

LEGISLATIVE HISTORY OF R.S.17:48-5
(Hospital Service Corporations: Filing copy of
certificate of incorporation; qualifications of
directors)

copy 2

This section was first enacted in 1938.

- L.1938 - chap.366, §5 - S 375. Mr. Powell
Bill and statement enclosed.
June 6 - Committee Substitute (enclosed) passed Senate amended.
June 8 - Passed Assembly.
June 14 - Approved.

The amendment of the Committee Substitute did not affect §5.
No hearings or reports were found.

- L.1967 - chap.19 - A 346. Tanzman
Approved Mar.31, 1967.
Statement of bill enclosed. It was not amended during
passage.
No hearings or reports were found.

- L.1970 - chap.109 - S 293.
Pre-filed by Dumont.
Bill has statement.
Amended by Senate Committee. (copy enclosed)
This bill listed as "Approved" in:
974.905 The Journal of the Medical Society of
M49 New Jersey
Vol.67 no.4 April 1970 p. 189
vol.67 no.7 July, 1970 p.383

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Newspaper clippings--V.F.--N.J.--Insurance, Health

Health care bills signed by Cahil NEN 6/26/70

Blue Cross changes get Cahill's approval NEN 6/27/70

New law allows N.J. Blue Cross benefit increase Sun. Times Adv. 6/28/70

(copies of clippings enclosed):

HP/EH
Encl.

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R.S. 17:48-5 Addendum

Complaints about the all medical Board of Trustees have been expressed repeatedly. The matter was discussed in previous hearings and reports see:

974.90 New Jersey Legislature. Joint Commission created
H828 under SCR2(1960) to investigate the administration
1960a of the Hospital Service Plan of New Jersey.

Public Hearing... September 26, 1960

974.90 New Jersey Legislature. Joint Commission to in-
H828 vestigate the administration and rate structure
1962 of the Hospital Service Plan of New Jersey.

Report... 1962.

974.90 New Jersey. Special Committee Appointed by the
H828 Governor to study Blue Cross in New Jersey.
1966

Public Hearing... July 14, 1966.

974.90 New Jersey. Special Committee appointed by the
H828 Governor to Study Blue Cross in New Jersey.
1967

Final Report... 1967

SENATE, No. 293

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1970 SESSION

By Senator DUMONT

AN ACT to amend "An act concerning hospital service corporations and regulating the establishment, maintenance and operation of hospital service plans, and supplementing Title 17 of the Revised Statutes by adding thereto a new chapter entitled 'Hospital Service Corporations,' " approved June 14, 1938 (P. L. 1938, c. 366).

1 BE IT ENACTED *by the Senate and General Assembly of the State*
2 *of New Jersey:*

1 1. Section 5 of the act of which this act is amendatory (C.
2 17:48-5) is amended to read as follows:

3 5. A copy of a certificate of incorporation of a hospital service
4 corporation may be filed in the Department of Banking and In-
5 surance as aforesaid only when there shall be indorsed on or
6 appended to the original thereof the approval of the Commissioner
7 of Banking and Insurance, who is hereby authorized to grant such
8 approval if, in his judgment, the operation of a nonprofit hospital
9 service plan by such corporation is in the public interest. No cer-
10 tificate of authority shall be issued to any such corporation unless
11 the bylaws provide that **[at least a majority of the directors of**
12 **such corporation must be at all times directors or trustees of hos-**
13 **pitals designated in section 1 hereof. Any outstanding certificate**
14 **of authority shall immediately become void if such bylaw provision**
15 **be removed or if there is any failure of compliance therewith]**
16 *the board of directors of such hospital service corporation subject*
17 *to the provisions of this act shall be composed of persons who are*
18 *representative of the member hospitals of such corporation, its sub-*
19 *scribers and the general public. Not more than one-third of the di-*
20 *rectors of any hospital service corporation shall be persons who are*
21 *licensed to practice medicine and surgery in this State (other than*
22 *physicians employed on a full-time basis in the fields of public health,*

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

23 public welfare, medical research or medical education) or who are
24 trustees, directors or employees of a corporation organized for
25 hospital purposes. Of the directors not included in the classification
26 set forth in the preceding sentence, one-half in number, as nearly as
27 possible, shall be persons (1) who have coverage under a contract
28 or contracts issued by such hospital service corporation, (2) who
29 are generally representative of broad segments of the subscribers
30 covered under contracts issued by such corporation, and (3) who,
31 or whose spouse or minor children, are not officers, directors or
32 owners of more than 10% of the stock of a corporation whose ag-
33 gregate sales to hospitals exceed 5% of its total sales, and one-half
34 in number, as nearly as possible, shall be persons (a) whose back-
35 ground and experience indicate that they are qualified to act in the
36 board public interest, (b) who may or may not have coverage under
37 a contract or contracts issued by such hospital service corporation,
38 and (c) who, or whose spouse or minor children, are not officers,
39 directors or owners of more than 10% of the stock of a corporation
40 whose aggregate sales to hospitals exceed 5% of its total sales.
41 Each such hospital service corporation shall have an executive com-
42 mittee the members of which shall be composed, as nearly as pos-
43 sible, of an equal number of representatives of the member hos-
44 pitals of such corporation, its subscribers and general public.
45 Compliance with the provisions of this section shall be under
46 the supervision of the Commissioner of Banking and Insurance.
47 Within 10 days after a vacancy in the board of directors of a
48 hospital service corporation shall occur, such corporation shall
49 notify the Commissioner of Banking and Insurance in writing that
50 such vacancy exists. Not more than 10 days after the election of
51 a person as a director of a hospital service corporation, such cor-
52 poration shall furnish, in writing, the following information to the
53 Commissioner of Banking and Insurance: the name and address of
54 the person so elected; whether such person is representative of the
55 member hospitals of such corporation, or its subscribers, or the
56 general public and qualified to serve under the provisions of this
57 section; and a biographical statement concerning such person. In
58 the event that the Commissioner of Banking and Insurance shall
59 find, after hearing, that the composition of the board of directors
60 of a hospital service corporation is not in compliance with the pro-
61 visions of this section, he may direct that such board of directors
62 be reconstituted in accordance with his finding. The provisions of
63 this section shall apply only to directors of hospital service cor-
64 porations elected or re-elected after the effective date of this act.

1 2. This act shall take effect immediately.

STATEMENT

This bill would reconstitute the Board of Trustees of the Hospital Service Plan of New Jersey (New Jersey Blue Cross Plan) to limit the representation of the health profession and health care institutions of one-third of the board membership. One-third would represent the consumer, made up of the subscribed body of Blue Cross and the remaining one-third would be elected from among the general public. The power of supervision to maintain this balance is placed in the Commissioner of Banking and Insurance.

SENATE COMMITTEE AMENDMENTS TO

SENATE, No. 293

STATE OF NEW JERSEY

ADOPTED FEBRUARY 16, 1970

Amend page 1, section 1, line 4, omit "Banking and".

Amend page 1, section 1, line 7, omit "Banking and".

Amend page 2, section 1, line 46, omit "Banking and".

Amend page 2, section 1, line 49, omit "Banking and".

Amend page 2, section 1, line 53, omit "Banking and".

Amend page 2, section 1, line 58, omit "Banking and".