

October 27, 1971

LEGISLATIVE HISTORY OF R.S.17:48A-5; 17:48A-6

(Medical service contracts are for 12 months automatically renewed unless given 30 days written notice).

L.1940 - chap.74 - §5, §6 S 108 Scott.
Statement enclosed.
Bill passed without amendment.
Approved May 29, 1940.

No hearings or reports were found.

L.1944 - chap.102 - §3, §4 - S 152 Scott.
Bill and Statement enclosed.
Mar.29 - Reported with Senate Committee Amendment (enclosed)
Mar.31 - Passed Senate amended. *SENATE J, p. 445-6*
Apr.5 - Passed Assembly.
Apr.13 - Approved.

No hearings or reports were found.

§5 L.1966 - chap.237 - §1 effective August 10 A 594 Beadleston, et al.
No statement.
Bill and amendments enclosed.
May 23 - Passed Assembly, amended.
May 31 - Passed Senate.

No report or hearings were found.

L.1970 - chap.113 - S 409.
Jan.20 - Introduced by Dumont.
Amended by Assembly Committee.
No statement.

(For clippings see Legislative History of R.S.17:48-6

This bill listed as "Approved" in:

974.905 M49	The Journal of the Medical Society of New Jersey.
vol.67	no.4 April 1970 p.189
vol.67	no.7 July 1970 p.353

HP/EH
Encl.

CHAPTER 113 LAWS OF N. J. 1970

APPROVED JUNE 26, 1970

[OFFICIAL COPY REPRINT]

SENATE, No. 409

STATE OF NEW JERSEY

INTRODUCED JANUARY 20, 1970

By Senator DUMONT

Referred to Committee on Insurance

AN ACT to amend and supplement "An act concerning medical service corporations and regulating the establishment, maintenance and operation of medical service corporations and medical service plans, and supplementing Title 17 of the Revised Statutes by adding thereto a new chapter entitled 'Medical Service Corporations,' " approved May 29, 1940 (P. L. 1940, c. 74).

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

1 1. Section 5 of chapter 74 of the laws of 1940 (C. 17:48A-5) is
2 amended to read as follows:

3 5. Every **[subscription]** *individual* contract made by any cor-
4 poration subject to the provisions of this chapter to provide pay-
5 ment for medical services shall provide for the payment of medical
6 services for a period of **[12 months]** ***[1 month]*** *12 months*
7 from the date of issue of the subscription certificate. Any such
8 contract may provide that it shall be automatically renewed from
9 **[year]** ***[month]*** *year* to **[year]** ***[month]*** *year* unless there
10 shall have been 1 month's prior written notice of termination by
11 either the subscriber or the corporation. *In the absence of fraud*
12 *or material misrepresentation in the application for a contract or*
13 *for reinstatement, no contract with an individual subscriber shall*
14 *be terminated by the corporation unless all contracts of the same*
15 *type, in the same group or covering the same classification of per-*
16 *sons are terminated under the same conditions.* No contract between
17 such corporation and subscriber shall allow for the payment for
18 medical services for more than one person, except that a family
19 contract may provide that payment will be made for medical ser-
20 vices rendered to a subscriber and any of those dependents defined
20A in section 1 of this act.

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

21 A contract under which coverage of a dependent of a subscriber
22 terminates at a specified age shall, with respect to an unmarried
23 child, covered by the contract prior to attainment of age 19, who is
24 incapable of self-sustaining employment by reason of mental re-
25 tardation or physical handicap and who became so incapable prior
26 to attainment of age 19 and who is chiefly dependent upon such
27 subscriber for support and maintenance, not so terminate while
28 the contract remains in force and the dependent remains in such
29 condition, if the subscriber has within 31 days of such dependent's
30 attainment of the termination age submitted proof of such depend-
31 ent's incapacity as described herein. The foregoing provisions of
32 this paragraph shall not apply retrospectively or prospectively to
33 require a medical service corporation to insure as a covered de-
34 pendent any mentally retarded or physically handicapped child of
35 the applicant where the contract is underwritten on evidence of
36 insurability based on health factors, required to be set forth in the
37 application. In such cases any contract heretofore or hereafter
38 issued may specifically exclude such mentally retarded or physically
39 handicapped child from coverage.

1 2. Section 6 of chapter 74 of the laws of 1940 (C. 17:48A-6) is
2 amended to read as follows:

3 6. Every *individual* contract entered into by any such corporation
4 with any subscriber shall be in writing and a certificate stating
5 the terms and conditions thereof shall be furnished to the sub-
6 scriber. No such subscription certificate shall be issued or delivered
7 by any medical service corporation of this State unless it contains
8 the following provisions:

9 (a) A statement of the amounts payable to the corporation by
10 the subscriber and the times at which *and* the manner in which
11 such amounts shall be paid; *and a provision requiring 1 month's*
12 *written notice to the subscriber before termination or cancellation*
13 *of the contract or any change in the contract, including a change of*
14 *subscription rate, shall take effect;*

15 (b) A statement of the nature of the medical services to be paid
16 for and the period during which the certificate is effective; and if
17 there are any types of medical services to be excepted, or for which
18 benefits are limited, a detailed statement of such exceptions and
19 limitations printed as hereinafter specified;

20 (c) A statement of the terms or conditions, if any, upon which
21 the certificate may be canceled or otherwise terminated at the
22 option of either party. *Any notice to the subscriber shall be effec-*
23 *tive if sent by mail to the subscriber's address as shown at the time*
24 *on the plan's records, except that, in the case of persons for whom*

25 *payment is made through a remitting agent, any such notice to the*
26 *subscriber shall also be effective if a personalized notice is sent to*
27 *the remitting agent for delivery to the subscriber, in which case it*
28 *shall be the responsibility of the remitting agent to make such*
29 *delivery. The notice to the subscriber as herein required shall be*
30 *sent at least 30 days before the amendment, cancellation or termi-*
31 *nation of the contract takes effect. Any rider or endorsement*
32 *accompanying such notice, and amending the rates or other pro-*
33 *visions of the contract, shall be deemed to be a part of the contract*
34 *as of the effective date of such rider or endorsement;*

35 (d) A statement that the subscription certificate constitutes the
36 contract between the corporation and the subscriber and includes
37 the endorsements thereon and attached papers, if any, and contains
38 the entire contract;

39 (e) A statement that no statement by the subscriber in his appli-
40 cation for a certificate shall avoid the contract or be used in any
41 legal proceeding thereunder, unless such application or an exact
42 copy thereof is included in or attached to the certificate, and that
43 no agent or representative of such corporation, other than an officer
44 or officers designated in the certificate, is authorized to change the
45 contract or waive any of its provisions;

46 (f) A statement that if the subscriber defaults in making any
47 payment under the certificate, the subsequent acceptance of a pay-
48 ment by the corporation or by one of its duly authorized agents
49 shall reinstate the certificate, but with respect to sickness and injury
50 may cover only such sickness and injury as may be first manifested
51 more than a specified number of days, not exceeding 10, after the
52 date of such acceptance;

53 (g) A statement of the period of grace which will be allowed the
54 subscriber for making any payment due under the contract. Such
55 period shall not be less than 10 days;

56 (h) A statement that indemnity in the form of cash will not be
57 paid to any subscriber except in payment for medical services for
58 which the corporation was liable at the time of such payment.

59 Any such subscription certificate may contain a provision that
60 all medical services paid for by a medical service corporation shall
61 be in accordance with the accepted medical practices in the com-
62 munity at the time, but the corporation shall not be liable for
63 injuries resulting from negligence, misfeasance, malfeasance, non-
64 feasance or malpractice on the part of any officer or employee or
65 on the part of any physician in the course of rendering medical
66 services to subscribers.

67 Any medical service corporation may classify subscribers whereby
68 under specified circumstances a subscriber or covered depen-
69 dents may pay a participating physician for medical services an
70 amount in addition to that payable by the corporation for medical
71 services and the subscription certificate issued to any subscriber
72 affected thereby shall contain the provisions thereof and shall
73 specify such circumstances.

1 3. This act shall take effect immediately.

SENATE, No. 409

STATE OF NEW JERSEY

INTRODUCED JANUARY 20, 1970

By Senator DUMONT

Referred to Committee on Insurance

AN ACT to amend and supplement "An act concerning medical service corporations and regulating the establishment, maintenance and operation of medical service corporations and medical service plans, and supplementing Title 17 of the Revised Statutes by adding thereto a new chapter entitled 'Medical Service Corporations,' " approved May 29, 1940 (P. L. 1940, c. 74).

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4 poration subject to the provisions of this chapter to provide pay-
5 ment for medical services shall provide for the payment of medical
6 services for a period of **12 months** *1 month* from the date of issue
7 of the subscription certificate. Any such contract may provide that
8 it shall be automatically renewed from **year** *month* to **year**
9 *month* unless there shall have been 1 month's prior written notice
10 of termination by either the subscriber or the corporation. *In the*
11 *absence of fraud or material misrepresentation in the application*
12 *for a contract or for reinstatement, no contract with an individual*
13 *subscriber shall be terminated by the corporation unless all con-*
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17 for the payment for medical services for more than one person,
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20 those dependents defined in section 1 of this act.

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1 3. This act shall take effect immediately.

ASSEMBLY COMMITTEE AMENDMENTS TO
SENATE, No. 409

STATE OF NEW JERSEY

ADOPTED MAY 14, 1970

Amend page 1, section 1, line 6, after "period of", insert "12 months"; delete "1 month".

Amend page 1, section 1, line 8, after "from", insert "year"; delete "month".

Amend page 1, section 1, line 8, after "to", insert "year".

Amend page 1, section 1, line 9, before "unless", delete "month".

S-409

Governor William T. Cahill today signed into law a package of six bills which will allow dramatic changes in Blue Cross and Blue Shield coverage and procedures to benefit both the company and the public.

Cahill complimented Senator Wayne Dumont, who introduced all of the bills, for his persistent interest in the public's welfare. Two of the bills (S-405 and S-410) grew out of the Hospital and Medical Legislative Study Commission, which was formed in 1960 under the leadership of Dumont, and two years later made its recommendations.

Cahill explained that the effect of these companion measures, which have lain dormant for the past eight years, is to "permit Blue Cross and Blue Shield to set rates on the accident and injury experience of groups of 100 or more."

"Because of these bills, many municipalities will be able to continue as subscribers of Blue Cross and Blue Shield and continue to give their employees adequate coverage at a reasonable cost. Without this experience rating, many towns and companies would have been forced to sign-up with commercial companies," the Governor declared.

Cahill noted that from the same Commission came S-293. "The public will have greater representation and its interests will be better protected. The new law calls for a reconstitution of the Board of Trustees," said Cahill.

Presently 51% of the trustees are hospital administrators. However, under the new law, the Board of Trustees will be comprised on one-third physicians; or hospital administrators; one-third subscribers; and one-third general public.

"Representation of the general public is broadened and criticism of possible hospital domination should be avoided," Cahill said.

Under S-404 and S-409 Blue Cross will be able to "keep in tune with the needs of the public," Cahill said. The bills allow the company to give 30-days notice before amending individual contracts. This provision already pertains to group contracts. It is expected that this provision will greatly help the solvency of the plan.

Cahill noted that the provisions of these new laws are in accordance with the recommendations of the public defender in last years' rate hearings.

(more)

In signing S-407, Cahill noted that the bill permits Blue Cross provide health care benefits which need not be related to hospital admission.

He added that under the present law out-of-hospital benefits must related to hospital care which has the effect of encouraging hospital admission.

"Hospitalization is the most expensive but not always the most tactical way of providing benefits. This bill would correct this situation," Cahill said.

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