account from which the money invested was taken.
Money in the disability unemployment benefits account shall
be expended solely for the purposes of disability unemploy-
ment benefits, and money in the medical benefits account shall
be expended solely for the purposes of medical benefits, and
the balances of both accounts shall not lapse at any time,
but shall remain continuously available to the governing
authority for expenditures not inconsistent with the purposes
for which the money was collected.

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

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

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

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

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

Sec. 212. (a) If any disability unemployment benefits and
medical benefits or both are paid to any individual having
a right or claim for compensation or damages in whole or in
part for or on account of any disability, injury or illness
against any other person, or having a right or claim for
compensation under a workmen’s compensation or employer’s liability law of this State, or any other State or the Federal Government, the health insurance fund shall, to the extent of the disability unemployment benefits paid or medical benefits paid or both, be entitled to reimbursement out of any sum or damages which the recipient of such disability unemployment benefits or medical benefits or both receives or is entitled to receive by way of compensation or through suit, settlement or judgment, and the governing authority on behalf of the health insurance fund shall to that extent be subrogated to the rights or claims of the recipient of the disability unemployment benefits or medical benefits or both against such other person in cases in which the injurious act of such third person causes a disabling condition entitling the recipient to assistance under this code and in cases in which the workmen’s compensation law or employer’s liability law of this State, or of any other State or the Federal Government, grants compensation within the scope of this code.

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

(b) If any individual claiming or receiving disability unemployment benefits or medical benefits or both has a right or claim described in subdivision (a) and he unreasonably refuses or neglects to take the necessary action to enforce his right or claim within such time as the governing authority may by regulation prescribe, the governing authority may at its own expense take such action or proceedings in the name and in behalf of the individual as it deems necessary to enforce his right or claim. Any sum recovered by the governing authority in such an action or proceeding through a settlement, judgment or otherwise, in excess of the amount to which the health insurance fund is entitled by way of reimbursement, plus the reasonable expenses of the governing authority in connection with such action or proceeding, shall be held by the governing authority as trustee for the individual in whose behalf the action was undertaken. In the event that the governing authority undertakes an action or proceeding and fails therein, the costs and expenses thereof shall be payable out of the administration account applicable to the particular benefits for which it was sought to secure reimbursement.

(c) The governing authority may pay disability unemployment benefits and medical benefits to any individual having or claiming to have rights to compensation or damages pending the settlement or determination of his right or claim. The payment of disability unemployment benefits or medical benefits or both to such an individual shall be without prejudice to any method of recovery provided in this section. If the governing authority makes or intends to make advances of
disability unemployment benefits or medical benefits, it shall
give notice to the person against whom the recipient of such
benefits has or claims a right to compensation or damages and
after the receipt of such notice and of a certified statement
of the amount of the advances actually made such person
shall repay to the governing authority to the extent of the
amount for which he is liable, less any sums which he may
have actually paid prior to the receipt of such notice, the
amount of disability unemployment benefits and the value of
medical benefits paid by the governing authority. The receipt
by the governing authority of any of such repayments and to
the extent thereof constitutes a full and valid discharge of
the claims of the recipient of disability unemployment benefits
or medical benefits or both against such third person.

Article 15. Medical Benefits.

Sec. 225. "Medical benefits" is a generic phrase refer-
ing to:
(a) Service benefits;
(b) Reimbursement benefits.
Sec. 226. "Dependent" refers to:
(a) Legally dependent spouse;
(b) Dependent children under the age of twenty-one.
Dependent does not include any person who is not the
dependent of an individual earning during the base period
applicable with respect to the benefit year wages for personal
services for a hiring unit or units of not less than $300, irre-
spective of whether or not such individual earns over $3,000
during such base period.

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

All service benefits shall be continuously available without
any waiting period.
"Service beneficiary" refers to every individual and his
dependents who are eligible for service benefits.

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

Sec. 229. Service benefits shall consist of the following:
(a) General practitioner services rendered by a licensed
physician or surgeon licensed in this State registered under
this code, whenever required by the standards of good medical
practice for preventive, diagnostic, therapeutic or other med-
tical treatment or care;
(b) Stipulated consultation and specialist services to the
extent permitted by the financial resources of the medical
benefits fund, but in every case to extend to major surgery,
emergency specialist and obstetrical service;
(c) Laboratory analyses and X ray diagnosis;
(d) Necessary hospitalization including ambulance services;
(e) All drugs, medicines and serums, including preventive
toxins, antitoxins and vaccines;
(f) Licensed nursing services to the extent permitted by the
financial resources of the medical benefits account in the
health insurance fund;
(g) The following services, to the extent permitted by the
financial resources of the medical benefits account in the health
insurance fund:
(1) Extraction of teeth;
(2) Treatment of osteomyelitis of the jaw;
(3) Trench mouth;
(4) Jaw fractures;
(5) Inflammatory conditions of the tissues of the oral
cavity.
Licensed dentists as well as persons holding a physician’s
and surgeon’s certificate shall be eligible to register under this
code for the rendition of all or any of service benefits author-
ized by this subdivision if and when such services are provided.
(h) Preventive dental care for children between the ages of
two and six years, to be rendered through diagnostic centers
by licensed dentists registered under this code if and when
Federal assistance for such care becomes available.
(i) Optometrical services by a licensed optometrist regis-
tered under this code, together with the frames, lenses and
appliances prescribed or furnished in connection therewith to
the extent permitted by the financial resources of the medical
benefits fund.
Licensed optometrists shall be eligible to register under this
code for the rendition of all or any of service benefits
authorized by this subdivision if and when such services are
provided.
Service benefits in subdivisions (b) to (f), inclusive, are
available only when reasonably deemed necessary by the attending
practitioner or at the request of the medical director.
Sec. 230. Service benefits in section 229 may be added to
by allied and supplementary services as the financial resources
of the medical benefits account in the health insurance fund
permit after service benefits provided in section 229 have
become generally available.
Sec. 231. No service benefits shall be available in treatment
of physical or mental conditions for which medical treatment
is received under Division IV of the Labor Code or a work-
men’s compensation act of the Federal Government or of
another State.
Sec. 232. An individual, who has during the base period
applicable with respect to the benefit year earned wages for
personal services for a hiring unit or units of more than
$3000 shall not be eligible for service benefits nor are his
dependents eligible, but he $3,000, and his dependents shall not be eligible for service benefits, except for hospitalization under section 228 for which hospitalization he and his dependents are eligible. The individual shall be eligible for reimbursement benefits, with respect to such benefit year.

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

The governing authority shall allocate and make available from the medical benefits account in the health insurance fund, for the payment of reimbursement benefits for each benefit year a total amount to be determined as follows: The total of the sums allocated for service benefits, except hospitalization, for the benefit year shall be divided by the number of individuals who have, during the base period applicable with respect to such benefit year, earned wages for personal services for a hiring unit or units of not less than $300 nor more than $3000; the quotient thus obtained shall then be multiplied by the number of individuals eligible for reimbursement benefits for such benefit year and the resulting product shall be the total amount allocated and available for the payment of reimbursement benefits to the individuals eligible therefor during such benefit year.

Claims for reimbursement benefits shall be filed with the governing authority within the time set and in the form and manner prescribed and such claims shall be allowed in accordance with a fee schedule established by regulations, and payment shall be made from the total amount so allocated for the benefit year within which the services were rendered and, if the total amount so allocated is insufficient for full reimbursement, all claims shall be equally prorated.


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

In determining eligibility for voluntary insurance for service benefits under this code the governing authority may examine income tax returns to the State, and, if permitted, to the Federal Government.

No one shall be eligible for entrance into insurance for service benefits on a voluntary basis who is over the age of
fifty years nor may he continue such voluntary insurance for
service benefits after he has reached the age of sixty-five,
except that in respect to groups of employed persons under
section 278 eligibility shall be determined upon the basis of
earnings.

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

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

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

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

Article 17. Organization of Medical Services.

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

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

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

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

Sec. 303. Persons entitled to choice who fail to exercise
their right to choose a licensed physician and surgeon regis-
tered under this code shall be assigned to licensed physicians
and surgeons registered under this code who have indicated
themselves as desirous of having additions to their lists, which
assignments shall be by administrative rule and regulation
and order providing for a fair and equitable distribution,
subject always to the right to change by the person entitled
to choice and to the right of the physician and surgeon to
reject. At all times a service beneficiary and his dependents
shall be on the medical list of a licensed physician and sur-
gon registered under this code.

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

Sec. 305. X-ray and laboratory services shall be performed
by public laboratories and approved private laboratories which
have contracted to render services at stipulated rates com-
parable to the costs of efficiently operated public laboratories.
Specialists and consultant services shall be rendered in
public diagnostic centers which diagnostic centers shall be
organized in various places throughout the State as adjuncts
to selected public hospitals in the area. Specialist and con-
sultant services may also be rendered in approved private
diagnostic centers which may comprise approved private units,
the services of which are coordinated with the services of
selected public hospitals or approved private hospitals render-
ning hospitalization services under this code. Approved private
diagnostic centers and approved private hospitals shall be
compensated in accordance with contracts prescribing the
compensation at stipulated rates comparable to costs of effi-
ciently operated public diagnostic centers and public hospitals.
Emergency specialist and consultant services shall be pro-
vided in accordance with the rules and regulations established
by the medical director after consultation with the advisory
council.

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

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

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

Sec. 308. Persons entitled to choice, notwithstanding the
provisions of the foregoing sections, may choose any nonprofit
group unit of licensed physicians and surgeons who have
associated themselves into a unit registered under this code for the bona fide cooperative rendition of a general practitioner and other supplementary medical services centered in a bona fide common plant, which group as a unit and not as individual practitioners is responsible for the preventive, diagnostic and therapeutic care of service beneficiaries and their dependents in accordance with the standards established pursuant to the code.

A registered group unit of licensed physicians and surgeons shall receive compensation under the supervision of the Medical Director, upon the basis of a fixed amount per annum for the number of individuals upon its list, the amount of which to be dependent upon the scope of the medical services rendered to individuals by the group unit.

Article 18. Administration.

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

Sec. 351. The agency within the department which collects, maintains the records and does the disbursing for unemployment compensation benefits shall collect, account for, prepare the records, and do the disbursing for disability unemployment benefits and medical benefits.

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

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

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

The advisory council shall be appointed by the Governor and shall in all cases be comprised of a licensed physician and surgeon registered under this code selected from a panel presented by the licensed physicians and surgeons registered under this code, the Director of the Department of Public Health, a representative of medical schools, graduates of which are eligible for a physician's and surgeon's certificate, selected from a panel presented by such medical schools in this State, three representatives of labor selected from panels presented by bona fide state-wide labor organizations in the State, and two representatives of employers selected from panels presented by bona fide employer organizations of the State.

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

Sec. 354. The State shall be divided into medical service districts, each of which shall be in charge of a district medical
supervisor selected in accordance with the State Civil Service Act. The district medical supervisors shall be licensed physicians and surgeons who have had at least five years in the active practice of medicine.

Sec. 355. In each district there shall be established a panel committee selected by the licensed physicians and surgeons registered under the code, which committee shall serve in an advisory capacity to the district medical supervisors. The panel committees in each district shall, by postcard ballot, select the panel from which the Governor shall select a representative to represent the licensed physicians and surgeons registered under this code upon the advisory council.

In addition, in each medical service district, panel committees shall be established, consisting of representatives of professional groups engaged in rendering medical service benefits under the provisions of the Health Insurance Code, and they shall likewise be entitled to select a panel by postcard ballot election, which panel shall select a representative to confer with the advisory council upon all matters pertaining to their professional interests.

Sec. 356. The Medical Director may establish a Bureau of Accounting and Efficiency for the purpose of making cost analyses and determining the most efficient method of organizing and administering the system of medical services established under this code.

Sec. 357. The governing authority with the advice and consent of the Medical Director and the advisory council shall prepare and promulgate rules and regulations governing the administration of disability unemployment benefits which rules and regulations shall include the establishment of a medical referee service in connection therewith to be performed through the Medical Service Bureau by the medical supervisor with such additional medical assistants as may be required.

The Medical Director with the advice and consent of the advisory council shall prepare and promulgate rules and regulations governing the administration of medical benefits, which rules and regulations shall include procedures for the determination of the scope of general as distinguished from specialist practices and shall also determine that certain drugs, serums, vaccines, toxins and antitoxins of great cost shall be supplied directly through diagnostic centers, that these drugs, serums, vaccines, toxins and antitoxins and other listed drugs may be supplied in limited amounts only where such limitation becomes necessary for the protection of the health insurance fund, and that certain common household remedies are not to be a charge on the fund at all and which shall fix the percentage of the medical benefits account which may be allocated for drugs and other medicaments.

Sec. 358. The Medical Director with the advice and consent of the advisory council shall prepare rules and regulations governing disciplinary action to be taken in regard to all
individuals and their dependents insured under the provisions
of this code, licensed physicians and surgeons registered under
this code, and any other person or group of persons rendering
services under this code who are guilty of violating their obli-
gations in respect to disability, unemployment benefits and
medical benefits.

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

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

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

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

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

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

(c) If any individual with respect to whom there is not
established a current benefit year on July 1, 1941, files a valid
claim for benefits after July 1, 1940, and before July 1, 1941,
there shall be established a benefit year with respect to such
individual which shall begin on the first day of the calendar
quarter in which his claim is filed and ending on June 30, 1941. Any otherwise eligible individual shall be entitled during such benefit year to the total amount of benefits equal to one-quarter of the amount to which he would be entitled during a benefit year under section 52.3 as added by this amendatory act times the number of calendar quarters (counting any fraction of a calendar quarter as if it were a calendar quarter) which comprise such benefit year. As to any such individual the term benefit year wherever used in this act exclusive of the Health Insurance Code shall mean the benefit year established pursuant to this section 11 of this amendatory act.

Sec. 12. If any article, section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The Legislature hereby declares that it would have passed this act, and each article, section, subsection, sentence, clause and phrase thereof irrespective of the fact that any one or more of the articles, sections, subsections, sentences, clauses or phrases be declared unconstitutional.