

## THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# HOUSE BILL

## No. 1762

Session of  
1977

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INTRODUCED BY MESSRS. IRVIS, JOHNSON, MRS. KELLY, MESSRS.  
ZEARFOSS, SCHMITT, MRS. GILLETTE, MESSRS. McLANE, DUMAS,  
JONES, BORSKI, GARZIA, F. TAYLOR, COWELL, REED, COHEN, HASAY,  
BROWN, SWEET, RIEGER, CIANCIULLI AND GLEESON,  
OCTOBER 12, 1977

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AS REPORTED FROM COMMITTEE ON INSURANCE, HOUSE OF  
REPRESENTATIVES, AS AMENDED, MARCH 14, 1978

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## AN ACT

1 Amending Title 40 (Insurance) of the Pennsylvania Consolidated  
2 Statutes, changing certain requirements for incorporators and  
3 directors of general medical service corporations and further  
4 providing for the election of directors of such corporations.

5 The General Assembly of the Commonwealth of Pennsylvania  
6 hereby enacts as follows:

7 Section 1. Section 6328 of Title 40, act of November 25,  
8 1970 (P.L.707, No.230), known as the Pennsylvania Consolidated  
9 Statutes, added November 15, 1972 (P.L.1063, No.271), is amended  
10 to read:

11 § 6328. Board of directors.

12 (A) PROFESSIONAL HEALTH SERVICE CORPORATIONS GENERALLY.--The <—  
13 business of every professional health service corporation,  
14 except a general medical service corporation, shall be managed  
15 by a board of directors of at least nine persons, all of whom  
16 shall be residents of this Commonwealth [and citizens of the  
17 United States] and a majority of whom shall at all times be:

1 (1) Doctors of dental surgery, in the case of a dental  
2 service corporation.

3 (2) Doctors of optometry, in the case of an optometric  
4 service corporation.

5 [(3) Doctors of medicine, in the case of a]

6 ~~A general medical service corporation shall be managed by a~~ <—  
7 ~~board of not less than 21, nor more than 30 members, all of whom~~  
8 ~~shall be residents of this Commonwealth, and a majority of whom~~  
9 ~~shall at all times be subscribers who have coverage under a~~  
10 ~~contract issued by the corporation, and who are generally~~  
11 ~~representative of broad segments of subscribers covered under~~  
12 ~~contracts issued by such corporation, whose background and~~  
13 ~~experience indicate that they are qualified to act in the~~  
14 ~~interests of such subscribers, and who or whose spouse does not~~  
15 ~~derive substantial income from the delivery or administration of~~  
16 ~~health care.~~

17 ~~The bylaws of every general medical service corporation shall~~  
18 ~~provide appropriate procedures for the nomination and election~~  
19 ~~or appointment of the directors of the corporation and the~~  
20 ~~election or appointment of committees of the board in such a~~  
21 ~~manner that the interests of the subscribers of the corporation~~  
22 ~~will be justly and reasonably represented.~~

23 ~~Every general medical service corporation shall within six~~  
24 ~~months of the effective date of this act submit for approval by~~  
25 ~~the Departments of Insurance and Health bylaws meeting the~~  
26 ~~standards of this section. The departments shall determine~~  
27 ~~within 60 days whether the bylaws meet the statutory standards~~  
28 ~~and shall promptly notify the corporation of its determination.~~  
29 ~~In the event of a disapproval of the bylaws, the corporation~~  
30 ~~shall submit to the departments within 60 days of disapproval~~

~~acceptable revised bylaws. If a corporation fails to submit acceptable revised bylaws, the departments shall jointly promulgate within an additional 60 days bylaws for the corporation which meet the standards of this section.~~

~~Whenever a general medical service corporation changes its bylaws, said change shall be submitted within 30 days to the Departments of Insurance and Health for their approval. The departments shall determine within 60 days whether the change to such bylaws meets the statutory standards. In the event of a disapproval of a change to the bylaws, the change shall not be incorporated into the bylaws.~~

~~The determination of the departments, including the issuance of revised bylaws, shall be subject to judicial review in the manner provided by law.~~

(B) GENERAL MEDICAL SERVICE CORPORATION.--(1) A GENERAL MEDICAL SERVICE CORPORATION SHALL BE MANAGED BY A BOARD OF NOT LESS THAN 21, NOR MORE THAN 36 MEMBERS, ALL OF WHOM SHALL BE RESIDENTS OF THIS COMMONWEALTH, AND AT NO TIME SHALL THE BOARD BE LESS THAN 50% SUBSCRIBERS WHO HAVE COVERAGE UNDER A CONTRACT ISSUED BY THE CORPORATION, AND WHO ARE GENERALLY REPRESENTATIVE OF BROAD SEGMENTS OF SUBSCRIBERS COVERED UNDER CONTRACTS ISSUED BY SUCH CORPORATION, WHOSE BACKGROUND AND EXPERIENCE INDICATE THAT THEY ARE QUALIFIED TO ACT IN THE INTERESTS OF SUCH SUBSCRIBERS AND THE CORPORATION AND WHO OR WHOSE SPOUSE DOES NOT DERIVE SUBSTANTIAL INCOME FROM THE DELIVERY OR ADMINISTRATION OF HEALTH CARE.

(2) THE BYLAWS OF EVERY GENERAL MEDICAL SERVICE CORPORATION SHALL PROVIDE APPROPRIATE PROCEDURES FOR THE NOMINATION AND ELECTION OR APPOINTMENT OF THE DIRECTORS OF THE CORPORATION AND THE NOMINATION AND ELECTION OR

1 APPOINTMENT OF COMMITTEES OF THE BOARD IN SUCH A MANNER THAT  
2 THE INTERESTS OF THE SUBSCRIBERS OF THE CORPORATION WILL BE  
3 JUSTLY AND REASONABLY REPRESENTED.

4 (3) ALL DIRECTORS OF THE CORPORATION SHALL BE MEMBERS OF  
5 THE CORPORATION.

6 (4) A HEALTH SERVICE DOCTOR, WHO PROVIDES PROFESSIONAL  
7 HEALTH SERVICES FOR THE CORPORATION'S SUBSCRIBERS, MAY BE A  
8 DIRECTOR BUT IN NO EVENT SHALL BE COUNTED AMONG THE DIRECTORS  
9 WHO REPRESENT SUBSCRIBERS.

10 (5) EVERY GENERAL MEDICAL SERVICE CORPORATION SHALL  
11 WITHIN SIX MONTHS OF THE EFFECTIVE DATE OF THIS ACT SUBMIT  
12 FOR REVIEW BY THE INSURANCE COMMISSIONER AND THE SECRETARY OF  
13 HEALTH BYLAWS MEETING THE STANDARDS OF THIS SECTION. WHENEVER  
14 A GENERAL MEDICAL SERVICE CORPORATION CHANGES ITS BYLAWS,  
15 SAID CHANGE SHALL BE SUBMITTED WITHIN 30 DAYS TO THE  
16 COMMISSIONER AND SECRETARY FOR THEIR REVIEW TO DETERMINE  
17 WHETHER SUCH CHANGES MEET STATUTORY STANDARDS OF THIS  
18 SECTION.

19 Section 2. This act shall take effect immediately.