Ninety Years of Health Insurance Reform Efforts in California

Bill and Proposition Files

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CALIFORNIA LEGISLATURE, FIFTY-SIXTH SESSION

ASSEMBLY BILL
No. 800

INTRODUCED BY MESSRS. WOLLENBERG, FOURT, LYONS, DOYLE, BROWN, DUNN, FLETCHER, GAFFNEY, AND WATERS

January 24, 1945

REFERRED TO COMMITTEE ON PUBLIC HEALTH

An act to create and provide for a prepaid health service system for the people of the State of California, and making an appropriation therefor.

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

Article 1. Declaration of Purposes

Section 1. It is the purpose of this act to provide a system of prepaid health service for the people of the State of California to the end that the general health of the people may be improved and the misfortune and financial strain arising from the onset of illness or injury be avoided, by providing a fund from which medical and hospital costs may be met. Although modern medical science has made gratifying and outstanding progress thus providing facilities for greatly improving the general level of health in the community, economic conditions have tended to make medical facilities less available to many citizens by reason of the necessarily increased costs. It is the purpose of this act to make such facilities available to as many citizens of the State as possible, and at the same time to insure to those furnishing such service and facilities an adequate and sure compensation. It is the further purpose of this act to encourage the professions and organizations concerned with the furnishing of medical care and services incident thereto, to increase their facilities and to offer higher standards of performance to supply adequately the requirements of the health service system herein provided. Such encouragement is in-
tended further to stimulate and improve the standards and facil-
ities for medical education available within the State. The
Legislature of the State of California therefore declares that this
act is essential to the health, safety and welfare of the people of
this State.

Article 2. Definitions and General Provisions

Sec. 5. The definitions and general provisions set forth
in this article shall, unless the context otherwise requires, gov-
ern the meaning of the terms used in this act.
Sec. 6. Article headings shall not restrict or limit or in
any manner affect the meaning of any section of this act.
Sec. 7. "Person" includes association, organization, part-
nership, business trust, and corporation.
Sec. 8. "Commission" means the California Employment
Stabilization Commission created by the Unemployment Insur-
ance Act.
Sec. 9. "Authority" means the California Health Service
Authority created by this act.
Sec. 10. "Employment," subject to the other provisions
of this act, means service, including service in interstate com-
merce, performed for wages or under any contract of hire, writ-
ten or oral, express or implied.
(a) The term "employment" shall 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 operations,
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 serv-
vice is performed, but the individual's residence is in this State.
(b) 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 incidental
to the individual’s service within the State; for example, is
temporary or transitory in nature, or consists of isolated
transactions.
(c) "Employment" includes services performed for an
employing governmental unit.
Sec. 11. The term "employment" does not include:
(a) Agricultural labor;
(b) Domestic service in a private home;
(c) Services performed by an officer or member of the crew
of a vessel which is not an American vessel;
(d) Service performed by an individual in the employ of
his son, daughter, or spouse, and service performed by a child
under the age of twenty-one in the employ of his father or
mother;

(e) Service performed in the employ of the United States
Government or of an instrumentality of the United States; pro-
vided, that in the event that the Congress of the United States
shall permit the States to require any instrumentalities of the
United States to make payments into a fund under a State health
insurance act, and to comply with State regulations thereunder,
then, to the extent permitted by Congress, and from and after
the date as of which such permission becomes effective, all of the
provisions of this act shall be applicable to such instrument-
alities and to services performed for such instrumentalities in the
same manner, to the same extent, and on the same terms as to all
other employers, employing units, individuals and services;

(f) Service performed by elgymen and members of a reli-
gious order, if they receive no compensation as such other than
sustenance pursuant to the rules of their respective order.

(g) Service performed by uncompensated officers or
employees of a corporation or association where the corporation
or association is not subject to a tax under Title IX of the Social
Security Act;

(h) Service performed by directors of a corporation or asso-
ciation receiving a per diem of not more than twenty dollars for
attending meetings of the board of directors, with or without
a reasonable mileage for going to and from meetings of the
board and other reasonable expenses incidental to attending
such meetings where the corporation or association is not sub-
ject to a tax under Title IX of the Social Security Act;

(i) If, when, and during such time as the definition of the
term “employment,” as contained in Title IX of the Social
Security Act, excludes from “employment” any one or more of
the following types of service, then that type or types of service
as are so excluded shall likewise be excluded from the definition
of employment as contained in this section:

(1) Domestic service in a local college club, or local chapter
of a college fraternity or sorority;

(2) Casual labor not in the course of the employer’s trade or
business;

(3) Service performed in any calendar quarter in the employ
of any organization exempt from Federal income tax if

(i) The remuneration for such service does not exceed forty-
five dollars, or

(ii) Such service is in connection with the collection of dues
or premiums for a fraternal beneficiary society, order or associa-
tion and is performed away from the home office or is ritualistic
service in connection with any such society, order or associa-
tion, or

(iii) Such service is performed by a student who is enrolled
and is regularly attending classes at a school, college or uni-
versity.

(4) Service performed in the employ of an agricultural or
horticultural organization;
(5) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if
   (i) No part of its net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and
   (ii) 85 per centum or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;

(6) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or designated beneficiaries, if
   (i) admission to membership in such association is limited to individuals who are employees of the United States Government, and
   (ii) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual;

(7) Service performed in any calendar quarter in the employ of a school, college, or university, not exempt from Federal income tax, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

(8) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

(9) Service performed in the employ of an instrumentality wholly owned by a foreign government.
   (i) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and
   (ii) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(10) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law.

Sec. 12. If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute
employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this paragraph the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him.

Sec. 13. All references to Title IX of the Social Security Act contained in this act shall be deemed to refer to Title IX of the Federal Social Security Act or to the corresponding provisions of the Federal Internal Revenue Code or any other Federal act into which the provisions of said title now are or hereafter may be incorporated.

Sec. 14. "Employing unit" has the meaning set forth in Section 8.5 of the Unemployment Insurance Act and includes this State, any county, city and county, municipality, district, or other political subdivision thereof.

Sec. 15. "Employer" has the meaning set forth in Article 2 of the Unemployment Insurance Act except that "employment" as used therein shall have the meaning set forth in this act.

Sec. 16. "Employee" means an individual performing services in employment for an employer subject to this act and includes public officials whether elected or appointed.

Sec. 17. "Wages" has the meaning set forth in Section 11 of the Unemployment Insurance Act except that subdivision (e) (1) of said section shall not be applicable for the purposes of this act.

Sec. 18. "Dependent" refers to:
(a) A legally dependent spouse;
(b) Dependent children under the age of 18.

Sec. 19. "Fund" means the Health Service Fund in the State treasury.

Sec. 20. "Registration" means registration with the California Health Service Authority to render service under this act; "register" or "registered" refers to such registration; and "registrant" refers to a person so registered.

Sec. 21. All references herein to the Unemployment Insurance Act shall be deemed to refer to said act as now or hereafter amended.

Sec. 22. "American Vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

Sec. 23. This act may be cited as the "California Pre-paid Health Service Act."
Article 3. Fundamental Principles

Sec. 40. No contract, rule, or regulation under this act shall be entered into or prescribed by the Authority which in any manner impairs, restricts, or confines the free choice of any person of a physician and surgeon, dentist, optometrist or hospital registered under this act. Registration of any physician and surgeon, dentist, optometrist or hospital shall not be denied, revoked or suspended except upon notice and hearing as herein provided.

Sec. 41. It is a misdemeanor for any employer to require membership in any system or organization granting any health service as a condition of employment, and any such condition in any contract of employment is void.

Sec. 42. The determination of an individual’s right to health services under this act, the hearing and determination of appeals relating thereto, and the collection of the taxes imposed by this act, the adjustment thereof and all matters relating thereto is the function and duty of the California Employment Stabilization Commission. The administration of the health services provided by this act and all matters relating thereto is the function and duty of the California Health Service Authority. But the commission and the authority are coordinate authorities in the administration of this act and each has power to make rules and regulations, not inconsistent with this act, in the furtherance of its function and duties, and of the purposes of this act. Such rule or regulation made by either shall be valid and effective even though it indirectly affects the function or duties of the other, if properly filed as provided by Section 721, Political Code, and evidence is maintained in a file open to public inspection, in the office at Sacramento of the commission or authority making the rule or regulation, that within five days of the date of adoption of the rule or regulation, a copy thereof was filed in the Sacramento office of the other coordinate body. If such rule or regulation would conflict with the powers vested in the other coordinate body, the Governor may by written order issued within five days of the date of adoption of such rule or regulation, suspend the operation thereof for such time as he considers necessary.

Article 4. Health Services

Sec. 50. Health services are:
(a) Basic services and
(b) Additional benefits.

Sec. 51. Basic services are the following:
(a) General practitioner services rendered by a licensed physician or surgeon licensed in this State and registered under this act, whenever such services are required by the standards of good medical practice for preventive, diagnostic, therapeutic or other medical treatment or care. Such services may be rendered at the physician’s office, in a hospital or clinic, or any
where else within the State of California, in accordance with
the standard of medical practice in the community in which
the service is rendered.
(b) Consultation and specialist services in addition to those
of the general practitioner.
(c) Laboratory and X-ray services.
(d) Necessary hospitalization, excluding ambulance services,
for a period not to exceed 21 days in any calendar year for each
separate and distinct illness or injury.
(e) Drugs, medicines and biologics, bandages, splints and
other supplies prescribed by the attending physician and
surgeon, when used in course of treatment in a hospital, except
that if a preventive biologic is required the patient need not be
in a hospital.
(f) Such general nursing service as is afforded by the hospi-
tal in which the treatment is given, but not private or special
nursing service.
(g) Dental services for the treatment of the diseases and
injuries of the jaws and their dependent tissues, including tooth
removal, but excluding tooth replacement, tooth restoration,
orthodontics, and treatment for Periodontoclasia (Pyorrhea).
Sec. 52. Basic services shall not include ocular refraction
or the provision of ophthalmic materials.
Sec. 53. Basic services other than dental or general
practitioner services shall be furnished only upon the certificate
of the general practitioner or specialist to whom the patient is
referred.
Sec. 54. Basic services shall be furnished for tubercu-
losis and mental infirmities or disorders only up to time of
diagnosis of such conditions.
Sec. 55. Basic services provided by Section 51 (d) shall
be limited to ward accommodations, but nothing contained
herein shall be construed to prohibit any registered hospital
from charging or receiving fees or charges from a patient in
addition to those provided by the authority from the Health
Service Fund for higher priced accommodations furnished at
the request of the patient.
Sec. 56. Restrictions, limitations, or modifications of
basic services may be provided by rule or regulation of the
authority only when such rules or regulations are adopted by a
two-thirds vote of the members. Such restrictions, limitations
or modifications may be made only in respect to the extent to
which basic services include the first treatment by the prac-
titioner and with respect to calls by the practitioner at the home
of the patient. All other rules and regulations may be made by
the authority by vote of the majority of its members.
The Governor may by written order issued within five days
of the date of adoption of such rule or regulation, suspend the
operation thereof for such time as he considers necessary.
Sec. 57. Health services shall not be furnished under
this act for an injury which is compensable under any workmen’s
compensation law or employer’s liability law except as provided in Article 5.

Sec. 58. Additional benefits are benefits additional to the basic services, as follows:

(a) When in its opinion the financial resources of the Health Service Fund warrant, the authority may by rule or regulation provide any one or more of the following: increase of hospitalization period, additional drugs, additional medical or dental services, ocular refraction or the providing of ophthalmic materials by licensed optometrists or licensed physicians and surgeons.

(b) In case of dental service, the authority in providing additional benefits, shall not designate methods of treatment or materials to be used for tooth replacement or tooth restoration. In order to allow for a difference in cost of materials, the authority may pay any part of the whole costs of dental services exclusive of those provided for under Section 51 for any period it designates.

(c) In case of ocular refraction or the providing of ophthalmic materials by a licensed optometrist, the authority shall not in providing additional benefits, require a prior referral or prescription by a physician and surgeon.

SEC. 59. Notwithstanding any other provision of this act, (1) an employee who has during the first four out of the five completed calendar quarters immediately preceding any April first earned wages in employment of more than five thousand dollars ($5,000) and (2) his dependents, shall not be eligible to receive any health services under this act during the 12 months immediately following such first day of April, but shall in lieu thereof during such period be paid in reimbursement of expenditures made by him for services of a type furnished by the authority hereunder rendered to him and his dependents during such period, the amount which the authority would have expended in furnishing the services if the services had been furnished by the authority.

Claims for reimbursement shall be filed with the 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 out of any moneys in the Health Service Fund.

Article 5. Eligibility for Health Services

Sec. 70. Every employee and each of his dependents shall be eligible to receive basic services as provided by this act during the six month period beginning July 1, 1947 and each six month period thereafter beginning with the first day of January or the first day of July if the employee has been paid wages in employment under this act of not less than one hundred fifty dollars ($150) during the corresponding month period in the preceding calendar year, ing during the 12 month period beginning April 1, 1947, and during each
month period thereafter beginning with the first day of April in each year if the employee has been paid wages in employment under this act of not less than three hundred dollars ($300) during the first four of the five completed calendar quarters next preceding, except that if the employee was not paid wages as aforesaid and he was paid wages in employment of three hundred dollars ($300) during the first four of the five completed calendar quarters next preceding any other calendar quarter he shall be eligible to receive basic services as provided by this act during that calendar quarter until the first day of April next following.

Sec. 71. Employers shall furnish to each of their employees evidence of eligibility for benefits at such time and in such form as the commission by regulation prescribes.

Sec. 72. If any health service is furnished under this act 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 Service Fund shall, to the extent of the cost of the services, be entitled to reimbursement out of any sum or damages which the recipient of such services receives or is entitled to receive by way of compensation or through suit, settlement or judgment. The commission, on behalf of the Health Service Fund, shall to that extent be subrogated to the rights or claims of the recipient of the services against such other person in cases in which the injurious act of such third person causes a disabling condition entitling the recipient to services under this act 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.

Sec. 73. Upon notice being given as provided herein to the person against whom the right or claim exists or is asserted, the Commission has a lien upon the right or claim, and upon the sum or damages paid or received thereunder, to the extent of the amount for which the Health Service Fund is entitled to reimbursement.

Sec. 74. If any individual claiming or receiving services has a right or claim described in Section 5.3, but unreasonably refuses or neglects to take the necessary action to enforce his right or claim within such time as the commission by regulation prescribes, the commission 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 commission in such an action or proceeding, through a settlement, judgment, or otherwise, in excess of the amount to which the fund is entitled by way of reimbursement plus the reasonable expenses of the commission in connection with such action or proceeding, shall be held by the Commission as trustee for the individual in whose behalf
the action was undertaken. In the event that the commission
undertakes an action or proceeding and fails therein, the costs
and expenses thereof shall be payable out of the Health Service
Fund.

Sec. 75. The authority may furnish services under this
act to any individual having or claiming to have rights to com-
pensation or damages pending the settlement or determination
of his right or claim. The furnishing of services to such an indi-
vidual shall be without prejudice to any method of recovery
provided in this act. If the authority furnishes or intends to
furnish services under this act, it may give written notice to
the person against whom the recipient of such services has or
claims a right to compensation or damages and furnish a copy to
the commission. After the receipt of such notice and of a certi-
fied statement of the amount of the advances actually made,
such person shall pay to the commission to the extent of the
amount for which he is liable, less any sums which he may have
actually paid to the commission prior to the receipt of such
notice, the costs of the services paid by the authority. A copy
of such certified statement shall promptly be filed by the
authority with the commission, with a statement showing its
delivery to such person and the date thereof. The receipt by
the commission of any of such payments, to the extent thereof,
constitutes a full and valid discharge of the claims of the recip-
ient against such third person.

Article 6. The California Health Service Authority

Sec. 90. There is in the Department of Public Health in
addition to the existing officers and board the California Health
Service Authority. The California Health Service Authority
consists of the authority of 11 members and the manager.
The Director of Public Health shall be ex officio a member of
the authority. The Governor shall appoint the other 10 mem-
bers of the authority and shall designate the chairman. Except
as provided in Section 6.2, the term of office of the appointed
members shall be four years and until their successors are
appointed and qualified. Vacancies occurring during a term
shall be filled by appointment for the unexpired term. The
appointive members shall each receive as compensation the
sum of twenty-five dollars ($25) per day for each day or fra-
tion thereof while in attendance at meetings of the authority
and in addition shall receive their actual and necessary expenses
incurred in the discharge of their duties.

Appointments shall be so made that the full membership of
the commission shall at all times consist of the following:
(a) Three representatives of employers, including one
employer of agricultural labor.
(b) Three representatives of employees, including two rep-
resentatives of organized labor, and one public employee.
(c) Three persons holding licenses as physician and surgeon,
one of whom is experienced in hospital management.
(d) One licensed dentist.
(e) The Director of Public Health.

Sec. 91. The Governor shall make the first appointments for terms expiring, respectively, as follows:
(a) One licensed dentist for a term expiring on the fifteenth day of January, 1946.
(b) One representative of employers, one representative of employees, and one physician and surgeon for terms expiring on the fifteenth day of January in the year 1947.
(c) One representative of employers, one representative of employees and one physician and surgeon for terms expiring on the fifteenth day of January in the year 1948.
(d) One representative of employers, one representative of employees and one physician and surgeon for terms expiring on the fifteenth day of January in the year 1949.

Sec. 92. The members of the authority shall meet regularly once a month and at such other times as the chairman or majority of the members thereof determine to be necessary. Six members of the authority shall constitute a quorum for the performance of any duty or for the exercise of any power of the authority.

Sec. 93. The authority hereby established, shall advise the manager appointed pursuant to Section 6.5 hereof, in the performance of his duties and formulate general policies affecting the purposes, responsibilities and jurisdiction under this act. The authority shall have the power:
(a) To adopt, promulgate, repeal and amend rules and regulations consistent with law necessary or advisable to carry out the provisions of this act.
(b) To prescribe by rule or regulation standards of health service and prescribe rates, fees or charges to be claimed and paid for all health services furnished under this act. In prescribing such rates, fees or charges, the authority shall have regard for the necessity of furnishing proper and adequate benefits. Such rates, fees or charges need not be uniform throughout the State.
(c) To adopt a procedure for the establishment of and payment of claims for health services.
(d) To adopt a procedure for the review and settlement of disputed claims upon demand by the claimant of any claim denied in whole or in part. The authority may provide for a rehearing and for action upon such rehearing.
(e) To provide a procedure for registration of physicians and surgeons, dentists, and optometrists licensed as such under the laws of this State, and for registration of hospitals, for the purpose of rendition of health service. A hospital shall not be registered under this act except after prior approval by the authority, subject to such conditions as the authority by rule or regulation prescribes. Such approval shall be based upon standards prescribed by rule or regulation of the authority and upon such investigation as the authority considers desirable for the purpose of establishing compliance with such standards.
At any time, to investigate any registered hospital to
determine its compliance with this act and the rules and regula-
tions adopted under this act.

To contract for furnishing services to persons entitled
thereto under this act, with any employer, registrant, or group
of registrants organized and maintaining facilities for furnish-
ing to their employees or other individuals or both health serv-
ces at least equal to the standards prescribed by the authority.
Each organization contracting with the authority for furnish-
ing services to individuals eligible thereto under this act shall
be deemed to be a single registrant, and no individual entitled
to receive services provided by such organization under a con-
tract with the authority shall be permitted any choice of the
individual practitioners other than as provided or permitted
by the organization. Such contracts may provide for payment
for services on a per capita or any other basis found to be fair
and reasonable by the authority.

To require that a portion of the moneys expended out
of the Health Service Fund under contracts with various per-
sons to provide health services or any portion thereof be used
for construction, maintenance, the establishment of reserve
funds for depreciation or obsolescence or to fund or pay obli-
gations or contracts for buildings, facilities or equipment.

To provide for increase of basic hospital service by pro-
viding for cumulative increase of periods of hospitalization to
employees and their dependents or other persons entitled to
such hospitalization service but not receiving any such service
during preceding calendar year or years.

To provide for care of convalescent cases in convalescent
homes and for nursing service in connection therewith.

To make surveys of the State with respect to the problems
of health service therein, looking toward extension of the serv-
ices provided by this act.

To approve or reject contracts with the United States
Government for the extension of health service to persons within
the State of California.

To approve or reject the recommendations of the mana-
ger, relating to the division of the State into districts for pur-
oposes of administration of health service.

To deny registration to and to revoke or suspend the
registration of any physician and surgeon, dentist, optometrist,
or hospital after notice and hearing. The proceedings shall be
conducted in accordance with Chapter 5 of Part 1 of Division 3
of Title 2 of the Government Code, and the authority shall have
all the powers granted therein. The authority shall have the
power to delegate the duty of hearing and deciding to a com-
mittee of registrants holding the same professional license if
any, as the person who is the subject of the hearing.

Sec. 94. The authority and the commission shall prepare
and submit to the Legislature through the Governor within the
first 30 days of the Fifty-seventh Regular Session, reports with
respect to the operations of the Health Service System estab-
lished by this act. Such reports shall include recommendations
of proposed legislation deemed necessary and a statement of
the accumulated reserve in the Health Service Fund and an
estimate of probable future expenditures and of the solvency
of the fund to fulfill the purposes of this act.
Sec. 95. There shall be a Manager of the California
Health Service Authority. The manager shall be appointed by
and serve at the pleasure of the Governor upon recommendation
of the authority. The salary of the Manager of the Health
Service Authority is twelve thousand dollars ($12,000) a year.
He shall act as secretary of the authority.
Sec. 96. The manager is the executive officer of the Cali-
ifornia Health Service Authority and shall administer the rules
and regulations of the authority. He shall have the power and
it shall be his duty:
(a) To observe and report to the Governor and the authority
on the conditions of the system throughout the State.
(b) To perform such other duties as may be prescribed by
law and such other administrative and executive duties as have,
by other provisions of this act, been imposed upon the authority.
(c) To appoint, subject to the State Civil Service Act, such
assistants and other employees as are necessary for the admin-
istration of the affairs of the system, to prescribe their duties,
fix salaries, and require them to execute to the State such official
bonds as may be required.
(d) To create, with the advice of the authority and subject
to the approval of the Governor, such divisions as may be nec-
essary and may consolidate, divide or abolish them from time
to time.
(e) To provide and operate, with the approval of the author-
ity, such district offices as are deemed necessary.
(f) With the approval of the authority, to establish and
maintain a statistical plan for the making and maintaining of
records showing the experience of the Health Service System in
the furnishing of health service provided by this act; to the end
that the records of the system shall at all times show, in so far
as practicable, the expense of each component part of the system.
(g) To administer all expenditures out of the revolving fund
for the purpose of furnishing health service and all matters
incidental thereto.
(h) To prepare and file annually with the Governor a report
of the expenditures for rendition of health service and for the
administration thereof. The report shall set forth the statistical
plan adopted for the classification and maintenance of the
experience of the system and shall, under headings correspond-
ing to such statistical plan, show such matters with respect
thereto as in the opinion of the manager should be presented to
the Governor and to the public.
Sec. 97. The commission, the authority and the manager
may, on behalf of the system and in the name of the State of
California:
(a) Sue and be sued in all actions arising out of any act or omission in connection with the system or fund, or in connection with its business or affairs.
(b) Enter into any contracts or obligations relating to the Health Service System which are authorized or permitted by law.
(c) Invest and reinvest the moneys belonging to the fund as provided in this act.
(d) Conduct all business and affairs and perform all acts relating to the system or fund, whether or not specifically designated in this act.
(e) The authority, any member thereof, the manager, any committee selected by the authority to conduct, hear and determine investigations, inquiries, hearings or reviews relating to professional matters when authorized by resolution of the authority, and any assistant authorized thereto by the manager, shall in respect to investigations and hearings in the course of administration of this act have all the powers granted heads of departments by Article 2 of Chapter 2 of Part 1 of Division 3 of Title 2 of the Government Code. The provisions of this section shall not apply to proceedings conducted in accordance with Chapter 5 of Part 1 of Division 3 of Title 2 of the Government Code.

Sec. 98. All proceedings of the authority shall be open to the public unless a closed hearing is requested by a claimant. The medical records, and all other information furnished to the authority or the commission by an employing unit, an applicant for health services, or a registrant, pursuant to this act 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 the parties, nor admissible in evidence in any action or special proceeding, other than one arising out of the provisions of this act.

Sec. 99. Appointees of the governor and persons holding positions designated to be confidential pursuant to paragraph (5) of subdivision (a) of Section 4 of Article XXIV of the Constitution of the State (for the purpose of which paragraph the authority and the manager shall be considered separate boards, commissions and officers) shall be exempt from civil service.

Sec. 100. The following are cause for denial, suspension, or revocation of registration by the authority under this act:
(a) Any of the following acts done or committed while the registrant was rendering health service under the provisions of this act: (1) the splitting of a fee or the rebate of any part of a fee received out of the Health Service Fund, to any person; (2) any violation of the Medical Practice Act or Dental Practice Act of this State; (3) serious neglect of the welfare of a patient; (4) a fraudulent act, or any act showing intent to
defraud a patient or the State; (5) the charging or receiving of a fee by a registrant other than a hospital in addition to that provided by the authority from the Health Service Fund, except that the charging or receiving of a fee by a registrant in addition to that provided by the authority from the Health Service Fund is permitted in the case of rendition of services to an employee entitled to reimbursement pursuant to Section 59 hereof for all or part of the cost of the services and to his dependents.

(b) Habitual intemperance.
(c) Habitual use of narcotic drugs.
(d) A wilfully false statement in a document or paper filed with or tendered to the authority or to its manager for the purpose of establishing a claim to payment out of the Health Service Fund.
(e) Any knowing or wilful violation of this act or any rule or regulation adopted thereunder.

Article 7. The Health Service Fund and Health Service System

Sec. 110. There is hereby created the “Health Service Fund,” the moneys and securities of which shall be held in trust by the State Treasurer and administered under the direction of the commission and the authority, to make available the health services provided by this act and to provide the means therefor.

Sec. 111. The fund shall be a trust fund. It shall consist of:
(a) Such specific appropriations as the Legislature from time to time makes or sets aside for the use of the fund.
(b) All income received and paid into the fund in accordance with the provisions of this act.
(c) All property and securities acquired by and through the use of moneys belonging to the fund.
(d) All interest earned upon moneys belonging to the fund and deposited or invested as provided in this act.

Sec. 112. The State Treasurer shall be the custodian of all moneys and securities belonging to the Health Service Fund, except as otherwise provided in this act. He shall be liable on his official bond for the safekeeping thereof.

All moneys which belong to the fund and are collected or received under this act shall be delivered to the State Treasurer or deposited to his credit in such bank or banks throughout the State as he designates.

All securities belonging to the fund shall be delivered to the Treasurer and held by him until otherwise disposed of as provided in this act.

Sec. 113. Upon such delivery or deposit, such moneys and securities shall be credited by the State Treasurer to the fund. No moneys received or collected on account of the fund
shall be expended or paid out without first passing into the State
treasury and being drawn therefrom as provided in this act.
Sec. 114. The State Controller shall keep special ledger
accounts showing all of the assets in the State treasury per-
taining to the Health Service Fund.
Sec. 115. The prorata overhead charges of State Govern-
ment shall be assessed against the fund in the same manner as
they are assessed against all other State departments, agencies
and special funds.
Sec. 116. The expenses of collection of the income to the
fund performed by another State agency shall be allowed by
the authority in the same manner as other claims are allowed.
Sec. 117. Refunds payable or credits due may be paid
from the Health Service Fund.
Sec. 118. The authority with the approval of the Board
of Control shall cause all moneys in the Health Service Fund
which are in excess of current requirements to be invested and
reinvested, from time to time, in securities authorized by law
for the investment of funds of savings banks.
Sec. 119. All money in the fund is hereby continuously
appropriated without regard to fiscal years for the purposes
authorized by this act. The assets of the fund shall be applicable
to the payment of claims for authorized services performed in
accordance with this act and the rules and regulations of the
authority, to the payment of the salaries and other expenses
necessarily incurred in the operation of the fund, and to the
payment of refunds. The State shall not be liable beyond the
assets of the Health Service Fund for any obligations in con-
nection therewith except as specifically provided in this act.
Sec. 120. The authority may, with the approval of the
State Department of Finance, withdraw from the Health Serv-
vice Fund in the State treasury, without at the time presenting
vouchers and itemized statements, a sum determined to be neces-
sary as a cash revolving fund. Such revolving fund shall be
deposited in such banks and under such conditions as the author-
ity determines, with approval of the State Department of
Finance. The Controller shall draw his warrants in favor of
the authority for the amounts so withdrawn, and the Treasurer
shall pay such warrants.
Sec. 121. Expenditures made from the Revolving Fund in
payments on claims arising out of the activities of the Health
Service System are exempted from the operation of Section 669
of the Political Code. Reimbursement of the Revolving Fund
for such expenditures shall be made upon presentation to the
Controller of an abstract or statement of such expenditures.
Such abstract shall be in such form as the Controller requires.
Sec. 122. Whenever moneys are collected, but it is not
immediately certain what portion thereof constitutes taxes pay-
able under this act and what portion constitutes contributions
payable under the Unemployment Insurance Act, the commis-
sion may, if it desires, pay such moneys into the "Special
Deposit Fund" in the State treasury as provided in Section
453a, Political Code, subject to recovery by the commission and
transfer to the proper accounts in the Unemployment Fund and
the Health Service Fund upon ascertainment by the commis-
ison of the amounts allocable to each fund, respectively, out of
moneys so collected.

SEC. 123. The commission and authority shall, as soon
as practicable after the end of each calendar year, file with the
Governor, the State Department of Finance, and the Controller
an abstract or statement showing the resources and liabilities
and a summary statement of the transactions affecting the
Health Service Fund. The Department of Finance shall audit
such abstract or statement.

SEC. 124. The amount of administrative expenses by the
commission and the authority for each fiscal year shall not
exceed ten per cent of all money deposited in the Health Service
Fund during such fiscal year.

Article 8. Health Service Taxes

SEC. 136. Every employer shall pay into the Health Serv-
ice Fund taxes equal to the following amount: From July 1,
1946, to December 31, 1946, both dates inclusive, with respect
to wages paid during that period and for each calendar year
commencing after December 31, 1946, with respect to wages
paid by him during such year, one and one-half per cent (1½%)
of all wages paid by him for employment subject to this act.

SEC. 137. (a) Taxes shall accrue and become payable to
the Health Service Fund by every employer, in accordance
with regulations prescribed as provided in this act.

(b) Except as provided by this section, the provisions of
Article 4 of the Unemployment Insurance Act with respect to
“contributions” under that act shall be applicable to “taxes”
under this act.

(c) Sections 37, 38, 39, 40, 41, 41.1, 41.2, 41.3, 41.5, 42, 43,
and 44 of said Article 4 of the Unemployment Insurance Act
shall not be applicable to matters arising under this act.

(d) Such taxes shall be payable upon the first four thousand
dollars ($4,000) five thousand dollars ($5,000) or less of wages
paid in any calendar year to any employee by such employer,
and shall be in the amounts and at the rates provided in this
act; except that taxes shall be payable upon only the first two
thousand dollars ($2,000) two thousand five hundred dollars
($2,500) or less of wages paid to each employee during the
period July 1, 1946 to December 31, 1946.

(e) Except as provided by this act, taxes shall not be
deducted in whole or in part from the wages of any person
performing service for an employer.

(f) In the payment of any taxes, a fractional part of a cent
shall be disregarded unless it amounts to one-half cent or more,
in which case it shall be increased to one cent ($0.01).
Sec. 138. The amount of tax payable by this State, any county, city and county, municipality, district, or other political subdivision thereof, under this act shall automatically increase all statutory debt and liability limits otherwise applicable to any such units by the amount so payable.

Sec. 139. The manner and method of reporting, and of remitting taxes pursuant to this act, by governmental employers may be prescribed by special rules and regulations of the commission.

Sec. 140. Nothing herein shall be construed to grant any employer or his employees prior claims or rights to the amounts contributed by him or them to the fund, either on his own account, or on behalf of his employees. The amount of employer taxes, together with employee taxes shall be pooled and available for the furnishing of health service to any person entitled thereto under the provisions of this act regardless of the source of such tax.

Sec. 142. Beginning on July 1, 1946, each employee performing services for an employer subject to this act, shall pay taxes to the fund in the amount of one and one-half per cent (1½%) of his wages up to four thousand dollars ($4,000) five thousand dollars ($5,000) in any calendar year paid by employers with respect to employment; provided that such taxes shall be payable upon the first two thousand dollars ($2,000) two thousand five hundred dollars ($2,500) or less of the wages paid to an employee during the period July 1, 1946, to December 31, 1946.

Sec. 143. Each employer shall, notwithstanding any provisions of the law of this State to the contrary, withhold in trust the amount of his employees’ taxes from their wages at the time such wages are paid, and shall show such deduction on his payroll record, shall furnish each employee with a statement in writing showing the amount which has been deducted in such form and at such times as the commission may prescribe, and shall transmit all such taxes to the fund, in addition to his own taxes, pursuant to rules or regulations promulgated as prescribed in this act.

Sec. 144. Taxes by employees, payable to the commission as herein provided, shall be exempt from garnishment, attachment, execution or any other remedy for the collections of debts, and in the event of the insolvency or bankruptcy of the employer such tax moneys shall not be considered any part of the assets of the employer and shall be paid to the commission prior to the payment of any other claim against such employer.

Sec. 145. Each employer shall be liable for any and all taxes required to be paid by his employees on account of wages paid to them by such employer regardless of whether or not such employer shall have made a deduction on account thereof from the employees’ wages at the time such wages were paid; except that an employer shall not be liable for taxes with respect to wages paid while there is in effect at the time such wages were paid, a rule or regulation or interpretation of the commission.
that such wages were not subject to taxes imposed by this act.
As used in this act, except where the context clearly requires
otherwise, the term "taxes" shall include the taxes of employees
pursuant to this section.

Sec. 146. Any rule, regulation, or interpretation issued
in accordance with the provisions of this act may prescribe the
extent, if any, to which it shall be applied without retroactive
effect in cases where, in the absence of such a provision, it would
have such retroactive effect.

Sec. 147. Any amounts determined by the commission
or its authorized representatives to be payable to employing
units or employees as refunds of contributions erroneously paid
which are unclaimed at the end of three (3) years from such
determination, shall be included in the revenue to the Health
Service Fund. The employing unit or person entitled to such
payment shall not thereafter maintain any claim, action, or
proceeding with respect to such amount. Whenever any war-
rant is drawn on an account in the Health Service Fund by
the State Controller or the authority, and the same remains
unclaimed after three (3) years, the amount thereof shall
revert to the Health Service Fund from which the amount
was payable.

Article 9. Exempt Employers and Employees,
Self-employed Persons, and Others

Sec. 160. The authority may, by contractual engage-
ments or other undertakings, make the health service enumer-
ated 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 conditions pre-
scribed by rule or regulation of the authority.

Sec. 161. The authority may furnish health services to
unemployed persons, recipients of public assistance and the
dependents of such individuals not otherwise eligible to such
services, by contractual agreement with the Director of the
Department of Social Welfare or with any county or city and
county of this State.

Sec. 162. (a) A person hiring services of individuals
in this State, but not subject to this act, which files with the
commission its written election to become an employer subject
hereto for not less than two calendar years, shall, with the writ-
ten approval of such election by the commission, become an
employer subject hereto to the same extent as all other employ-
ers, as of the date stated in such approval, and shall cease to be
subject hereto as of January 1st of any calendar year subsequent
to such two calendar years, notwithstanding anything elsewhere
contained in this act, only if at least 30 days prior to such first
day of January, it has filed with the commission a written notice
to that effect.

(b) Any person for which services that do not constitute
employment as defined in this act are performed, may file with
the commission a written election that all such services performed by individuals in its employ in one or more distinct establishments or places of business shall be deemed to constitute employment by an employer for all the purposes of this act for not less than two calendar years. Upon the written approval of such election by the commission, such services shall be deemed to constitute employment subject to this act from and after the date stated in such approval. Such services shall cease to be deemed employment subject hereto as of January 1st of any subsequent calendar year subsequent to such two calendar years, notwithstanding anything elsewhere contained in this act, only if at least 30 days prior to such first day of January such employing unit has filed with the commission a written notice to that effect.

(c) Services not included within the term employment and performed entirely without this State, with respect to no part of which contributions are required and paid under an unemployment compensation law of any other State or of the Federal Government, shall be deemed to be employment subject to this act if the individual performing such services is a resident of this State and the commission 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 employment subject to this act. Such election shall be for the period made in the manner, and subject to termination as provided in this section for other elections of coverage.

(d) Every employing unit which files an election to become an employer subject to this act or to cease to be an employer subject to this act, pursuant to the provisions of this section shall post and maintain printed notices of such election on his premises, of such design, in such numbers, and at such places as the commission may determine to be necessary to give notice thereof to persons in his service. Individuals in the employ of any employing unit which files an election to become an employer subject to this act shall be given a reasonable opportunity to file objections thereto or be heard thereon prior to the commission’s approval of such election.

(e) In no case shall the commission approve any such election under subdivisions (a) and (b) of this section unless and until it has been established to the satisfaction of the commission that such employing unit is normally and continuously engaged in a regular trade, business or occupation.

Article 10. Exemptions

Sec. 170. 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 and the practice of religion, who is employed by any employer, shall be exempted from the taxes required by this act upon filing with the commission...
a statement, in duplicate, stating such adherence and depend-
ence and disclaiming any benefit for himself and his dependents
under this act, and his employer shall also be exempt from pay-
ment of taxes with respect to wages paid to that employee. Any
such employee so exempted and his dependents shall not be
furnished any service provided by this act while such exemption
is in force; and the effect of a withdrawal of such affidavit by
such exempt employee shall operate to make him and his
employer subject from the date of such withdrawal to the provi-
sions of this act only to the extent to which an employee upon
first entering employment subject to this act, is entitled to such
services and subject to the same conditions.

Article 11. Miscellaneous

Sec. 190. In the event this act does not become effective
upon the ninety-first day from and after the adjournment of
the Fifty-sixth Session of the Legislature of the State of Cali-
ifornia, by reason of the filing of a referendum petition under
the provisions of Section 1 of Article IV of the Constitution,
then the date specified in Sections 136 and 142, from and after
which taxes shall be payable by employers and employees upon
wages, the date specified in Section 70 upon which the rendition
of health service under this act shall commence, and the respec-
tive dates of expiration of the terms specified in Section 91
of this act shall each be postponed one year from and after
such specified date respectively.

Sec. 191. In the event the United States is in a state of war
on April 1, 1946, and, by reason of wartime conditions, he
believes that it is or will be impracticable to commence the
operation of the provisions of this act at the times specified in
Sections 70, 136 and 142 of this act, the Governor may, by
proclamation, postpone the operations of this act so that the
operations specified in each section shall commence one year
later than specified in those sections. Such power of post-
ponement shall continue in the Governor until and includ-
ing the first day of April of each year next following the exer-
cise of such power so long as the United States is in a state of
war on such first day of April.

Sec. 192. The faith and credit of the State of California are
henceforth pledged to assure the operation of the Health Service
System hereby created until the close of the thirtieth day of
June, 1949. It is the intention and purpose of the Legislature
and Governor of this State that, in the event the funds herein
provided are insufficient to accomplish this operation, such addi-
tional funds shall be provided as may be necessary, to the end
that the health and safety of the people of the State be properly
and adequately safeguarded.

Sec. 193. It is a misdemeanor:
(a) Wilfully to make a false statement or representation or
knowingly fail to disclose a material fact to obtain any health
service under the provisions of this act, whether for the maker
or for any other person or for the purpose of lowering or
avoiding any tax required of the maker or any other person or
to avoid becoming or remaining subject to this act;

(b) On the part of any employer or any officer or agent of
an employee to make a greater deduction from the wages of an
employee other than the tax required of such employee by this
act, or as expressly otherwise permitted by law;

(c) On the part of any employer or any officer or agent of
an employer, wilfully and unlawfully to fail or neglect to make
available required records for the inspection of the commis-
sion, the authority, or its authorized representatives at any
reasonable time during business hours;

(d) On the part of any employer, or any officer or agent of
an employer, wilfully and unlawfully to fail or neglect to fur-
nish to the commission reports required by it when necessary
for the enforcement of this act;

(e) On the part of any employer, or any officer or agent of
an employer or any individual to connive or conspire to aid
such individual to obtain benefits under this act to which such
individual is not entitled by the wilful withholding of informa-
tion or by the wilful failure to report any relevant infor-
mation;

(f) For any person to wilfully violate any provision of this
act or any rule or regulation promulgated or published by the
commission in accordance with this act.

(g) On the part of any officer, employee, or any other indi-
vidual to disclose or make public any information obtained in
the course of administration of this act other than as required
to properly discharge his duties or to fulfill the purposes
expressed in this act.
ASSEMBLY BILL  
No. 2201

INTRODUCED BY MESSRS. WOLLENBERG AND THOMAS (By Request of MESSRS. ANDERSON, BERRY, BRADY, BURNS, COLLINS, GEORGE D., CRICHTON, DEKKER, DUNN, FLETCHER, GAFFNEY, HAWKINS, LYONS, MALONEY, MASSION, McMILLAN, AND ROSENTHAL)

May 15, 1945

REFERRED TO COMMITTEE ON PUBLIC HEALTH

An act to create and provide for prepaid hospital service for the people of the State of California.

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

Article 1. Purpose and General Provisions

Section 1. It is the purpose of this act to provide prepaid hospital service for the people of the State of California to the end that the general health of the people may be improved and the misfortune and financial strain arising from the onslaught of illness or injury be lessened, by providing a fund from which hospital costs may be met.

Although modern medical science has made gratifying and outstanding progress in providing facilities for greatly improving the general level of health in the community, economic conditions have tended to make hospital facilities less available to many citizens by reason of the necessarily increased costs. It is the purpose of this act to make such facilities available to as many citizens of the State as possible, and at the same time to insure to those furnishing such service and facilities an adequate and sure compensation.

It is the further purpose of this act to encourage the professions and organizations concerned with the furnishing of hospital care and services incident thereto, to increase their facili-
ties and to offer higher standards of performance to supply ade-
quately the requirements of the people of the State for such
service.

The Legislature of the State of California therefore declares
that this act is essential to the health, safety and welfare of the
people of this State.

Sec. 2. This act may be cited as the California Prepaid Hos-
pital Service Act.

Sec. 3. In the administration of this act, the terms and pro-
visions thereof shall be given a broad and liberal construction
to the end that as many persons as possible shall participate in
the benefits thereof and the social objectives sought shall be
attained.

Sec. 4. If any provision of this act, or the application
thereof to any person or circumstance, is held invalid, the
remedies of the act, or the application of such provision to
other persons or circumstances, shall not be affected thereby.

Sec. 5. Article headings shall not restrict or limit or in any
manner affect the meaning of any section of this act.

Sec. 6. All references herein to the Unemployment Insur-
ance Act shall be deemed to refer to said act as now or hereafter
amended.

Sec. 7. The amount of contributions payable by a public
agency under this act shall automatically increase all statutory
debt and liability limits otherwise applicable to any such units
by the amount so payable.

Sec. 8. Nothing herein shall be construed to grant any
employer or his employees prior claims or rights to the amounts
contributed by him or them to the fund, either on his own
account, or on behalf of his employees. The amount of employer
contributions, together with employee contributions, shall be
pooled and available for the furnishing of service to any person
entitled thereto under the provisions of this act regardless of
the source of such contribution.

Sec. 9. In the event the United States is in a state of war,
and, by reason of wartime conditions, he believes that it is or
will be impracticable to commence the operation of the provi-
sions of this act at the times specified herein, the Governor may,
by proclamation, postpone the operations of this act so that the
operations specified in each section shall commence six months
later than specified in those sections. Such power of postpene-
ment shall continue in the Governor and may be exercised by
him from time to time so long as the United States is in a state
of war.

Article 2. Definitions

Sec. 20. The definitions in this article shall, unless the con-
text otherwise requires, govern the meaning of the terms used
in this act.

Sec. 21. "Authority" means the California Hospital Serv-
ine Authority created by this act.
Sec. 22. "Director" means the Executive Director of the authority.


Sec. 24. "United States" means the Government of the United States and each department, authority, subdivision, agency, and instrumentality thereof, corporate or otherwise.

Sec. 25. "Public Agency" means this State, any county, city and county, city, municipality, district or other political subdivision thereof, whether chartered or unchartered.


Sec. 27. "Fund" means the Hospital Service Fund in the State treasury.

Sec. 28. "Beneficiary" means any person who is eligible for services under this act and his dependents.

Sec. 29. "Dependent" means any bona fide member of the household of an individual who is eligible for services under this act and who in fact is dependent on such individual.

Sec. 30. "Physician and Surgeon" means an individual holding a physician and surgeon's certificate under Chapter 5 of Division 2 of the Business and Professions Code.

Sec. 31. "Hospital" means an institution providing necessary and customary in-patient care of the sick and which hospital is approved by the Department of Public Health.

Sec. 32. "Service" means the service or services set forth in Article 3 of this act.

Sec. 33. "Employing unit" has the same meaning set forth in the Unemployment Insurance Act and includes all public agencies.

Sec. 34. "Employment" means the following:

(a) "Employment" as defined in Article 2 of the Unemployment Insurance Act;

(b) Service performed in the employ of the United States when appropriate Federal legislation has been passed which shall permit the State to require any instrumentality of the United States to make payments into a hospital service fund under a State act, and to comply with State regulations thereunder;

(c) Service performed in the employ of all public agencies.

Sec. 35. "Employer" means the following:

(a) "Employer" as defined in the Unemployment Insurance Act.

(b) The United States when and to the extent that it is the user of services performed for it in employment subject to this act.

(c) A public agency for which services in employment subject to this act are performed.

Sec. 36. "Employee" means an individual performing services in employment for an employer subject to this act and includes public officials whether elected or appointed.
Sec. 37. "Wages" has the meaning set forth in the Unemployment Insurance Act except with respect to the provisions of subdivision (c) (1) of Section 11 of that act, which shall, for the purposes of this act, be deemed to exclude only that part of remuneration which after remuneration equal to five thousand dollars ($5,000) has been paid to a worker by an employer with respect to employment during any calendar year, is paid to such worker by such employer with respect to employment during such calendar year.

Sec. 38. "Contribution" means the money payments to the fund required by this act.

Sec. 39. "Rules" includes regulations.

Article 3. Services

Sec. 50. An employee shall become eligible for services under this act for the four calendar quarters beginning with the first day of the third calendar quarter following the completion of that calendar quarter in which such individual's wages in employment first total the amount of three hundred dollars ($300) within a period of not more than 12 consecutive calendar months.

Sec. 51. Whenever a dispute arises as to whether a person is a beneficiary, he shall be entitled to services unless or until it shall be finally determined through the appropriate appeals procedure that he was not a beneficiary. If it is finally determined that he was not a beneficiary, he shall become liable to the authority for the amount expended from the fund in his behalf.

Sec. 52. On and after October 1, 1946, each beneficiary shall be entitled to services as provided in this article for a period not to exceed a total of 30 days for each particular disability arising from a separate and distinct cause, except as such period may be extended by the authority as provided herein.

Sec. 53. Each beneficiary shall be entitled to hospitalization only while under the care of an attending physician and surgeon and while necessarily confined to a hospital as a registered bed patient.

Sec. 54. Hospitalization shall consist of the following services when prescribed by the attending physician or surgeon as necessary or required by the nature of the case:

(a) Bed and board in a ward or semiprivate room, services of a dietician, general nursing care, use of operating room, including surgical and anesthetic supplies, use of cystoscopic rooms.

(b) Such drugs, biologies, bandages, dressings, oxygen, blood and plasma as may be required during the period of hospitalization.

(c) Care during and after childbirth or miscarriage.

(d) The care of new born infants during such period as the mother remains in a hospital.
(e) Laboratory services, including chemical, bacteriological, biological, diagnostic and therapeutic X-ray, and such other laboratory or related services as are ordinarily provided by a hospital.

Sec. 55. The authority may provide when and the extent to which the following services shall be available:
(a) Emergency hospital services other than while confined to a hospital as a registered bed patient.
(b) Special nursing services.
(c) Physiotherapy.
(d) Material appliances.
(e) Ambulance service.
(f) Hospitalization for diagnostic purposes only, and where bed care is not required by the nature of the case.
(g) Any other services which ordinarily are, or may in the future be, provided by hospitals.

Sec. 56. Services may be furnished for tuberculosis and mental infirmities or disorders only up to time of diagnosis of such conditions unless and except as this period may be extended by the authority.

Sec. 57. When in the opinion of the authority the financial resources of the fund permits, the authority may extend the period for which services may be furnished for each particular disability arising from a separate and distinct cause.

Such extension need not be uniform, but may be made in terms of types or categories of cases.

Sec. 58. Nothing in this act shall restrict a beneficiary's right to utilize more expensive hospital accommodations on the basis of mutually satisfactory arrangements between the beneficiary and the institution for payment of the difference in rates.

Sec. 59. Services shall not be furnished under this act for an injury which is compensable under any workmen’s compensation law or employer’s liability law except as provided in Article 4.

Sec. 60. Each beneficiary shall be entitled to reimbursement for the costs of services as set forth in this article when such costs have been incurred by reason of emergency illness or injury occurring to the beneficiary while outside of the State of California, providing that the necessity for such service is recognized by the authority and provided that such reimbursement shall not exceed the amount which would have been paid by the authority had the service been rendered in California.

Article 4. Subrogation

Sec. 70. If any service is furnished under this act 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 fund shall, to the extent of the cost of the services, be entitled to reimbursement out of any sum or damages which the recipient of such services receives or is entitled to receive by way of compensation or through suit, settlement or judgment. The authority, on behalf of the fund, shall to that extent be subrogated to the rights or claims of the recipient of the services against such other person in cases in which the injurious act of such third person causes a disabling condition entitling the recipient to services under this act 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.

Sec. 71. Upon notice being given as provided herein to the person against whom the right or claim exists or is asserted, the authority has a lien upon the right or claim, and upon the sum or damages paid or received thereunder, to the extent of the amount for which the fund is entitled to reimbursement.

Sec. 72. If any individual claiming or receiving services has a right or claim described in Section 70, but unreasonably refuses or neglects to take the necessary action to enforce his right or claim within such time as the authority by regulation prescribes, the 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 authority in such an action or proceeding, through a settlement, judgment, or otherwise, in excess of the amount to which the fund is entitled by way of reimbursement plus the reasonable expenses of the authority in connection with such action or proceeding, shall be held by the authority as trustee for the individual in whose behalf the action was undertaken. In the event that the authority undertakes an action or proceeding and fails therein, the costs and expenses thereof shall be payable out of the fund.

Sec. 73. The authority may furnish services under this act to any individual having or claiming to have rights to compensation or damages pending the settlement or determination of his right or claim. The furnishing of services to such an individual shall be without prejudice to any method of recovery provided in this act. If the authority furnishes or intends to furnish services under this act, it may give written notice to the person against whom the recipient of such services has or claims a right to compensation or damages. After the receipt of such notice and of a certified statement of the amount of the advances actually made, such person shall pay to the authority to the extent of the amount for which he is liable, less any sums which he may have actually paid to the authority or to the commission prior to the receipt of such notice, the costs of the services paid by the authority. The receipt by the authority of any of such payments, to the extent thereof, constitutes a full and valid discharge of the claims of the recipient against such third person.
Article 5. Contributions

SEC. 85. Every employer shall pay a contribution equal to one-half of 1 per cent (\(\frac{3}{4}\%\)) of all wages paid with respect to employment after January 1, 1946.

SEC. 86. Each employee shall also pay contributions equal to one-half of 1 per cent (\(\frac{1}{2}\%\)) of his wages with respect to employment after January 1, 1946.

SEC. 87. An employing unit may voluntarily elect to cover its employees under the provisions of this act, in the same manner and to the same extent and with the same effects as is provided therefor in the Unemployment Insurance Act.

SEC. 88. Anything in this act contained to the contrary notwithstanding, any individual who (1) 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, or (2) is a veteran separated from any of the armed services of the United States under conditions other than dishonorable, shall be exempt from the contributions required by this act upon filing with the commission a statement, in duplicate, stating such adherence and dependence or furnishing evidence of military service, and disclaiming any benefit for himself and his dependents under this act, and his employer shall also be exempt from payment of the taxes with respect to that employee. Any such employee so exempt and his dependents shall not be furnished any service provided by this act while such exemption is in force; and the effect of a withdrawal of such statement by such exempt employee shall operate to make him and his employer subject from the date of such withdrawal to the provisions of this act only to the extent to which an employee upon first entering employment subject to this act, is entitled to such services and subject to the same conditions.

SEC. 89. Every employer shall, notwithstanding any provisions of law in this State to the contrary, withhold in trust the amount of his employees' contributions from their wages at the time such wages are paid, shall show such deduction on his pay roll records, shall furnish each employee with a statement in writing showing the amount which has been deducted in such form and at such times as the commission may prescribe and shall transmit all such contributions to the fund in addition to his own contributions, pursuant to the regulations of the commission.

SEC. 90. Contributions by employees shall be exempt from garnishment, attachment, execution, or any other remedy for the collection of debts, and in the event of the insolvency or bankruptcy of an employer, such contribution shall not be considered any part of the assets of the employer and shall be paid prior to the payment of any other claim.

SEC. 91. Each employer shall be liable for any and all contributions required to be made by his employees on account of wages paid to them by such employer regardless of whether or
not such employer shall have made a deduction on account thereof from the employees’ wages at the time such wages were paid; provided, however, that no employer shall be liable for contributions required on the wages of any of his employees with respect to wages paid, while there is in effect at the time such wages were paid a rule or interpretation of the commission that such wages were not subject to contributions imposed by this article.

Sec. 92. If an employer fails to make any payment required of him, or fails to pay to the commission the contributions of his employees, in accordance with the provisions of this act and of the rules adopted by the commission, he shall become additionally liable for interest on such payments at the rate of one-half of 1 per cent (½%) per month or fraction thereof from and after the date of delinquency until paid. Such employer and employee contributions, interest and the penalties hereinafter provided for shall be collectible by civil action by the commission in the name of the State of California against the defaulting employer, in addition to any other procedures prescribed by this act.

Sec. 93. The levy, assessment, re-assessment, collection and refund of all contributions payable to the fund pursuant to this article shall be the function and duty of the commission, and a determination by the commission with respect to any controversy arising in connection therewith shall be final, subject only to such judicial review as is provided by law. The commission has power to adopt rules, not inconsistent with this act, in the furtherance of its functions and duties as herein provided.

Sec. 94. Subdivision (b) of Section 44.2 and Sections 44.6 to 46.2 of the Unemployment Insurance Act shall be applicable in all respects to the levy, assessment, re-assessment, collection, and refund of all contributions by the commission under this act, except that the following words in those sections of the Unemployment Insurance Act have the following meanings respectively with respect to contributions under this act:

(a) “Employment,” “employer,” and “wages” mean respectively that which they are defined as in this act.
(b) “Worker” means employee.
(c) “Three thousand dollars ($3,000)” means five thousand dollars ($5,000).
(d) “Section 44” means Section 86 of this act.
(e) “Unemployment Contributions Judgments” means “Hospital Contributions Judgments.”
(f) “Unemployment Fund,” “fund,” and “clearing account” means the Hospital Service Fund.

Sec. 95. Any amounts determined by the commission or its authorized representatives to be payable to employing units or employees as refunds of contributions erroneously paid which are unclaimed at the end of three (3) years from such determination, shall be included in the revenue to the Hospital Service Fund. The employing unit or person entitled to such
payment shall not thereafter maintain any claim, action, or proceeding with respect to such amount. Whenever any warrant is drawn on an account in the Hospital Service Fund by the State Controller or the authority, and the same remains unclaimed after three (3) years, the amount thereof shall revert to the Hospital Service Fund.

Sec. 96. Any rule, regulation, or interpretation issued by the commission in accordance with the provisions of this act may prescribe the extent, if any, to which it shall be applied without retroactive effect in cases where, in the absence of such a provision, it would have such retroactive effect.

Article 6. Voluntary Coverage

Sec. 110. The authority shall, by contractual engagements or other undertakings, make the service set forth 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 conditions prescribed by rule or regulation of the authority; provided, however, that such participation shall be by virtue of membership in a bona fide organized group, organized for purposes other than securing hospitalization, and provided further, that the amounts to be charged such groups shall be fixed by the authority in accordance with the terms of contributions by comparable groups otherwise subject to this act.

Sec. 111. Any person who has become eligible for services under this act, but who by virtue of change in occupational or dependency status would lose eligibility, may continue as a beneficiary by paying into the Hospital Service Fund within such period after the cessation of his eligibility, and at such intervals thereafter, as may be required by the authority, such contributions as the authority may determine to be equitable.

Sec. 112. The authority may by contractual agreement with the United States or the appropriate public agency provide for furnishing the services herein set forth to recipients of public assistance and their dependents who are not otherwise eligible for such services.

Sec. 113. An individual, who has established eligibility for service in accordance with Section 112 of this act shall remain eligible therefor for a period of nine calendar months after cessation of such assistance.

Article 7. California Hospital Service Authority

Sec. 125. There is hereby created the California Hospital Service Authority. The California Hospital Service Authority consists of eight members.

Sec. 126. The Director of Public Health shall be an ex officio, nonvoting member of the authority. The Governor shall appoint the other seven members of the authority and shall designate the chairman.
Sec. 127. The term of office of the appointed members of
the authority shall be four years and until their successors are
appointed and qualified. Vacancies occurring during a term
shall be filled by appointment for the unexpired term.

Sec. 128. The full membership of the authority shall con-
sist of the following:
  (a) Two members experienced in hospital administration;
  one of whom shall be a physician and surgeon;
  (b) Two members who shall be representative of employers;
  (c) Two members who shall be representative of organized
      labor;
  (d) One member who shall be representative of agriculture;
  (e) The Director of Public Health.

Sec. 129. The Governor shall make the first appointments
for terms expiring, respectively, as follows:
  (a) One representative of agriculture for a term expiring on
      the fifteenth day of January, 1947.
  (b) One representative of employers, one representative of
      organized labor, and one member experienced in hospital admin-
      istration for terms expiring on the fifteenth day of January in
      the year 1948.
  (c) One representative of employers, one representative of
      organized labor, and one member experienced in hospital admin-
      istration for terms expiring on the fifteenth day of January in
      the year 1949.

Sec. 130. The appointive members of the authority shall
each receive as compensation the sum of twenty-five dollars
($25) per day for each day or fraction thereof while in attend-
ance at meetings of the authority and in addition shall receive
their actual and necessary expenses incurred in the discharge
of their duties.

Sec. 131. The members of the authority shall meet regu-
larly once a month and at such other times as the chairman or
a majority of the members thereof determine to be necessary.

Sec. 132. The number of members required to constitute a
quorum of the authority and to concur on all questions except
a motion to adjourn or a motion to adjourn to a stated time is
four.

Sec. 133. Except as to matters over which power is given
to the commission, the authority has the power generally to per-
form all acts necessary to carry out the provisions of this act
regardless of whether or not the particular power is specifically
designated in this act.

Sec. 134. The authority shall have the power:
  (a) To adopt, promulgate, repeal and amend rules and regu-
lations consistent with law necessary or advisable to carry out
the provisions of this act.
  (b) To prescribe by rule standards of service and prescribe
rates, fees or charges to be claimed and paid for all services
furnished under this act. In prescribing such rates, fees or
charges, the authority shall have regard for the necessity of
furnishing proper and adequate service. Such rates, fees or
charges need not be uniform throughout the State.
(c) To adopt a procedure for the establishment of and pay-
ment of claims for services furnished.
(d) To adopt a procedure for the review and settlement of
disputed claims upon demand by the claimant of any claim
denied in whole or in part. The authority may provide for a
rehearing and for action upon such rehearing.
(e) To adopt a procedure for the hearing and determination
of appeals from determinations made by the authority.
(f) At any time, to investigate any hospital to determine
its compliance with this act and the rules adopted under this
act.
Sec. 135. The authority shall also have the power:
(a) To adopt a seal.
(b) To sue and be sued.
(c) To enter into any contracts or obligations relating to
services under this act which are authorized or permitted by
law.
(d) To appoint, subject to the State Civil Service Act, such
assistants and other employees as are necessary for the adminis-
tration of the affairs of the authority, to prescribe their duties,
fix salaries, and require them to execute to the State such offi-
cial bonds as may be required.
(e) To provide and operate such district offices as are deemed
necessary.
(f) To establish and maintain a statistical plan for the mak-
ning and maintaining of records showing the experience of the
authority in the furnishing of service provided by this act.
Sec. 136. (a) The authority shall carry on continual
studies of, and shall periodically report to the Governor on the
degree to which the operation of this act alleviates undue finan-
cial strain on the people of California, arising from the
onslaught of illness or injury.
(b) The authority shall also carry on studies and report to
the Governor with respect to the adequate distribution of the
facilities necessary to the proper rendition of the services pro-
vided in this act.
Sec. 137. In carrying out the duties imposed upon it by
this act, the authority is authorized and shall have the power
to negotiate agreements with appropriate agencies of the United
States and with public agencies and with any person or persons
to make use of their services and facilities and to pay fair and
reasonable compensation therefor. Every public agency shall
have the power to contract with the authority for such purpose.
Sec. 138. The authority is authorized to receive for the
account of the Hospital Service Fund reimbursements for serv-
ices rendered with respect to individuals in circumstances under
which services are not authorized under this act, and to pur-
chase or otherwise make available supplies and commodities nec-
ессary for the services provided under this act.
SEC. 139. No contract, rule, or regulation under this act
shall be entered into or prescribed by the authority which in any
manner impairs, restricts, or confines the free choice of any per-
son of a physician and surgeon, or hospital.

SEC. 140. All proceedings of the authority and the commis-
sion shall be open to the public unless a closed hearing is
requested by a party to the proceedings. The hospital records,
and all other information furnished to the authority or the com-
mission by an employing unit, an applicant for hospital services,
or a hospital, pursuant to this act 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 the parties, nor admissible in
evidence in any action or special proceeding, other than one
arising out of the provisions of this act.

SEC. 141. Information obtained in the course of administra-
tion of this act shall not be published or open to public inspec-
tion in any manner which will reveal the identity of any bene-
ficiary, employer or hospital except as may be necessary to
acquaint a beneficiary or his duly authorized agent with his
then existing or prospective right to services. Any officer or
employee of the authority or the commission who violates this
section shall be guilty of a misdemeanor.

SEC. 142. The Governor shall appoint, upon nomination by
the authority, an Executive Director, who shall act as secretary
and executive officer of the authority and shall receive a salary
of twelve thousand dollars ($12,000) per annum. The term of
the Executive Director shall be four years and until the qualifi-
cation of his successor.

SEC. 143. The authority may authorize the Executive Direc-
tor to carry out any of its functions under this act and may
revoke such authorization in whole or in part.

SEC. 144. Appointees of the Governor and persons holding
positions designated to be confidential pursuant to paragraph
(5) of subdivision (a) of Section 4 of Article XXIV of the
Constitution of the State (for the purpose of which paragraph
the authority and the director shall be considered separate
boards, commissions and officers) shall be exempt from civil
service.

Article 8. Eligibility Findings by Commission

SEC. 160. The commission shall regularly and promptly fur-
nish to the authority a list of employees who qualify for serv-
isces by contributions paid under Article 5. Such notification
shall be made at the times and in accordance with procedures
established by the commission and approved by the authority.

SEC. 161. The omission of the name of any employee from
any list shall not be evidence that such employee is not eligible
for services.

SEC. 162. The authority may refer to the commission any
questions pertaining to the allowance of any services under this
act when such allowance may be dependent upon contributions
paid pursuant to the provisions of Article 5.

Sec. 163. The commission shall determine all questions
referred to it. Such determinations shall be made in accord-
ance with the procedure for the determination and appeal of
claims for benefits under the Unemployment Insurance Act and
rules relating thereto.

Sec. 164. The determination of the commission in respect
to any question referred to it shall be binding upon the
authority.

Sec. 165. The determination by the commission of any ques-
tion referred to it pursuant to this article is not final and may
not be reviewed in any court until incorporated in a final deci-
sion of the authority.

Article 9. Hospital Service Fund

Sec. 175. The Hospital Service Fund is created in the State
treasury. The moneys and securities of the fund shall be held
in trust by the State Treasurer to make available the services
provided by this act.

Sec. 176. The fund shall consist of:
(a) Such specific appropriations as the Legislature from time
to time makes or sets aside for the use of the fund.
(b) All income received and paid into the fund in accordance
with the provisions of this act.
(c) All property and securities acquired by and through the
use of moneys belonging to the fund.
(d) All interest earned upon moneys belonging to the fund
and deposited or invested as provided by law.

Sec. 177. The State Treasurer shall be the custodian of all
moneys and securities belonging to the fund, except as otherwise
provided in this act. He shall be liable on his official bond for
the safekeeping thereof.

All moneys which belong to the fund and are collected or
received under this act shall be delivered to the State Treasurer.
All securities belonging to the fund shall be delivered to the
Treasurer and held by him until otherwise disposed of as pro-
vided in this act.

Sec. 178. Upon such delivery, such moneys and securities
shall be credited by the State Treasurer to the fund. No moneys
received or collected on account of the fund shall be expended
or paid out without first passing into the State treasury and
being drawn therefrom as provided in this act.

Sec. 179. The State Controller shall keep special ledger
accounts showing all of the assets in the State treasury pertain-
ing to the fund.

Sec. 180. The authority with the approval of the Board of
Control shall cause all moneys in the fund which are in excess
of current requirements to be invested and reinvested, from
time to time, in securities authorized by law for the investment
of funds of savings banks.
Sec. 181. All money in the fund is hereby continuously appropriated without regard to fiscal years for the purposes authorized by this act.

Sec. 182. Refunds payable or credits due may be paid from the fund.

Sec. 183. All of the expenses of the authority in carrying out the provisions of this act other than payments for services, and all of the expenses of the commission in carrying out the provisions of this act, including the pro rata overhead charges of State government assessed against the fund, shall not exceed an amount equal to 10 per cent of all moneys deposited in the fund during the two years immediately following the deposit of the first contribution in the fund, 8 per cent of all moneys deposited in the fund during the next succeeding two years, and 5 per cent of all moneys deposited in the fund thereafter. Of such amount, the authority may not expend more than 70 per cent in carrying out the provisions of this act and the commission may not expend more than 30 per cent in carrying out the provisions of this act.

Sec. 184. The authority and the commission each may, with the approval of the Department of Finance, withdraw from the fund, without at the time presenting vouchers and itemized statements, a sum determined to be necessary as a cash revolving fund. The Controller shall draw his warrants in favor of the authority and the commission for the amounts so withdrawn, and the Treasurer shall pay such warrants.

Sec. 185. Expenditures made from a revolving fund in payments on claims arising out of the providing of services are exempted from the operation of Section 16003 of the Government Code. Reimbursement of a revolving fund for such expenditures shall be made upon presentation to the Controller of an abstract or statement of such expenditures. Such abstract shall be in such form as the Controller requires.

Sec. 186. Whenever moneys are collected, but it is not immediately certain what portion thereof constitutes contributions payable under this act and what portion constitutes contributions payable under the Unemployment Insurance Act, the commission may, if it desires, pay such moneys into the Special Deposit Fund in the State treasury as provided in Article 2 of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, subject to recovery by the commission and transfer to the proper accounts in the Unemployment Fund and the Hospital Service Fund upon ascertainment by the commission of the amounts allocable to each fund, respectively, out of moneys so collected.

Article 10. Penalties

Sec. 195. The willful making by a physician and surgeon of a false statement or representation or the failure to disclose any material fact known to him to obtain any service or benefit provided under this act, for himself or any other person, con-
stitutes unprofessional conduct within the meaning of Chapter 5 of Division 2 of the Business and Professions Code.

Sec. 196. It is a misdemeanor:
(a) Wilfully to make a false statement or representation or knowingly fail to disclose a material fact to obtain any service under the provisions of this act, whether for the maker or for any other person or for the purpose of lowering or avoiding any contribution required of the maker or any other person or to avoid becoming or remaining subject to this act;
(b) On the part of any employer or any officer or agent of an employee to make a greater deduction from the wages of an employee other than the contribution required of such employee by this act, or as expressly otherwise permitted by law;
(c) On the part of any employer or any officer or agent of an employer, wilfully and unlawfully to fail or neglect to make available required records for the inspection of the commission, the authority, or its authorized representatives at any reasonable time during business hours;
(d) On the part of any employer, or any officer or agent of an employer, wilfully and unlawfully to fail or neglect to furnish to the commission reports required by it when necessary for the enforcement of this act;
(e) On the part of any employer, or any officer or agent of an employer, or any individual to connive or conspire to aid such individual to obtain benefits under this act to which such individual is not entitled by the wilful withholding of information or by the wilful failure to report any relevant information;
(f) For any person to wilfully violate any provision of this act or any rule or regulation promulgated or published by the authority or the commission in accordance with this act;
(g) On the part of any officer, employee, or any other individual to disclose or make public any information obtained in the course of administration of this act other than as required to properly discharge his duties or to fulfill the purposes expressed in this act.

Sec. 197. Any employer, including any individual member of a partnership or employing unit, and any officer of a corporate employing unit having knowledge thereof, which withholds the deductions required by this act from remuneration paid to its employees, and wilfully fails or is financially unable to pay such deductions to the Hospital Service Fund before the date on which the same become delinquent shall be guilty of a misdemeanor.

Sec. 198. All fines collected for violations of the provisions of this act shall be paid one-half into the State treasury to the credit of the Hospital Service Fund, and one-half to the Treasurer of the jurisdiction in which the misdemeanor is prosecuted, to be deposited in the same fund as fines for other misdemeanors occurring in that jurisdiction are deposited.
Sec. 199. It is a misdemeanor for any employer to require membership in any system or organization granting any health or hospital service as a condition of employment, and any such condition in any contract of employment is void.
An act to create and provide for a prepaid health service system for the people of the State of California and making an appropriation therefor.

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


Section 1. The purpose of this act is to provide a system of prepaid medical and hospital care through which the people of California will have economic access to medical, laboratory and hospital services, not as charity, but as something that has been individually purchased by them on the insurance principle, without changing the traditional relationship between patient, doctor and hospital.

Under its provisions no system for the dispensing of medical care by the State through doctors employed or designated by the State shall be created, but, on the contrary, it is the express intent of this act that complete freedom of choice by the patient of doctor and hospital, and complete freedom of choice by the doctors and hospitals of their patients, shall be preserved.

It is the further intent of this act to encourage and assist the development of voluntary prepaid health and hospital plans and to eliminate from the provisions of this act persons protected under voluntary plans provided such plans furnish the medical and hospital benefits established herein.

It is the further intention of this act that the system of health insurance herein created shall at all times adhere to the most ethical and professional standards of the medical profession, and that in order to improve medical practice, all doctors participating in the system be encouraged to keep abreast of the
most modern techniques for the prevention and cure of disease
through periodical refresher courses at recognized medical
schools periodic postgraduate study and refresher courses at the
expense of the system.

Whenever the purposes of the act are to be construed, either
in the courts or administratively, a construction consistent with
these purposes and intentions shall be given.

Sec. 2. This act may be cited as the California Prepaid
Health Service Act.

Sec. 3. In the administration of this act, the terms and
provisions thereof shall be given a broad and liberal construc-
tion to the end that as many persons as possible shall participate
in the benefits thereof and the social objectives sought shall be
attained.

Sec. 4. If any provision of this act, or the application
thereof to any person or circumstance, is held invalid, the
remainder of the act, or the application of such provision to
other persons or circumstances, shall not be affected thereby.

Sec. 5. Article headings shall not restrict or limit or in
any manner affect the meaning of any section of this act.

Sec. 6. All references herein to the Unemployment Insur-
ance Act shall be deemed to refer to said act as now or hereafter
amended.

Article 2. Definitions

Sec. 20. The definitions in this article shall, unless the
context otherwise requires, govern the meaning of the terms
used in this act.

Sec. 21. “Authority” means the California Health Serv-
ice Authority created by this act.

Sec. 22. “Director” means the Executive Director of
the authority.

Sec. 23. “Department” means the Department of
Employment.

Sec. 24. “United States” means the Government of the
United States and each department, authority, subdivision,
agency, and instrumentality thereof, corporate or otherwise.

Sec. 25. “Public Agency” means this State, any county,
city and county, city, municipality, district or other political
subdivision thereof, whether chartered or unchartered.

Sec. 26. “Person” includes association, organization,
partnership, business trust, and corporation.

Sec. 27. “Fund” means the Health Service Fund in
the State Treasury.

Sec. 28. “Beneficiary” means any person who is eligible
for services under this act and his dependents.

Sec. 29. “Dependent” means a legally dependent spouse
and dependent children under the age of 18.

Sec. 30. “Physician” means an individual holding a
physician and surgeon’s certificate under Chapter 5 of Division
2 of the Business and Professions Code.
Sec. 31. "Hospital" means an institution providing necessary and customary in-patient care of the sick and which hospital is licensed by the Department of Public Health.

Sec. 32. "Service" means the service or services set forth in Article 3 of this act.

Sec. 33. "Employing unit" has the same meaning set forth in the Unemployment Insurance Act and also includes all public agencies.

Sec. 34. "Employment" means the following:
(a) "Employment" as defined in the Unemployment Insurance Act;
(b) Service performed in the employ of a public agency.

Sec. 35. "Employer" means the following:
(a) "Employer" is defined in the Unemployment Insurance Act.
(b) A public agency for which services in employment subject to this act are performed.

Sec. 36. "Employee" means an individual performing services in employment for an employer subject to this act and includes public officials whether elected or appointed.

Sec. 37. "Wages" has the meaning set forth in the Unemployment Insurance Act.

Sec. 38. "Contribution" means the money payments to the fund required by this act.

Sec. 39. "Rules" includes regulations.

Article 3. Services

Sec. 50. On and after July 1, 1948, each beneficiary shall be entitled to payment of the expenses of medical, hospital and laboratory services as provided in this article for a period not to exceed a total of 100 days for each continuous period of disability or hospitalization except as such period may be extended by the authority as provided herein.

Sec. 51. Medical services consist of:
(a) Services rendered by a physician or surgeon licensed in this State, whenever such services are required by the standards of good medical practice for preventive, diagnostic, therapeutic or other medical treatment or care of a beneficiary necessarily confined in a hospital as a registered bed patient, and such post-hospital medical treatment as may be necessary and allowed under rules of the authority.

(b) Services rendered by a dentist licensed in this State when performed in a hospital for the treatment of the diseases and injuries of the jaws and their dependent tissues, but excluding tooth removal, tooth replacement, tooth restoration, orthodontics, and treatment for Periodontitis (Pyorrhea).

Sec. 52. Hospital services shall consist of the following services when necessary and prescribed by the attending physician or surgeon as required by the nature of the case:
(a) Bed and board in a ward or semiprivate room, services of a dietician, general nursing care, use of operating or delivery
room, including surgical and anesthetic supplies, use of
cystoscopic rooms.
(b) Such drugs, biologies, bandages, dressings, oxygen,
blood and plasma as may be required during the period of
hospitalization.
(c) The care of new born infants during such period as
the mother remains in a hospital.
(d) Laboratory services, including chemical, bacterio-
logical, physical, diagnostic and therapeutic X-ray, and such
other laboratory or related services as are ordinarily provided
by a hospital.
Sec. 53. Beneficiaries shall be entitled to laboratory
services as provided in subdivision (d) of Sec. 52, outside of
a hospital in standard laboratories approved by the authority
when necessary and prescribed by the physician as required
by the nature of the case.
Sec. 54. The authority may require:
(a) In cases other than obstetrical or those requiring sur-
gery the payment of bed and board charges for a period not to
exceed two days.
(b) The payment of a portion of the costs of laboratory
services not to exceed §10 in any period of hospitalization or in
connection with any single disability. The amount of such pay-
ment need not be uniform as between laboratory services ren-
dered in a hospital and those rendered outside of a hospital.
for services rendered outside of a hospital. The amount need
not be uniform as to all types or categories of cases.
Sec. 55. The authority may permit:
(a) Special nursing services in such special cases and under
such conditions as the authority may provide by rule.
(b) Consultation and specialist services in such special
cases and under such conditions as the authority may provide
by rule.
(c) Convalescent care in a rest home in such special
cases and under such conditions as the authority may provide
by rule.
(d) Private room where isolation is required in such
special cases and under such conditions as the authority may
provide by rule.
Sec. 56. When in the opinion of the authority the
financial resources of the fund permits, the authority may pro-
vide after public hearing upon at least 60 days notice, the
time when, and the extent to which, the following services
shall be available:
(a) Emergency hospital services other than while confined
in a hospital as a registered bed patient.
(b) Extended special nursing services.
(c) Physiotherapy.
(d) Material appliances.
(e) Ambulance service.
(f) An extension of the period for which services may be furnished.
(g) An extension of services to other bona fide members of the household of an individual who is eligible for services under this act and who is in fact dependent on such individual.
(h) Any other services which ordinarily are, or may in the future be, provided by hospitals.

An extension under subdivisions (f) and (g) need not be
(i) Services for the care of tuberculosis after diagnosis of such condition. In providing such services the authority may contract with public and private facilities.
An extension under subdivisions (f), (g), and (i) need not be uniform, but may be made in terms of types or categories of cases.

Sec. 57. Services may be furnished for tuberculosis and mental infirmities or disorders only up to time of diagnosis of such conditions unless and except as this period may be extended by the authority.

SEC. 57.5. An individual qualifying under Section 75 who has received earnings in excess of one thousand five hundred dollars ($1,500) during the qualifying calendar quarter, and an individual qualifying under Section 75.5 who has received earnings in excess of six thousand dollars ($6,000) during the qualifying period shall receive in lieu of the medical services provided in this article, reimbursement for such services in accordance with the fee schedule for such medical services adopted by the authority.

Sec. 58. Nothing in this act shall restrict a beneficiary's right to utilize more expensive hospital accommodations on the basis of mutually satisfactory arrangements between the beneficiary and the institution for payment of the difference in rates.

Sec. 59. Services shall not be furnished under this act for an injury which is compensable under any workmen's compensation law, or employer's liability law except as provided in Article 13.

Sec. 60. Each beneficiary eligible under Section 75 shall be entitled to reimbursement for the costs of services as set forth in this article when such costs have been incurred by reason of emergency illness or injury occurring to the beneficiary while outside of the State of California, providing that the necessity for such service is recognized by the authority and provided that such reimbursement shall not exceed the average amount which would have been paid by the authority had the service been rendered in California.

Article 4. Eligibility

Sec. 75. An employee and each of his dependents shall be eligible for health services under this act during any calendar quarter if during the preceding calendar quarter the employee
has been paid wages in employment under this act of not less
than $150.

SEC. 75.5. An individual who does not qualify as eligible
for health services under Section 75 shall be eligible for health
services under this act if, during the preceding calendar year,
he was paid wages of seven hundred fifty dollars ($750) or more.

No individual shall be eligible for services under this sec-
tion unless at the time of each application for services he could
not qualify as eligible under the provisions of Section 75.

Sec. 76. Whenever a dispute arises as to whether a person
is a beneficiary, he shall be entitled to services unless or until it
shall be finally determined through the appropriate appeals
procedure that he was not a beneficiary. If it is finally deter-
mined that he was not a beneficiary he shall become liable to
the authority for the amount expended from the fund in his
behalf, and such amounts may be recovered on behalf of the
fund in the same manner as is provided for the collection of
contributions under Article 6, of this act.

Sec. 77. The authority may refer to the department any
question pertaining to the allowance of any services under this
act when such allowance may be dependent upon a determina-
tion of the individuals eligibility.

Sec. 78. The department shall determine all questions
referred to it. Such determinations shall be made in accordance
with the procedure for the determination, redetermination, or
the appeal of claims for benefits under the Unemployment
Insurance Act and rules relating thereto.

Sec. 79. The determination of the department in respect
to any question of eligibility referred to it shall be binding
upon the authority.

Sec. 80. The determination by the department of any
question referred to it pursuant to this article is not final, and
may not be reviewed in any court until incorporated in a final
decision of the authority. Any such determination shall be incor-
porated in a final decision of the authority within 10 days of the
date of release thereof by the department.

Article 5. Elective Coverage

Sec. 100. The authority may, by contractual engagements
or other undertakings, make the service set forth in this act
available to any resident of this State who is not otherwise
eligible, subject to conditions prescribed by rule or regulation
of the authority. Such regulations shall require payment of a
premium, or contributions as determined by the authority for
a period of not less than 60 days before such individual shall
be eligible for services.

Sec. 101. Any person who has become eligible for services
under this act, but who by virtue of change in occupational or
dependency status would lose eligibility, may continue as a
beneficiary without interruption, by paying into the Health
Service Fund within such period and at such intervals as may
be required by the authority, such premiums or contributions as the authority may determine to be equitable.

Sec. 102. Any employing unit for which services that do not constitute employment as defined in this act are performed, may file with the department a written election that all such services performed by individuals in its employ in one or more distinct establishments or places of business shall be deemed to constitute employment by an employer for all the purposes of this act for not less than two calendar years one calendar year. Upon the written approval of such election by the department, such services shall be deemed to constitute employment subject to this act from and after the date stated in such approval. Such services shall cease to be deemed employment subject hereto as of January 1st of any calendar year subsequent to such two calendar years the year of elective coverage, notwithstanding anything else contained in this act, only if on or before the thirty-first day of January of such year, such employing unit has filed with the department a written notice to that effect.

The department may for good cause waive the requirements of this section for termination of an elective coverage agreement.

Sec. 103. Every employing unit which files an election to become an employer subject to this act or to cease to be an employer subject to this act, pursuant to the provisions of this article shall post and maintain printed notices of such election on his premises, as may be prescribed by regulations of the department. Individuals in the employ of any employing unit which files an election to become an employer subject to this act shall be given a reasonable opportunity to file objections thereto or be heard thereon prior to the department's approval of such election.

Sec. 104. In no case shall the department approve any such election under Section 102, unless and until it has been established to the satisfaction of the department that such employing unit is normally and continuously engaged in a regular trade, business or occupation.

Article 6. Contributions

Sec. 125. Every employer shall pay a contribution equal to one percent (1%) of all wages paid with respect to employment after January 1, 1948.

Sec. 126. Each employee shall also pay contributions equal to one percent (1%) of his wages with respect to employment after January 1, 1948.

Sec. 127. The amount of contributions payable by a public agency under this act shall automatically increase all statutory debt and liability limits otherwise applicable to any such units by the amount so payable.

Sec. 128. Employers shall furnish to each of their employees evidence of eligibility for services under this act at
such time and in such form as the department or the authority
by regulation prescribes.

Sec. 129. 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 shall be exempt from the contributions required by
this act upon filing with the department a statement, in duplic-
ate, stating such adherence and dependence and disclaiming
any benefit for himself and his dependents under this act. Any
such employee so exempt and his dependents shall not be fur-
nished any service provided by this act while such exemption is
in force; and the effect of a withdrawal of such statement by
such exempt employee shall operate to make him subject from
the date of such withdrawal to the provisions of this act only
to the extent to which an employee upon first entering employ-
ment subject to this act, is entitled to such services and subject
to the same conditions.

Sec. 130. Every employer shall, notwithstanding any
provisions of law in this State to the contrary, withhold in trust
the amount of his employees’ contributions from their wages
at the time such wages are paid, shall show such deduction on
his pay roll records, shall furnish each employee with a state-
ment in writing showing the amount which has been deducted
in such form and at such times as the department may prescrib
and shall transmit all such contributions to the fund in addition
to his own contributions, pursuant to the regulations of the
department.

Sec. 131. Subdivisions (b) and (c) of Section 44, subdivi-
sions (b) and (c) of Section 44.2 and Sections 45
to 46.2, except subdivision (e) of Section 45, of the Unemploy-
ment Insurance Act shall be applicable in all respects to the
reporting of contributions, interest and penalties attaching
thereto, and the levy, assessment, reassessment, collection, and
refund of all contributions by the department under this act,
except that the following words in those sections of the Unem-
ployment Insurance Act have the following meanings reper-
atively with respect to contributions under this act:
(a) “Employment,” and “employer,” mean respectively
that which they are defined as in this act.
(b) “Worker” means employee.
(c) “Section 44” means Section 126 of this act.
(d) “Unemployment contributions judgments” means
health service contributions judgments.
(e) “Unemployment fund,” “disability fund,” “fund,”
and “clearing account” means the Health Service Fund.

Sec. 132. Any rule, regulation, or interpretation issued
by the department in accordance with the provisions of this act
may prescribe the extent, if any, to which it shall be applied
without retroactive effect in cases where, in the absence of such
a provision, it would have such retroactive effect.

Sec. 133. The amount of employer contributions, together
with employee contributions, shall be pooled and available for
the furnishing of service to any person entitled thereto under
the provisions of this act regardless of the source of such
contribution.

Sec. 134. The levy, assessment, reassessment, collection
and refund of all contributions payable to the fund pursuant
to this article or pursuant to Article 5 shall be the function
and duty of the department, and a determination by the depart-
ment with respect to any controversy arising in connection there-
with shall be final, subject only to such judicial review as is
provided by law. The department has power to adopt rules, not
inconsistent with this act, in the furtherance of its functions
and duties as herein provided.

Article 7. Health Service Fund

Sec. 150. The Health Service Fund is created in the
State Treasury. The moneys and securities of the fund shall be
held in trust by the State Treasurer to make available the
services provided by this act.

Sec. 151. The fund shall consist of:
(a) All income received and paid into the fund in accord-
ance with the provisions of this act.
(b) All property and securities acquired by and through
the use of moneys belonging to the fund.
(c) All interest earned upon moneys belonging to the
fund and deposited or invested as provided by law.

Sec. 152. The State Treasurer shall be the custodian of
all moneys and securities belonging to the fund, except as
otherwise provided in this act. He shall be liable on his official
bond for the safekeeping thereof.

All moneys which belong to the fund and are collected
or received under this act shall be delivered to the State
Treasurer.

All securities belonging to the fund shall be delivered to
the Treasurer and held by him until otherwise disposed of as
provided in this act.

Sec. 153. Upon such delivery, such moneys and securities
shall be credited by the State Treasurer to the fund. No moneys
received or collected on account of the fund shall be expended
or paid out without first passing into the State Treasury and
being drawn therefrom as provided in this act.

Sec. 154. The State Controller shall keep special ledger
accounts showing all of the assets in the State Treasury per-
taining to the fund.

Sec. 155. The authority with the approval of the Board
of Control shall cause all moneys in the fund which are in excess
of current requirements to be invested and reinvested, from time
1 to time, in securities authorized by law for the investment of
2 funds of savings banks.
3 Sec. 156. All money in the fund is hereby continuously
4 appropriated without regard to fiscal years for the purpose
5 authorized by this act.
6 Sec. 157. Refunds payable or credits due may be paid
7 from the fund.
8 Sec. 158. All of the expenses of the authority in carry-
9 ing out the provisions of this act other than payments for serv-
10 ices and all of the expenses of the department in carrying out the
11 provisions of this act, including the pro rata overhead charges
12 of State Government assessed against the fund, shall not exceed
13 an amount equal to 6 percent of all moneys deposited in the
14 fund. Of such amount, the authority may not expend more than
15 80 percent in carrying out the provisions of this act and the
16 department may not expend more than 20 percent in carrying
17 out the provisions of this act.
18 Sec. 159. The authority and the department each may;
19 with the approval of the Department of Finance, withdraw
20 from the fund, without at the time presenting vouchers and
21 itemized statements, a sum determined to be necessary as a
22 cash revolving fund. The Controller shall draw his warrants
23 in favor of the authority and the department for the amounts
24 so withdrawn, and the Treasurer shall pay such warrants.
25 Sec. 160. Expenditures may be made from a revolving
26 fund for the payment of claims for medical care and hospital
27 services provided pursuant to this act. Reimbursement of a
28 revolving fund for such expenditures shall be made upon presen-
29 tation to the Controller of an abstract or statement of such
30 expenditures. Such abstract shall be in such form as the Con-
31 troller requires.
32 Sec. 161. Whenever moneys are collected, but it is not
33 immediately certain what portion thereof constitutes contribu-
34 tions payable under this act and what portion constitutes
35 contributions payable under the Unemployment Insurance Act,
36 the department may, if it desires, pay such moneys into the
37 Special Deposit Fund in the State Treasury as provided in
38 Article 2 of Chapter 2 of Part 2 of Division 4 of Title 2 of
39 the Government Code, subject to recovery by the department
40 and transfer to the proper accounts in the Unemployment Fund,
41 the Disability Fund, and the Health Service Fund upon ascer-
42 tainment by the department of the amounts allocable to each
43 fund, respectively, out of moneys so collected.
44 Article 8. Claims for Services
45
46 Sec. 175. Claims for services shall be made in accordance
47 with such regulations as the authority may prescribe.
48 Sec. 176. Claims for services to beneficiaries shall be
49 signed by the eligible employee for each beneficiary claiming by
50 virtue of him, except that if there is good and sufficient reason
51 satisfactory to the authority, a beneficiary may file a claim in
his own behalf. All claims shall be payable to the person or
persons who furnish the services provided for by this act to the
beneficiary, and shall be deemed to be assigned to such person
or persons by the beneficiary receiving the services.

Sec. 177. Except as provided in Section 176, claims for
services under this act are not subject to assignment, release,
or commutation and are exempt from all claims of creditors
and from all process of law except collection thereof by the
person entitled thereto in his own right. Any agreement by an
employee to pay all or any portion of the taxes required of his
employer under this act shall be void.

Sec. 178. The authority may in the case of any particular
claim waive the actual payment of all or part of the amount
required to be paid by the beneficiary if it finds that the bene-

ficiary is, or persons liable for his support are, unable to pay
such amount, but this waiver shall not include the incurrence
of the obligation to pay for services in the amount required to
constitute such amount nor permit payment of any part of such
amount from the fund.

Sec. 179. Every beneficiary on the date services under
this act are first received with respect to a continuous period of
disability or hospitalization shall continue to be a beneficiary to
the extent provided in Article 3, during such period.

Sec. 180. Where an employee has not become eligible for
services under the voluntary plan of his employer and is not
eligible under the voluntary plan of a prior employer or under
Article 4 Section 75 of this act, but has received combined wages
of one hundred fifty dollars ($150) or more during the preceding
calendar quarter, or qualified under Section 75.5, the insurers of
each of the employers for whom the employee worked during
such quarter qualifying period shall be liable for the required
services. The extent of the liability of the respective insurers
shall be in the proportion that the total wages paid during the
qualifying quarter period to the employee by each employer
bears to the total wages paid to such employee by all his
employers during such quarter period.

Where services to a beneficiary are the liability of more than
one insurer, the authority may by regulation provide for the
payment of the claim out of the Health Service Fund, and for
the pro-rating and assessment of charges with respect to such
claim to the respective insurers.

"Insurer," as used in this section includes the Health
Service Fund, and any person liable for services under an
approved voluntary plan.

Article 9. Administration

Sec. 200. There is hereby created the California Health
Service Authority. The California Health Service Authority
consists of 10 members.

Sec. 201. The Director of Public Health and the chief
executive officer of the Department of Employment shall be ex
officio members of the authority, except that the executive officer
of the Department of Employment shall be a nonvoting member.
The Governor shall appoint the other eight members of the
authority. The Director of Public Health shall be the chairman
of the authority.

Sec. 202. The term of office of the appointed members of
the authority shall be four years and until their successors are
appointed and qualified. Vacancies occurring during a term
shall be filled by appointment for the unexpired term.

Sec. 203. The appointive members of the authority shall
consist of the following:
(a) Three members who are licensed physicians and sur-
egons, one of whom is experienced in hospital administration;
(b) Two members who shall be representative of
employers;
(c) Two members who shall be representative of labor;
(d) One dentist.

Sec. 204. The Governor shall make the first appointments
for terms expiring, respectively, as follows:
(a) One representative of employers, one representative
of labor and one physician for terms expiring on the fifteenth
day of January, 1949.
(b) One representative of employers, one representative
of labor, and one physician for terms expiring on the fifteenth
day of January in the year 1950.
(c) One physician and the dentist member for terms
expiring on the fifteenth day of January in the year 1951.

Sec. 205. The appointive members of the authority shall
each receive as compensation the sum of twenty-five dollars
($25) per day for each day or fraction thereof while in attend-
ance at meetings of the authority and in addition shall receive
their actual and necessary expenses incurred in the discharge
of their duties.

Sec. 206. The members of the authority shall meet regu-
larly once a month and at such other times as the chairman or
a majority of the members thereof determine to be necessary.

Sec. 207. The number of members required to constitute
a quorum of the authority and to concur on all questions except
a motion to adjourn or a motion to adjourn to a stated time
is five.

Sec. 208. Except as to matters over which power is given
to the department, the authority has the power generally to
perform all acts necessary to carry out the provisions of this
act regardless of whether or not the particular power is specifi-
cally designated in this act.

Sec. 209. The authority shall have the power:
(a) To adopt, promulgate, repeal and amend rules and
regulations consistent with law necessary or advisable to carry
out the provisions of this act.
(b) To prescribe by rule standards of service and prescribe rates, fees or charges to be claimed and paid for all services furnished under this act, which shall constitute full payment for all such services except medical services rendered a beneficiary entitled to reimbursement only pursuant to Section 57.5, or hospital services utilized by a beneficiary pursuant to Section 58. In prescribing such rates, fees or charges, the authority shall have regard for the necessity of furnishing proper and adequate service. Such rates, fees or charges need not be uniform throughout the State.

(e) To adopt a procedure for the establishment of and payment of claims for services furnished.

(d) To adopt a procedure for the review and settlement of disputed claims upon demand by the claimant of any claim denied in whole or in part. The authority may provide for a rehearing and for action upon such rehearing.

(e) To adopt a procedure for the hearing and determination of appeals from determinations made by the authority.

Sec. 210. The authority shall also have the power:

(a) To adopt a seal.
(b) To sue and be sued.
(c) To enter into any contracts or obligations relating to services under this act which are authorized or permitted by law.

(d) To appoint, subject to the State Civil Service Act, such assistants and other employees as are necessary for the administration of the affairs of the authority, to prescribe their duties, fix salaries, and require them to execute to the State such official bonds as may be required.

(e) To provide and operate such district offices as are deemed necessary.

(f) To establish and maintain a statistical plan for the making and maintaining of records showing the experience of the authority in the furnishing of service provided by this act.

Sec. 210.5. (a) The authority may expend not to exceed one-sixth of the amount available to it for the limited purposes set forth in Section 158 for the purpose of assisting physicians and surgeons under this act to avail themselves of postgraduate study and refresher courses in order that a high level of medical practice may be stimulated and encouraged.

(b) In the administration of such program, the authority shall nominate 10 persons to the Governor, from whom five shall be selected and appointed by the Governor to constitute an advisory committee on postgraduate study for physicians and surgeons, three of whom shall be members of faculties of medical schools and two of whom shall be practicing physicians and surgeons.

Sec. 211. (a) The authority shall carry on continual studies of, and shall periodically report to the Governor and to the Legislature on the degree to which the operation of this act alleviates undue financial strain on the people of California, arising from the onslaught of illness or injury and the extent
to which and the means by which complete medical care may
be made available to the people of the State on a prepaid basis.

(b) The authority shall also carry on studies and report
to the Governor and to the Legislature with respect to the
adequate distribution of the facilities necessary to the proper
rendition of the services provided in this act.

Sec. 212. No contract, rule, or regulation under this
act shall be entered into or prescribed by the authority which
in any manner impairs, restricts, or confines the free choice
of any person of a physician and surgeon, or hospital.

Sec. 213. All proceedings of the authority and the depart-
ment shall be open to the public unless a closed hearing is
requested by a party to the proceedings. The hospital records,
and all other information furnished to the authority or the
department by an employing unit, an applicant for hospital
services, or a hospital, pursuant to this act 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 the parties,
or admissible in evidence in any action or special proceeding,
other than one arising out of the provisions of this act.

Sec. 214. Information obtained in the course of admin-
istration of this act shall not be published or open to public
inspection in any manner which will reveal the identity of any
beneficiary, employer or hospital except as may be necessary
to acquaint a beneficiary or his duly authorized agent with
his then existing or prospective right to services. Any officer
or employee of the authority or the department who violates
this section shall be guilty of a misdemeanor.

Sec. 215. The Governor shall appoint, upon nomination
by the authority, an Executive Director, who shall act as
secretary and executive officer of the authority and shall
receive a salary of twelve thousand dollars ($12,000) per
annum. The term of the Executive Director shall be four years
and until the qualification of his successor.

Sec. 216. The authority may authorize the director or
the department to carry out any of its functions under this
act and may revoke such authorization in whole or in part.

Article 10. Medical Advisory Board

Sec. 250. There is hereby created a Medical Advisory
Board to consist of the chairman of the Hospital Services
Advisory Board and 10 members appointed by the Governor
to serve at his pleasure. The chairman of the board shall be
designated by the Governor.

Sec. 251. The members of the Medical Advisory Board
shall be licensed physicians at least two of whom are teaching
members of the faculty of a medical school.

Sec. 252. Members of the Medical Advisory Board shall
receive no compensation for their services but shall receive.
their actual necessary expenses, including travel expenses, incurred in the performance of their duties.

Sec. 253. The Medical Advisory Board shall upon the request of the authority consult with and advise the authority and shall prepare and submit to the authority their recommendations on matters referred to them by the authority.

Article 11. Hospital Service Advisory Board

Sec. 265. There is hereby created a Hospital Service Advisory Board to consist of the chairman of the Medical Advisory Board and 10 members, appointed by the Governor to serve at his pleasure.

Sec. 266. The members shall be appointed insofar as is possible to be representative of the medical, nursing and other professions specializing in services customarily performed by a hospital. The chairman of the board shall be designated by the Governor.

Sec. 267. Members of the Hospital Service Advisory Board shall receive no compensation for their services but shall receive their actual necessary expenses, including travel expenses, incurred in the performance of their duties.

Sec. 268. The Hospital Service Advisory Board shall upon the request of the authority consult with and advise the authority and shall prepare and submit to the authority their recommendations on matters referred to them by the authority.

Article 12. Voluntary Plans

Sec. 300. An employer may apply to the authority for approval of a voluntary plan for providing health services to his employees. The health services furnished under any voluntary plan shall be separately stated and designated in the plan "health service benefits" separate and distinct from other benefits, if any.

Sec. 301. The authority shall approve any voluntary plan as to which it finds that all of the following exist:

(a) The rights afforded to the covered employees are equal to those provided for in this act, including such additional services as the authority may from time to time provide.

(a) The rights afforded to the covered employees are at least equal to those provided for in this act and by rule or regulation of the authority as of the last preceding first day of July, and provides for the inclusion, on July 1st of each succeeding year, of such additional services, as the authority may from time to time provide.

(b) The services provided pursuant to subdivision (a) of this section by the plan are financed by premiums or contributions equal to 2 percent of the wages paid by the employer.

(b) The premium cost, or charge made for the basic health services provided pursuant to subdivision (a) of this section by the plan, does not exceed 2 percent of the wages paid by
employer, and in no case shall an employee be required to pay more than 50 percent of the total premium or charge for such services.

(c) The plan enumerates the benefits offered, if any, in addition to those required under subdivision (a) of this section and designates the amount of additional premiums or contributions charged as allocated for such additional benefits and requires the payment by the employer of an amount equal to at least 1 percent of the wages paid by him, where the total premium cost or charge for all benefits provided under the plan exceeds an amount equal to 2 percent of the wages paid by the employer.

(d) The plan provides for the coverage of full benefit rights to beneficiaries under the plan for a period of three months after the close of any calendar quarter during which their participation in the plan is terminated or until the beneficiary becomes eligible under another approved voluntary plan or under Article 4 of this act, whichever first occurs, and the plan provides for the assumption of liability pursuant to Section 180 of this act.

(e) The plan has been made available to all of the employees of the employer employed in this State except that if the employer maintains more than one distinct separate establishment in this State the plan has been made available to all employees of any such establishment.

(f) A majority of the employees of the employer employed in this State have consented to the plan, except that if the employer maintains more than one distinct, separate establishment in this State a majority of the employees employed at any such establishment have consented to the plan.

(g) If the plan provides for insurance, that the form of the insurance policies to be issued has been approved by the Insurance Commissioner and contains standard provisions approved by the authority as necessary to provide the services required under subdivision (a) of this section, and that the policies are to be issued by an admitted insurer.

(h) The employer has agreed to make the payroll deductions required, if any, and transmit the proceeds to the plan insurer, if any.

(i) The plan provides for the inclusion of future employees.

(j) The plan is to be in effect for a period of not less than two years one year and thereafter continuously unless the authority finds that the employer or a majority of his employees employed in this State covered by such plan have given notice of the termination of such plan. Such notice shall be filed in writing with the authority and, upon such filing, shall be effective at the date indicated therein, but in any event not less than 60 days from the time of the filing of such notice.

(k) The approval of the plan or plans will not result in a substantial selection of risks adverse to the Health Service Fund.

Ssc. 302. If the plan does not provide for the assumption by an admitted disability insurer of the liability of the
employer to provide for the services afforded thereby, the
authority shall not approve it unless the employer or any pre-
paid medical health or hospital plan which has assumed such
liability of the employer files with the authority the bond of an
admitted surety insurer conditioned on the payment by the
employer of his of the obligations under the plan, or deposits
with the authority securities approved by the authority to secure
the payment of such obligations. The penal sum of the bond or
the amount of the deposit shall be determined by the authority
and shall be not less more than the contributions which would
have been paid by the employees to be covered by the plan dur-
ing the preceding year, or the estimated contributions of such
employees for the ensuing year, whichever is greater.

Sec. 303. Employers whose employees are participating
in an approved voluntary plan and any insurer of an approved
plan shall furnish such reports and information and make avail-
able to the authority such records as the authority may by
authorized regulations require for the proper administration of
this article.

Sec. 304. The authority shall, in accordance with author-
ized regulations, promptly furnish to employers, employees,
or insurers, such information as may be required for the proper
administration of an approved voluntary plan.

Sec. 305. On and after July 1, 1948, neither an employee
covered by an approved voluntary plan nor his employer is
liable for the contributions required by this act with respect
to wages paid by the employer for employment, and such an
employee is not entitled to any benefit from the Health Service
Fund while he is covered by the voluntary plan.

Sec. 306. An employer may, but need not, assume all or
part of the cost of the plan, and may deduct from the wages of
an employee covered by the plan for the purpose of providing
the services specified in Article 3, an amount not in excess of
that which would be required by Section 126, if the employee
were not covered by the plan.

Sec. 307. All money received or retained by an employer
under a plan are trust funds and shall be separately accounted
for by the employer. In the event of commingling of the funds
or the bankruptcy or insolvency of the employer or the appoint-
ment of a receiver for the business of the employer, such funds
are entitled to the same preference as are the claims of the State
under Section 46 of the Unemployment Insurance Act.

Sec. 308. The authority may after notice and hearing
withdraw its approval of any voluntary plan if it finds that
there is danger that the liability for services accrued or to accrue
will not be paid, that the security for such payment is insuffi-
cient, that the operation of the voluntary plan has resulted in
a selection of risks adverse to the fund, or for other good cause
shown.

Sec. 309. If any employer or insurer denies liability in
whole or in part upon the claim of an employee for services
under an approved plan, the employee may appeal the denial to the authority. The authority shall by regulations provide for hearings on such appeals. In the event it is determined that the employee is entitled to receive services and the employer or insurer fails to pay the same within 15 days after a decision, the authority shall pay such benefits and cause such amount to be assessed by the commission department against the employer or the insurer, and the provisions of Article 6, of this act with respect to the assessment and collection of contributions shall apply to the recovery of such benefit payments. Amounts so collected shall be deposited in the Health Service Fund.

Sec. 310. The authority shall make a continuing study of the effects of voluntary plans, and the selection of risks thereunder, on the Health Service Fund and shall report to the Governor and the Legislature thereon, including its recommendations for assessing voluntary plans to equalize the adverse selection of risks, if any.

Sec. 311. The authority shall, in accordance with authorized rules, determine each fiscal year the total amount expended for added administrative work under this act arising out of voluntary plans and the amount necessary to provide sufficient funds to carry out the purposes of Section 210.5. The total of such amount so determined shall be pro rated among the approved voluntary plans in effect during that year on the basis of the amount of wages paid in employment by employers to individuals participating in such plans. The department shall make assessments of amounts so pro rated against the employers responsible for benefits under such approved plans. The amount assessed shall not exceed two-one-hundredths of one percent (0.02%) of the amount of wages paid in employment by employers to individuals participating in such plans. The provisions of Article 6 of this act with respect to the assessment and collection of contributions shall apply to the assessments provided by this section. The amounts collected by the department under this section shall be added to amounts otherwise made available for administration of this article and Section 210.5.

Sec. 312. "Voluntary plan" as used in this act includes any prepaid medical, health or hospital service plan.

Article 13. Subrogation

Sec. 350. If any service is furnished under this act 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 fund shall, to the extent of the cost of the services, be entitled to reimbursement out of any sum or damages which the recipient of such services receives or is entitled to receive by way of compensation or through suit.
settlement or judgment. The authority, on behalf of the fund, shall to that extent be subrogated to the rights or claims of the recipient of the services against such other person in cases in which the injurious act of such third person causes a disabling condition entitling the recipient to services under this act 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.

Sec. 351. Upon notice being given as provided herein to the person against whom the right or claim exists or is asserted, the authority has a lien upon the right or claim, and upon the sum or damages paid or received thereunder, to the extent of the amount for which the fund is entitled to reimbursement.

Sec. 352. If any individual claiming or receiving services has a right or claim described in Section 350 but unreasonably refuses or neglects to take the necessary action to enforce his right or claim within such time as the authority by regulation prescribes, the 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 authority in such an action or proceeding, through a settlement, judgment, or otherwise, in excess of the amount to which the fund is entitled by way of reimbursement plus the reasonable expenses of the authority in connection with such action or proceeding, shall be held by the authority as trustee for the individual in whose behalf the action was undertaken. In the event that the authority undertakes an action or proceeding and fails therein, the costs and expenses thereof shall be payable out of the fund.

Sec. 353. The authority may furnish services under this act to any individual having or claiming to have rights to compensation or damages pending the settlement or determination of his right or claim. The furnishing of services to such an individual shall be without prejudice to any method of recovery provided in this act. If the authority furnishes or intends to furnish services under this act, it may give written notice to the person against whom the recipient of such services has or claims a right to compensation or damages. After the receipt of such notice and of a certified statement of the amount of the advances actually made, such person shall pay to the authority to the extent of the amount for which he is liable, less any sums which he may have actually paid to the authority or to the department prior to the receipt of such notice, the costs of the services paid by the authority. The receipt by the authority of any of such payments, to the extent thereof, constitutes a full and valid discharge of the claims of the recipient against such third person.

Article 14. Penalties

Sec. 400. The wilful making by a physician of a false statement or representation or the failure to disclose any mate-
a fact known to him to obtain any service or benefit provided under this act, for himself or any other person, constitute unprofessional conduct within the meaning of Chapter 5 of Division 2 of the Business and Professions Code.

Sec. 401. It is a misdemeanor:

(a) Wilfully to make a false statement or representation or knowingly fail to disclose a material fact to obtain any service under the provisions of this act, whether for the maker or for any other person or for the purpose of lowering or avoiding any contribution required of the maker or any other person to avoid becoming or remaining subject to this act;

(b) On the part of any employer or any officer or agent of an employee to make a greater deduction from the wages of an employee other than the contribution required of such employee by this act, or as expressly otherwise permitted by law;

(c) On the part of any employer or any officer or agent of an employer, wilfully and unlawfully to fail or neglect to make available required records for the inspection of the department, the authority, or its authorized representatives at any reasonable time during business hours;

(d) On the part of any employer, or any officer or agent of an employer, wilfully and unlawfully to fail or neglect to furnish to the department reports required by it when necessary for the enforcement of this act;

(e) On the part of any employer, or any officer or agent of an employer or any individual to connive or conspire to aid such individual to obtain benefits under this act to which such individual is not entitled by the wilful withholding of information or by the wilful failure to report any relevant information;

(f) For any person to wilfully violate any provisions of this act or any rule or regulation promulgated or published by the authority or the department in accordance with this act;

(g) On the part of any officer, employee, or any other individual to disclose or make public any information obtained in the course of administration of this act other than as required to properly discharge his duties or to fulfill the purposes expressed in this act.

Sec. 402. Any employer, including any individual member of a partnership or employing unit, and any officer of a corporate employing unit having a knowledge thereof, which withholds the deductions required by this act from remuneration paid to its employees, and wilfully fails or is financially unable to pay such deductions to the Health Service Fund before the date on which the same become delinquent shall be guilty of a misdemeanor.

Sec. 403. All fines collected for violations of the provisions of this act shall be paid one-half into the State Treasury to the credit of the Health Service Fund, and one-half to the treasurer of the jurisdiction in which the misdemeanor is prosecuted, to be deposited in the same fund as fines for other misdemeanors occurring in that jurisdiction are deposited.
SEC. 404. The charging, collection, or receipt by a physician of any amount for medical services rendered to a beneficiary under this act for which a claim has been filed, except for services rendered to a beneficiary entitled to reimbursement only pursuant to Section 58.5, constitutes unprofessional conduct within the meaning of Chapter 5 of Division 2 of the Business and Professions Code.
ASSEMBLY BILL
No. 863

Introduced by Messrs. George D. Collins, Rosenthal, and Thomas

January 19, 1949

REFERRED TO COMMITTEE ON PUBLIC HEALTH

An act to create and provide for a prepaid health service system for the people of the State of California, and making an appropriation therefor.

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

Article 1. General Purposes

Section 1. It is the purpose of this act to provide a system of prepaid health service for the people of the State of California to the end that the general health of the people may be improved and the misfortune and financial strain arising from the onslaught of illness or injury be avoided, by providing a fund from which medical and hospital costs may be met. Although modern medical science has made gratifying and outstanding progress thus providing facilities for greatly improving the general level of health in the community, economic conditions have tended to make medical facilities less available to many citizens by reason of the necessarily increased costs. It is the purpose of this act to make such facilities available to as many citizens of the State as possible, and at the same time to insure to those furnishing such service and facilities an adequate and sure compensation. It is the further purpose of this act to encourage the professions and organizations concerned with the furnishing of medical care and services incident thereto, to increase their facilities and to offer higher standards of performance to supply adequately the requirements of the health service system herein provided. Such encouragement is intended further to stimulate and improve the standards and facilities for medical education available within the State. The Legislature of the State of California therefore declares that
this act is essential to the health, safety and welfare of the
people of this State.

Sec. 2. It is a misdemeanor for any employer to require
membership in any system or organization granting any health
service as a condition of employment, and any such condition
in any contract of employment is void.

Article 2. Definitions

Sec. 20. The definitions in this article shall, unless the
context otherwise requires, govern the meaning of the terms
used in this act.

Sec. 21. "Authority" means the California Health
Service Authority created by this act.

Sec. 22. "Director" means the Executive Director of
the authority.

Sec. 23. "Department" means the Department of
Employment.

Sec. 24. "United States" means the Government of the
United States and each department, authority, subdivision,
agency, and instrumentality thereof, corporate or otherwise.

Sec. 25. "Public Agency" means this State, any county,
city and county, city, municipality, district or other political
subdivision thereof, whether chartered or unchartered.

Sec. 26. "Person" includes association, organization,
partnership, business trust, and corporation.

Sec. 27. "Fund" means the Health Service Fund in the
State Treasury.

Sec. 28. "Beneficiary" means any person who is eligible
for services under this act and his dependents.

Sec. 29. "Dependent" means a legally dependent spouse
and dependent children under the age of eighteen.

Sec. 30. "Physician" means physician as defined in
Section 3209.3 of the California Labor Code.

Sec. 31. "Hospital" means an institution providing
necessary and customary in-patient care of the sick and which
hospital is licensed by the Department of Public Health.

Sec. 32. "Service" means the service or services set
forth in Article 3 of this act.

Sec. 33. "Employing unit" has the same meaning set
forth in the Unemployment Insurance Act and also includes
all public agencies.

Sec. 34. "Employment" means the following:
(a) "Employment" as defined in the Unemployment
Insurance Act.

(b) Service performed in the employ of a public agency.

Sec. 35. "Employer" means the following:
(a) "Employer" as defined in the Unemployment Insur-
ance Act.

(b) A public agency for which services in employment
subject to this act are performed.
Sec. 36. "Employee" means an individual performing
services in employment for an employer subject to this act and
includes public officials whether elected or appointed.
Sec. 37. "Wages" has the meaning set forth in the Unem-
ployment Insurance Act.
Sec. 38. "Contribution" means the money payments to
the fund required by this act.
Sec. 39. "Rules" includes regulations.

Article 3. Health Services

Sec. 50. Health services are:
(a) Basic services and
(b) Additional benefits.
Sec. 51. Basic services are the following:
(a) General practitioner services rendered by a licensed
physician or surgeon licensed in this State and registered under
this act, whenever such services are required by the standards
of good medical practice for preventative, diagnostic, therapeu-
tic, or other medical treatment or care. Such services may be
rendered at the physician's office, in a hospital or clinic, or any-
where else within the State of California, in accordance with the
standard of medical practice in the community in which the
service is rendered.
(b) Consultation and specialist services in addition to
those of the general practitioner.
(c) Laboratory and X-ray services.
(d) Necessary hospitalization, excluding ambulance serv-
ices, for a period not to exceed twenty-one days in any calendar
year for each separate and distinct illness or injury.
(e) Drugs, medicines and biologics, bandages, splints and
other supplies prescribed by the attending physician and sur-
geon. Basic services shall not include drugs other than preven-
tive biologies, except when used in course of treatment in a
hospital.
(f) Such general nursing service as is afforded by the hos-
pital in which the treatment is given, but not private or special
nursing service.
(g) The following dental services: The services of a dentist
for the extraction of teeth and for the treatment of acute infe-
tions of the teeth, gums, and alveolar processes and the bone
adjacent thereto, or fractures of the jaws.
Sec. 52. Basic services other than dental or general prac-
titioner services shall be furnished only upon the certificate
of the general practitioner or specialist to whom the patient is
referred.
Sec. 53. Basic services shall be furnished for tubercu-
lossis and mental infirmities or disorders only up to time of diag-
nosis of such condition.
Sec. 54. Basic services shall be furnished for not in excess
of one year for any one illness or injury.
Sec. 55. Restrictions, limitations, or modifications of basic services may be provided by rule or regulation of the authority only when such rules or regulations are adopted by a two-thirds vote of the members. Such restrictions, limitations or modifications may be made only in respect to the extent to which basic services include the first treatment by the practitioner and with respect to calls by the practitioner at the home of the patient. All other rules and regulations may be made by the authority by vote of the majority of its members.

The Governor may by written order issued within five days of the date of adoption of such rule or regulation, suspend the operation thereof for such time as he considers necessary.

Sec. 56. Additional benefits are benefits additional to the basic services as follows:

(a) When in its opinion the financial resources of the Health Service Fund warrant, the authority may by rule or regulation provide any one or more of the following: increase of hospitalization period, additional drugs, additional medical or dental services, optometrical services.

(b) In case of dental service, the authority in providing additional benefits, shall not designate the materials to be used for treatment incidental to such services.

Sec. 57. Nothing in this act shall restrict a beneficiary's right to utilize more expensive hospital accommodations on the basis of mutually satisfactory arrangements between the beneficiary and the institution for payment of the difference in rates.

Sec. 58. Services shall not be furnished under this act for an injury which is compensable under any workmen's compensation law, or employer's liability law except as provided in Article 12.

Sec. 59. Each beneficiary eligible under Section 70 shall be entitled to reimbursement for the costs of services as set forth in this article when such costs have been incurred by reason of emergency illness or injury occurring to the beneficiary while outside of the State of California, providing that the necessity for such service is recognized by the authority and provided that such reimbursement shall not exceed the average amount which would have been paid by the authority had the service been rendered in California.

Article 4. Eligibility

Sec. 70. From and after January 1, 1951, every employee and each of his dependents shall be eligible to receive basic services throughout any calendar year if the employee has during his base period as provided in the Unemployment Insurance Act received wages sufficient to render him eligible for benefits under such act.

Sec. 71. Whenever a dispute arises as to whether a person is a beneficiary, he shall be entitled to services unless or until it shall be finally determined through the appropriate appeals procedure that he was not a beneficiary. If it is finally determined
that he was not a beneficiary he shall become liable to the author-
ity for the amount expended from the fund in his behalf, and
such amounts may be recovered on behalf of the fund in the same
manner as is provided for the collection of contributions under
Article 6, of this act.

Sec. 72. The authority may refer to the department any
question pertaining to the allowance of any services under this
act when such allowance may be dependent upon a determin-
ation of the individual's eligibility.

Sec. 73. The department shall determine all questions
referred to it. Such determinations shall be made in accordance
with the procedure for the determination, redetermination, or
the appeal of claims for benefits under the Unemployment Insur-
ance Act and rules relating thereto.

Sec. 74. The determination of the department in respect
to any question of eligibility referred to it shall be binding upon
the authority.

Sec. 75. The determination by the department of any
question referred to it pursuant to this article is not final, and
may not be reviewed in any court until incorporated in a final
decision of the authority. Any such determination shall be incor-
porated in a final decision of the authority within ten days of
the date of release thereof by the department.

Article 5. Elective Coverage

Sec. 80. The authority may, by contractual engagements
or other undertakings, make the service set forth in this act
available to any resident of this State who is not otherwise eligi-
ble, subject to conditions prescribed by rule or regulation of the
authority. Such regulations shall require payment of a premium,
or contributions as determined by the authority for a period of
not less than sixty days before such individual shall be eligible
for services.

Sec. 81. Any person who has become eligible for services
under this act, but who by virtue of change in occupational or
dependency status would lose eligibility, may continue as a
beneficiary without interruption, by paying into the Health
Service Fund within such period and at such intervals as may
be required by the authority, such premiums or contributions
as the authority may determine to be equitable.

Sec. 82. Any employing unit for which services that do
not constitute employment as defined in this act are performed,
may file with the department a written election that all such
services performed by individuals in its employ in one or more
distinct establishments or places of business shall be deemed
to constitute employment by an employer for all the purposes
of this act for not less than one calendar year. Upon the written
approval of such election by the department, such services
shall be deemed to constitute employment subject to this act
from and after the date stated in such approval. Such services
shall cease to be deemed employment subject hereto as of
January 1st of any calendar year subsequent to the year of
elective coverage, notwithstanding anything elsewhere contained
in this act, only if on or before the thirty-first day of December
of such preceding year, such employing unit has filed with the
department a written notice to that effect.

The department may for good cause waive the require-
ments of this section for termination of an elective coverage
agreement.

Sec. 83. Every employing unit which files an election to
become an employer subject to this act or to cease to be an
employer subject to this act, pursuant to the provisions of this
article shall post and maintain printed notices of such election
on his premises, as may be prescribed by regulations of the
department. Individuals in the employ of any employing unit
which files an election to become an employer subject to this
act shall be given a reasonable opportunity to file objections
thereto or be heard thereon prior to the department's approval
of such election.

Sec. 84. In no case shall the department approve any
such election under Section 82, unless and until it has been
established to the satisfaction of the department that such
employing unit is normally and continuously engaged in a regu-
lar trade, business or occupation.

Article 6. Contributions

Sec. 90. Every employer shall pay a contribution equal
to one percent (1%) of all wages paid with respect to employ-
ment after January 1, 1950.

Sec. 91. Each employee shall also pay contributions
equal to one percent (1%) of his wages with respect to employ-
ment after January 1, 1950.

Sec. 92. The amount of contributions payable by a public
agency under this act shall automatically increase all statutory
debt and liability limits otherwise applicable to any such units
by the amount so payable.

Sec. 93. Employers shall furnish to each of their employ-
ees evidence of eligibility for services under this act at such
time and in such form as the department or the authority by
regulation prescribes.

Sec. 94. 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 shall be exempt from the contributions required by
this act upon filing with the department a statement, in duplic-
ate, stating such adherence and dependence and disclaiming
any benefit for himself and his dependents under this act. Any
such employee so exempt and his dependents shall not be fur-
nished any service provided by this act while such exemption
is in force; and the effect of a withdrawal of such statement by
such exempt employee shall operate to make him subject from
the date of such withdrawal to the provisions of this act only to
the extent to which an employee upon first entering employ-
ment subject to this act, is entitled to such services and subject
to the same conditions.

Sec. 95. Every employer shall, notwithstanding any pro-
visions of law in this State to the contrary, withhold in trust
the amount of his employees' contributions from their wages
at the time such wages are paid, shall show such deduction on
his pay roll records, shall furnish each employee with a state-
ment in writing showing the amount which has been deducted
in such form and at such times as the department may prescribe
and shall transmit all such contributions to the fund in addition
to his own contributions, pursuant to the regulations of the
department.

Sec. 96. Subdivisions (b) and (c) of Section 44, subdi-
visions (b) and (e) of Section 44.2 and Sections 45 to 46.2,
except subdivision (e) of Section 45, of the Unemployment
Insurance Act shall be applicable in all respects to the report-
ing of contributions, interest and penalties attaching thereto,
and the levy, assessment, reassessment, collection, and refund
of all contributions by the department under this act, except
that the following words in those sections of the Unemploy-
ment Insurance Act have the following meanings respectively with
respect to contributions under this act:

(a) "Employment," and "employer," mean respectively
that which they are defined as in this act.
(b) "Worker," means employee.
(c) "Section 44" means Section 91 of this act.
(d) "Unemployment contributions judgments" means
health service contributions judgments.
(e) "Unemployment fund," "disability fund," "fund,"
and "clearing account" means the Health Service Fund.

Sec. 97. Any rule, regulation, or interpretation issued
by the department in accordance with the provisions of this act
may prescribe the extent, if any, to which it shall be applied
without retroactive effect in cases where, in the absence of such
a provision, it would have such retroactive effect.

Sec. 98. The amount of employer contributions, together
with employee contributions, shall be pooled and available for
the furnishing of service to any person entitled thereto under
the provisions of this act regardless of the source of such con-
tribution.

Sec. 99. The levy, assessment, reassessment, collection
and refund of all contributions payable to the fund pursuant
to this article or pursuant to Article 5, shall be the function and
duty of the department, and a determination by the department
with respect to any controversy arising in connection therewith
shall be final, subject only to such judicial review as is pro-
vided by law. The department has power to adopt rules, not
inconsistent with this act, in the furtherance of its functions
and duties as herein provided.
Article 7. Health Service Fund

Sec. 100. The Health Service Fund is created in the State Treasury. The moneys and securities of the fund shall be held in trust by the State Treasurer to make available the services provided by this act.

Sec. 101. The fund shall consist of:
(a) All income received and paid into the fund in accordance with the provisions of this act.
(b) All property and securities acquired by and through the use of moneys belonging to the fund.
(c) All interest earned upon moneys belonging to the fund and deposited or invested as provided by law.

Sec. 102. The State Treasurer shall be the custodian of all moneys and securities belonging to the fund, except as otherwise provided in this act. He shall be liable on his official bond for the safekeeping thereof.

All moneys which belong to the fund and are collected or received under this act shall be delivered to the State Treasurer.

All securities belonging to the fund shall be delivered to the Treasurer and held by him until otherwise disposed of as provided in this act.

Sec. 103. Upon such delivery, such moneys and securities shall be credited by the State Treasurer to the fund. No moneys received or collected on account of the fund shall be expended or paid out without first passing into the State Treasury and being drawn therefrom as provided in this act.

Sec. 104. The State Controller shall keep special ledger accounts showing all of the assets in the State Treasury pertaining to the fund.

Sec. 105. The authority with the approval of the Board of Control shall cause all moneys in the fund which are in excess of current requirements to be invested and reinvested, from time to time, in securities authorized by law for the investment of funds of savings banks.

Sec. 106. All money in the fund is hereby continuously appropriated without regard to fiscal years for the purposes authorized by this act.

Sec. 107. Refunds payable or credits due may be paid from the fund.

Sec. 108. All of the expenses of the authority in carrying out the provisions of this act other than payments for services and all of the expenses of the department in carrying out the provisions of this act, including the pro rata overhead charges of State Government assessed against the fund, shall not exceed an amount equal to 6 percent of all moneys deposited in the fund. Of such amount, the authority may not expend more than 80 percent in carrying out the provisions of this act and the department may not expend more than 20 percent in carrying out the provisions of this act.

Sec. 109. The authority and the department each may, with the approval of the Department of Finance, withdraw from
the fund, without at the time presenting vouchers and itemized statements, a sum determined to be necessary as a cash revolving fund. The Controller shall draw his warrants in favor of the authority and the department for the amounts so withdrawn, and the Treasurer shall pay such warrants.

Sec. 110. Expenditures may be made from a revolving fund for the payment of claims for medical care and hospital services provided pursuant to this act. Reimbursement of a revolving fund for such expenditures shall be made upon presentation to the Controller of an abstract or statement of such expenditures. Such abstract shall be in such form as the Controller requires.

Sec. 111. Whenever moneys are collected, but it is not immediately certain what portion thereof constitutes contributions payable under this act and what portion constitutes contributions payable under the Unemployment Insurance Act, the department may, if it desires, pay such moneys into the Special Deposit Fund in the State Treasury as provided in Article 2 of Chapter 2 of Part 2 of Division 4 of Title 2 of the Government Code, subject to recovery by the department and transfer to the proper accounts in the Unemployment Fund, the Disability Fund, and the Health Service Fund upon ascertainment by the department of the amounts allocable to each fund, respectively, out of moneys so collected.

Article 8. Claims for Services

Sec. 120. Claims for services shall be made in accordance with such regulations as the authority may prescribe.

Sec. 121. The assets of the fund shall be applicable to the payment of claims for authorized services performed in accordance with this act, and the rules and regulations of the authority, and to the payment of the salaries and other expenses necessarily incurred in the operation of the fund.

Article 9. Administration

Sec. 130. There is hereby created the California Health Service Authority. The California Health Service Authority consists of nine members.

Sec. 131. The Director of Public Health and the chief executive officer of the Department of Employment shall be ex officio members of the authority, except that the executive officer of the Department of Employment shall be a nonvoting member. The Governor shall appoint the other seven members of the authority. The Director of Public Health shall be the chairman of the authority.

Sec. 132. The term of office of the appointed members of the authority shall be four years and until their successors are appointed and qualified. Vacancies occurring during a term shall be filled by appointment for the unexpired term.
SEC. 133. The appointive members of the authority shall consist of the following:
(a) Three members who are licensed physicians, one of whom is experienced in hospital administration;
(b) Two members who shall be representative of employers;
(c) Two members who shall be representative of labor.
SEC. 134. The Governor shall make the first appointments for terms expiring, respectively, as follows:
(a) One representative of employers, one representative of labor and one physician for terms expiring on the fifteenth day of January, 1951.
(b) One representative of employers, one representative of labor, and one physician for terms expiring on the fifteenth day of January in the year 1952.
(c) One physician for term expiring on the fifteenth day of January in the year 1953.
SEC. 135. The appointive members of the authority shall each receive as compensation the sum of twenty-five dollars ($25) per day for each day or fraction thereof while in attendance at meetings of the authority and in addition shall receive their actual and necessary expenses incurred in the discharge of their duties.
SEC. 136. The members of the authority shall meet regularly once a month and at such other times as the chairman or a majority of the members thereof determine to be necessary.
SEC. 137. The number of members required to constitute a quorum of the authority and to concur on all questions except a motion to adjourn or a motion to adjourn to a stated time is five.
SEC. 138. Except as to matters over which power is given to the department, the authority has the power generally to perform all acts necessary to carry out the provisions of this act regardless of whether or not the particular power is specifically designated in this act.
SEC. 139. The authority shall have the power:
(a) To adopt, promulgate, repeal and amend rules and regulations consistent with law necessary or advisable to carry out the provisions of this act.
(b) To prescribe by rule standards of service and prescribe rates, fees or charges to be claimed and paid for all services furnished under this act, which shall constitute full payment for all such services except hospital services utilized by a beneficiary pursuant to Section 57. In prescribing such rates, fees or charges, the authority shall have regard for the necessity of furnishing proper and adequate service. Such rates, fees or charges need not be uniform throughout the State.
(c) To adopt a procedure for the establishment of and payment of claims for services furnished.
(d) To adopt a procedure for the review and settlement of disputed claims upon demand by the claimant of any claim.
denied in whole or in part. The authority may provide for a
rehearing and for action upon such rehearing.
(e) To adopt a procedure for the hearing and determina-
tion of appeals from determinations made by the authority.
Sec. 140. The authority shall also have the power:
(a) To adopt a seal.
(b) To sue and be sued.
(c) To enter into any contracts or obligations relating to
services under this act which are authorized or permitted by law.
(d) To appoint, subject to the State Civil Service Act, such
assistants and other employees as are necessary for the admin-
istration of the affairs of the authority, to prescribe their duties,
fix salaries, and require them to execute to the State such official
bonds as may be required.
(e) To provide and operate such district offices as are
deemed necessary.
(f) To establish and maintain a statistical plan for the
making and maintaining of records showing the experience of
the authority in the furnishing of service provided by this act.
Sec. 140.5. (a) The authority may expend not to exceed
one-twentieth of the amount available to it for the limited pur-
poses set forth in Section 108 for the purpose of assisting physi-
cians and surgeons under this act to avail themselves of post-
graduate study and refresher courses in order that a high level
of medical practice may be stimulated and encouraged.
(b) In the administration of such program, the authority
shall nominate 10 persons to the Governor, from whom five shall
be selected and appointed by the Governor to constitute an advi-
sory committee on postgraduate study for physicians and sur-
geons, three of whom shall be members of faculties of medical
schools and two of whom shall be practicing physicians and
surgeons.
Sec. 141. (a) The authority shall carry on continual
studies of, and shall periodically report to the Governor and
to the Legislature on the degree to which the operation of this
act alleviates undue financial strain on the people of Califor-
ia, arising from the onslaught of illness or injury and the extent
to which and the means by which complete medical care may be
made available to the people of the State on a prepaid basis.
(b) The authority shall also carry on studies and report to
the Governor and to the Legislature with respect to the adequate
distribution of the facilities necessary to the proper rendition of
the services provided in this act.
Sec. 142. No contract, rule, or regulation under this act
shall be entered into or prescribed by the authority which in any
manner impairs, restricts, or confines the free choice of any
person of a physician or hospital.
Sec. 143. All proceedings of the authority and the depart-
ment shall be open to the public unless a closed hearing is
requested by a party to the proceedings. The hospital records
and all other information furnished to the authority or the
department by an employing unit, an applicant for hospital
services, or a hospital, pursuant to this act except to the extent
necessary for the proper administration of this act, shall be con-
fidential and shall not be published or be open to public inspec-
tion in any manner revealing the identity of the parties, nor
admissible in evidence in any action or special proceeding, other
than one arising out of the provisions of this act.

Sec. 144. Information obtained in the course of adminis-
tration of this act shall not be published or open to public inspec-
tion in any manner which will reveal the identity of any bene-
ficiary, employer or hospital except as may be necessary to
acquaint a beneficiary or his duly authorized agent with his
then existing or prospective right to services. Any officer or
employee of the authority or the department who violates this
section shall be guilty of a misdemeanor.

Sec. 145. The Governor shall appoint, upon nomination
by the authority, an executive director, who shall act as secre-
tary and executive officer of the authority and shall receive a
salary of twelve thousand dollars ($12,000) per annum. The
term of the executive director shall be four years and until the
qualification of his successor.

Sec. 146. The authority may authorize the director or
the department to carry out any of its functions under this act
and may revoke such authorization in whole or in part.

Article 10. Medical Advisory Board

Sec. 150. There is hereby created a Medical Advisory
Board to consist of the chairman of the Hospital Services Advis-
ory Board and 10 members appointed by the Governor to serve
at his pleasure. The chairman of the board shall be designated
by the Governor.

Sec. 151. The members of the Medical Advisory Board
shall be licensed physicians at least two of whom are teaching
members of the faculty of a medical school.

Sec. 152. Members of the Medical Advisory Board shall
receive no compensation for their services but shall receive their
actual necessary expenses, including travel expenses, incurred
in the performance of their duties.

Sec. 153. The Medical Advisory Board shall upon the
request of the authority consult with and advise the authority
and shall prepare and submit to the authority their recommenda-
tions on matters referred to them by the authority.

Article 11. Hospital Service Advisory Board

Sec. 160. There is hereby created a Hospital Service
Advisory Board to consist of the chairman of the Medical Advisory
Board and 10 members, appointed by the Governor to serve
at his pleasure.

Sec. 161. The members shall be appointed insofar as is
possible to be representative of the medical, nursing and other
professions specializing in services customarily performed by a
hospital. The chairman of the board shall be designated by the
Governor.

SEC. 162. Members of the Hospital Service Advisory
Board shall receive no compensation for their services but shall
receive their actual necessary expenses, including travel
expenses, incurred in the performance of their duties.

SEC. 163. The Hospital Service Advisory Board shall
upon the request of the authority consult with and advise the
authority and shall prepare and submit to the authority their
recommendations on matters referred to them by the authority.

Article 12. Subrogation

SEC. 170. If any service is furnished under this act 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,
oil 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 fund shall, to the extent of the cost of
the services, be entitled to reimbursement out of any such sum
or damages which the recipient of such service receives or is
entitled to receive by way of compensation or through suit,
settlement or judgment. The authority, on behalf of the fund,
shall to that extent be subrogated to the rights or claims of the
recipient of the services against such other person in cases in
which the injurious act of such third person causes a disabling
condition entitling the recipient to services under this act 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.

SEC. 171. Upon notice being given as provided herein to
the person against whom the right or claim exists or is asserted,
the authority has a lien upon the right or claim, and upon the
sum or damages paid or received thereunder, to the extent of the
amount for which the fund is entitled to reimbursement.

SEC. 172. If any individual claiming or receiving services
has a right or claim described in Section 170 but unreasonably
refuses or neglects to take the necessary action to enforce his
right or claim within such time as the authority by regulation
prescribes, the 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 authority in such an action or proceeding,
through a settlement, judgment, or otherwise, in excess of the
amount to which the fund is entitled by way of reimbursement
plus the reasonable expenses of the authority in connection with
such action or proceeding, shall be held by the authority as
trustee for the individual in whose behalf the action was under-
taken. In the event that the authority undertakes an action or
proceeding and fails therein, the costs and expenses thereof
shall be payable out of the fund.
Sec. 173. The authority may furnish services under this act to any individual having or claiming to have rights to compensation or damages pending the settlement or determination of his right or claim. The furnishing of services to such an individual shall be without prejudice to any method of recovery provided in this act. If the authority furnishes or intends to furnish services under this act, it may give written notice to the person against whom the recipient of such services has or claims a right to compensation or damages. After the receipt of such notice and of a certified statement of the amount of the advances actually made, such person shall pay to the authority to the extent of the amount for which he is liable, less any sums which he may have actually paid to the authority or to the department prior to the receipt of such notice, the costs of the services paid by the authority. The receipt by the authority of any of such payments, to the extent thereof, constitutes a full and valid discharge of the claims of the recipient against such third person.

Article 13. Penalties

Sec. 180. The wilful making by a physician of a false statement or representation or the failure to disclose any material fact known to him to obtain any service or benefit provided under this act, for himself or any other person, constitutes unprofessional conduct within the meaning of Chapter 5 of Division 2 of the Business and Professions Code.

Sec. 181. It is a misdemeanor:

(a) Wilfully to make a false statement or representation or knowingly fail to disclose a material fact to obtain any service under the provisions of this act, whether for the maker or for any other person or for the purpose of lowering or avoiding any contribution required of the maker or any other person or to avoid becoming or remaining subject to this act;

(b) On the part of any employer or any officer or agent of an employee to make a greater deduction from the wages of an employee other than the contribution required of such employee by this act, or as expressly otherwise permitted by law;

(c) On the part of any employer or any officer or agent of an employer, wilfully and unlawfully to fail or neglect to make available required records for the inspection of the department, the authority, or its authorized representatives at any reasonable time during business hours;

(d) On the part of any employer, or any officer or agent of an employer, wilfully and unlawfully to fail or neglect to furnish to the department reports required by it when necessary for the enforcement of this act;

(e) On the part of any employer, or any officer or agent of an employer or any individual to connive or conspire to aid such individual to obtain benefits under this act to which such individual is not entitled by the wilful withholding of information; or by the wilful failure to report any relevant information;
(f) For any person to wilfully violate any provisions of this act or any rule or regulation promulgated or published by the authority or the department in accordance with this act;

(g) On the part of any officer, employee, or any other individual to disclose or make public any information obtained in the course of administration of this act other than as required to properly discharge his duties or to fulfill the purposes expressed in this act.

Sec. 182. Any employer, including any individual member of a partnership or employing unit, and any officer of a corporate employing unit having a knowledge thereof, which
withholds the deductions required by this act from remunera-
tion paid to its employees, and wilfully fails or is financially unable to pay such deductions to the Health Service Fund before the date on which the same become delinquent shall be guilty of a misdemeanor.

Sec. 183. All fines collected for violations of the provi-
sions of this act shall be paid one-half into the State Treasury to the credit of the Health Service Fund, and one-half to the treasurer of the jurisdiction in which the misdemeanor is prosecuted, to be deposited in the same fund as fines for other misdemeanors occurring in that jurisdiction are deposited.

Sec. 184. The charging, collection, or receipt by a physi-
cian of any amount for medical services rendered to a beneficiary under this act for which a claim has been filed, constitutes unprofessional conduct within the meaning of Chapter 5 of Division 2 of the Business and Professions Code.