

APPROVED AND SIGNED BY THE GOVERNOR

Date 3-31-82

# WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1982



# ENROLLED

Com. Sub. for  
HOUSE BILL No. 1793

(By Mr. Schifano & Mr. Givens)



Passed March 13, 1982

In Effect Ninety Days From Passage



**ENROLLED**

**COMMITTEE SUBSTITUTE**

**FOR**

**H. B. 1793**

(By MR. SCHIFANO and MR. GIVENS)

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[Passed March 13, 1982; in effect ninety days from passage.]

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AN ACT to amend and reenact sections one, two, three, seven and eleven, article twenty-four, chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended; and to further amend said article by adding thereto a new section, designated section twelve, all relating to hospital service corporations, medical service corporations, dental service corporations; authority to create health service corporations by merger or consolidation; deletion of certain required contract provisions; and authority to create certain subsidiary corporations.

*Be it enacted by the Legislature of West Virginia:*

That sections one, two, three, seven and eleven, article twenty-four, chapter thirty-three of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be amended and reenacted; and that said article be further amended by adding thereto a new section, designated section twelve, all to read as follows:

**ARTICLE 24. HOSPITAL SERVICE CORPORATIONS, MEDICAL SERVICE CORPORATIONS, DENTAL SERVICE CORPORATIONS AND HEALTH SERVICE CORPORATIONS.**

**§33-24-1. Declaration of policy.**

1 In view of the desirability of making available to the people

2 of this state increased hospital, medical, dental services and  
3 other health services, the declared policy of the Legislature in  
4 the enactment of this article is to encourage the organization,  
5 promotion and expansion of hospital service corporations,  
6 medical service corporations, dental service corporations and  
7 health service corporations by exempting them from the pay-  
8 ment of all taxes and from the operation of the general insur-  
9 ance laws of this state, but at the same time subjecting them  
10 to such regulation as may be necessary for the adequate pro-  
11 tection of those members of the public who subscribe for the  
12 services offered by such corporation.

**§33-24-2. Definitions.**

1 For the purpose of this article:

2 (a) "Corporation" means either a hospital service corpor-  
3 ation, a medical service corporation, a dental service corpora-  
4 tion or a health service corporation.

5 (b) "Hospital service corporation" means a nonprofit, non-  
6 stock corporation, organized in accordance with the provisions  
7 of article one, chapter thirty-one of this code, for the sole  
8 purpose of contracting with the public and with hospitals and  
9 other health agencies for hospital or other health services to  
10 be furnished to subscribers under terms of their contract with  
11 the corporation, and controlled by a board of directors, not  
12 more than twenty percent of whom, or whose spouse, parent,  
13 child, brother or sister by blood or marriage, are engaged in  
14 the providing of health care and at least eighty percent of  
15 whom shall be chosen as representatives of the interests of  
16 consumers, elderly persons, organized labor and business sub-  
17 scribers.

18 (c) "Hospital service" means only such hospital or other  
19 health care, to be provided by hospitals or other health agen-  
20 cies, or such payment therefor, as may be specified in the  
21 contract made by the subscriber with the corporation.

22 (d) "Medical service corporation" means a nonprofit, non-  
23 stock corporation, organized in accordance with the the pro-  
24 visions of article one, chapter thirty-one of this code, for the  
25 sole purpose of contracting with the public and with duly

26 licensed physicians, duly licensed dentists and duly licensed  
27 podiatrists for medical or surgical services and with duly licens-  
28 ed chiropractors and other health agencies for other health  
29 services to be furnished to subscribers under terms of their  
30 contract with the corporation, and controlled by a board of  
31 directors, not more than twenty percent of whom, or whose  
32 spouse, parent, child, brother or sister by blood or marriage,  
33 are engaged in the providing of health care and at least eighty  
34 percent of whom shall be chosen as representatives of the in-  
35 terests of consumers, elderly persons, organized labor and  
36 business subscribers.

37 (e) "Medical service" means only such medical, surgical, or  
38 other health care, to be provided by duly licensed physicians,  
39 duly licensed dentists, duly licensed podiatrists or other health  
40 agencies and only such health care, to be provided by duly  
41 licensed chiropractors, or such payment therefor, as may be  
42 specified in the contract made by the subscriber with the  
43 corporation.

44 (f) "Dental service corporation" means a nonprofit, non-  
45 stock corporation, organized in accordance with the provisions  
46 of article one, chapter thirty-one of this code, for the sole  
47 purpose of contracting with the public and with duly licensed  
48 dentists for dental services to be furnished to subscribers under  
49 terms of their contracts with the corporations, and controlled  
50 by a board of directors, not more than twenty percent of whom  
51 or whose spouse, parent, child, brother or sister by blood or  
52 marriage, are engaged in the providing of health care and at  
53 least eighty percent of whom shall be chosen as representatives  
54 of the interests of consumers, elderly persons, organized labor  
55 and business subscribers.

56 (g) "Dental service" means only such dental care, to be  
57 provided by duly licensed dentists, duly licensed physicians, or  
58 such payment therefor, as may be specified in the contract  
59 made by the subscriber with the corporation.

60 (h) "Health service corporation" means a nonprofit, non-  
61 stock corporation, organized in accordance with the provisions  
62 of article one, chapter thirty-one of this code, for the purpose  
63 of contracting with the public and with hospitals and other

64 health agencies for hospital or other health services to be fur-  
65 nished to subscribers or for the purpose of contracting with  
66 the public and with duly licensed physicians, duly licensed  
67 dentists and duly licensed chiropodists-podiatrists for medical  
68 or surgical services and with duly licensed chiropractors and  
69 other health agencies for other health services or for the pur-  
70 pose of contracting with the public and with duly licensed den-  
71 tists for dental services to be furnished to subscribers, all under  
72 terms of their contract or contracts with the corporation, and  
73 controlled by a board of directors, not more than twenty per-  
74 cent of whom, or whose spouse, parent, child, brother or sister  
75 by blood or marriage, are engaged in the providing of health  
76 care and at least eighty percent of whom shall be chosen as  
77 representatives of the interests of consumers, elderly persons,  
78 organized labor and business subscribers. A hospital service  
79 corporation, or hospital service corporations, a medical service  
80 corporation, or medical service corporations, or a dental service  
81 corporation, or dental service corporations, licensed in accord-  
82 ance with the provisions of this article shall be authorized and  
83 permitted to merge into or consolidate with other such cor-  
84 porations in accordance with the merger or consolidation pro-  
85 visions of sections one hundred fifty and one hundred fifty-  
86 one, article one, chapter thirty-one of the code, to form a  
87 health service corporation: *Provided*, That no such merger or  
88 consolidation shall be effectuated unless in advance thereof  
89 the plan, agreement and other supporting documents have been  
90 filed with and approved in writing by the commissioner. The  
91 commissioner shall give such approval within a reasonable  
92 time after such filing unless he finds such plan or agreement:

93 (1) Is contrary to law; or

94 (2) Hazardous to the interests of the subscribers of any  
95 corporations involved; or

96 (3) Would substantially reduce the security of and service  
97 to be rendered to the subscribers of any corporation involved.

98 If the commissioner does not approve any such plan or agree-  
99 ment he shall so notify the corporation or corporations in writ-  
100 ing specifying his reasons therefor.

101 (i) "Health service" means such hospital, medical, surgical,

102 dental care or other health care to be provided by hospitals  
103 or other health agencies, duly licensed physicians, duly licensed  
104 dentists, duly licensed podiatrists or other health care, to be  
105 provided by duly licensed chiropractors, as the case may be,  
106 or such payment therefor, as may be specified in the contract  
107 made by the subscriber with the corporation.

108 (j) "Service" means such hospital, medical, dental and  
109 other health service as shall be provided under the terms of  
110 the contracts issued by the corporation to subscribers.

111 (k) "Commissioner" means the insurance commissioner of  
112 West Virginia.

**§33-24-3. Corporations affected by article; eligibility of hospitals,  
physicians, dentists, chiropodists-podiatrists and chir-  
opractors.**

1 (a) Every such corporation operating within this state shall  
2 be subject to the provisions of this article.

3 (b) Every hospital or other health agency in this state  
4 meeting the standards prescribed by the board of directors of  
5 each such corporation shall be eligible for participation in any  
6 hospital service plan, or health service plan, operating in this  
7 state. Every duly licensed physician, duly licensed dentist, duly  
8 licensed chiropodist-podiatrist, duly licensed chiropractor or  
9 other health agency in this state meeting the standards pre-  
10 scribed by the board of directors of each such corporation shall  
11 be eligible for participation in any medical service plan, or  
12 health service plan, operating in this state. Every duly licensed  
13 dentist or duly licensed physician in this state meeting the  
14 standards prescribed by the board of directors of each such  
15 corporation shall be eligible for participation in any dental  
16 service plan, or health service plan, operating in this state.  
17 The board of directors of every such corporation may also  
18 prescribe standards for hospitals, physicians, dentists, chiro-  
19 podists-podiatrists, chiropractors and other health agencies lo-  
20 cated in states adjoining this state, and all such hospitals,  
21 physicians, dentists, chiropodists-podiatrists, chiropractors and  
22 other health agencies meeting such standards shall be eligible  
23 for participation in such plans.

**§33-24-7. Required provisions in contracts made by corporations with hospitals, physicians, dentists and other health agencies.**

1 Each contract made by the corporation with participating  
2 hospitals, physicians, dentists and other health agencies shall  
3 contain the following provisions:

4 (a) That the hospital, physician, dentist or other health  
5 agency will render to any subscriber such service as he may  
6 be entitled to under the terms and conditions of the contract  
7 issued to the subscriber by the corporation.

8 (b) That in submitting bills to the corporation for ser-  
9 vices rendered to subscribers under the terms of their contracts,  
10 the hospitals, physicians, dentists and other health agencies  
11 will make only such charges as are set forth in an agreed  
12 schedule of fees to be paid by the corporation.

**§33-24-11. Reciprocity with other service plans; payment authorized.**

1 Hospital, medical, dental and health service corporations  
2 licensed and operating under provisions of this article are here-  
3 by authorized to promote and encourage reciprocity with other  
4 licensed hospitals, medical, dental and health plans, both  
5 within and without the state, in expanding their services to  
6 subscribers. In the event that a subscriber to a plan requires  
7 emergency hospital, medical, dental or health service, or, in  
8 the event that the particular services that he receives are not  
9 available through the plan to which he subscribes, such plan  
10 is hereby authorized to make payment on behalf of such sub-  
11 scribed for such service on a basis not to exceed its schedule  
12 of fees to be paid hospitals, physicians or dentists previously  
13 approved by the commissioner and on file in his office.

**§33-24-12. Creation of subsidiary corporation or corporations.**

1 In addition to the other rights given a corporation under the  
2 provisions of this article, a health service corporation may,  
3 subject to prior approval of the commissioner, create a sub-  
4 sidiary corporation or corporations, either nonprofit corpor-  
5 ation or a corporation organized for pecuniary profit, for any  
6 lawful business purpose which is related to and promotes the

7 purposes for which hospital, medical, dental and health service  
8 corporations are organized: *Provided*, That no subsidiary cor-  
9 poration created pursuant to the provisions of this section shall  
10 be entitled to the exemptions established by the provisions of  
11 this article and all such subsidiary corporations shall be gov-  
12 erned by and subject to all other applicable provisions of this  
13 code: *Provided, however*, That no such subsidiary corporation  
14 shall be entitled to the exemptions provided under section  
15 seven of this article.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

*R. P. Bayl*  
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Chairman Senate Committee

*Tony E. Whitlow*  
-----  
Chairman House Committee

Originating in the House.

Takes effect ninety days from passage.

*Judd C. Willis*  
-----  
Clerk of the Senate

*C. R. Blankenship*  
-----  
Clerk of the House of Delegates  
*Warren R. McLaw*  
-----  
President of the Senate

*Walter M. See, Jr.*  
-----  
Speaker House of Delegates

The within *is approved* this the *31*  
day of *March*, 1982.

*Robert R. Royce*  
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Governor

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OFFICE  
SECY. OF STATE