

Judiciary
P. Hill, Chairperson
Redmond
Ramsey

*Amending 4/6 Failed to pass 3/20 (9.614)
As passed as amended by 5483 4/4 (9.752)*

FILED APR 5 1977

SENATE FILE 326

By KELLY

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing for the organization and regulation of
2 nonprofit legal services corporations.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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S.F. 326

SENATE FILE 326

S-5483

- 1 Amend Senate File 326 as follows:
- 2 1. Page 5, line 11, by striking the number "1978"
- 3 and inserting in lieu thereof the number "1979".

S-5483 FILED
APRIL 5, 1978

BY COMMITTEE ON JUDICIARY
GENE W. GLENN, CHAIRPERSON

1 Section 1. Section five hundred fourteen point one (514.1),
2 Code 1977, is amended to read as follows:

3 514.1 INSURANCE LAWS EXCLUDED GENERALLY. Any corporation
4 hereafter organized under the provisions of chapter 504 or
5 chapter 504A for the purpose of establishing, maintaining,
6 and operating a nonprofit hospital service plan, whereby
7 hospital service may be provided by the said corporation or
8 by a hospital with which it has a contract for such service,
9 to such of the public who become subscribers to said plan
10 under a contract which entitles each subscriber to hospital
11 service, or any such corporation organized for the purpose
12 of establishing, maintaining, and operating a plan whereby
13 medical and surgical service may be provided at the expense
14 of said corporation, by duly licensed physicians and surgeons,
15 dentists, podiatrists, osteopathic physicians, or osteopathic
16 physicians and surgeons, to subscribers under contract,
17 entitling each subscriber to medical and surgical service,
18 as provided in said contract or any such corporation organized
19 for the purpose of establishing, maintaining, and operating
20 a nonprofit pharmaceutical service plan or optometric service
21 plan, whereby pharmaceutical or optometric service may be
22 provided by the said corporation or by a licensed pharmacy
23 with which it has a contract for such service, to such of
24 the public who become subscribers to said plan under a contract
25 which entitles each subscriber to pharmaceutical or optometric
26 service, or any such corporation organized for the purpose
27 of establishing, maintaining, and operating a nonprofit legal
28 service plan whereby legal service may be provided at the
29 expense of said corporation by duly licensed attorneys to
30 subscribers under contract entitling each subscriber to legal
31 service as provided in said contract, shall be governed by
32 the provisions of this chapter and shall be exempt from all
33 other provisions of the insurance laws of this state, unless
34 specifically designated herein, not only in governmental
35 relations with the state but for every other purpose, and

1 no additions hereafter enacted shall apply to such corporations
2 unless they be expressly designated therein. For the purposes
3 of this chapter, the term "subscriber" shall include any
4 person eligible for medical assistance or additional medical
5 assistance as defined under chapter 249A as hereafter amended,
6 with respect to whom the department of social services has
7 entered into a contract with any firm operating under said
8 chapter 514.

9 Sec. 2. Section five hundred fourteen point two (514.2),
10 Code 1977, is amended to read as follows:

11 514.2 INCORPORATION. Persons desiring to form a nonprofit
12 hospital service corporation, or a nonprofit medical service
13 corporation, or a nonprofit pharmaceutical or optometric
14 service corporation, or a nonprofit legal service corporation,
15 shall incorporate under the provisions of chapter 504 or
16 chapter 504A, as supplemented and amended herein and any acts
17 amendatory thereof.

18 Sec. 3. Section five hundred fourteen point five (514.5),
19 Code 1977, is amended by adding the following new unnumbered
20 paragraph:

21 NEW UNNUMBERED PARAGRAPH. Any legal service corporation
22 organized under the provisions of this chapter may enter into
23 contracts with subscribers to furnish legal service through
24 licensed attorneys. Membership in a legal service corporation
25 shall be limited to attorneys licensed to practice in the
26 state of Iowa.

27 Sec. 4. Section five hundred fourteen point six (514.6),
28 Code 1977, is amended to read as follows:

29 514.6 RATES--APPROVAL BY COMMISSIONER. The rates charged
30 by any such corporation to the subscribers for hospital service
31 or for medical and surgical service, or for pharmaceutical
32 or optometric service, or for legal service, shall at all
33 times be subject to the approval of the commissioner of
34 insurance.

35 Sec. 5. Section five hundred fourteen point seven (514.7),

1 Code 1977, is amended to read as follows:

2 514.7 CONTRACTS--APPROVAL BY COMMISSIONER. The contracts
3 by any such corporation with the subscribers for hospital
4 service, or for medical and surgical service, or for
5 pharmaceutical or optometric service, or for legal service,
6 shall at all times be subject to the approval of the
7 commissioner of insurance. The commissioner shall require
8 that participating pharmacies be reimbursed by the
9 pharmaceutical service corporation at rates or prices equal
10 to the rates or prices charged nonsubscribers, unless the
11 commissioner determines otherwise to prevent loss to
12 subscribers.

13 Sec. 6. Section five hundred fourteen point eight (514.8),
14 Code 1977, is amended to read as follows:

15 514.8 CONTRACTS WITH HOSPITALS--APPROVAL. The contracts
16 by any such corporation with participating hospitals for
17 hospital service, or with participating physicians and
18 surgeons, dentists, podiatrists, osteopathic physicians, or
19 osteopathic physicians and surgeons for medical and surgical
20 service, or with participating pharmacies for pharmaceutical
21 service, or with participating optometrists for optometric
22 service, or with participating attorneys for legal service,
23 shall at all times be subject to the approval of the
24 commissioner of insurance.

25 Sec. 7. Section five hundred fourteen point eleven
26 (514.11), Code 1977, is amended to read as follows:

27 514.11 COSTS APPROVED. All acquisition costs in connection
28 with the solicitation of subscribers to such hospital service
29 plan, or medical service plan, or pharmaceutical or optometric
30 service plan, or legal service plan, and administration costs
31 including salaries paid its officers, if any, shall at all
32 times be subject to the approval of the commissioner of
33 insurance.

34 Sec. 8. Section five hundred fourteen point thirteen
35 (514.13), Code 1977, is amended to read as follows:

1 514.13 ARBITRATION OF DISPUTES. Any dispute arising
2 between a corporation organized under said chapter and any
3 hospital with which such corporation has a contract for
4 hospital service, or any physician and surgeon, dentist,
5 podiatrist, osteopathic physician, or osteopathic physician
6 and surgeon with whom any such corporation has a contract
7 for medical and surgical service, or any pharmacy or
8 optometrist with whom any such corporation has a contract
9 for pharmaceutical or optometric service, or any attorney
10 with whom such corporation has a contract for legal service,
11 as provided for herein, may be submitted to the commissioner
12 of insurance for his or her decision. All decisions and
13 findings of the commissioner of insurance may be judicially
14 reviewed in accordance with the terms of the Iowa
15 administrative procedure Act.

16 Sec. 9. Section five hundred fourteen point sixteen
17 (514.16), Code 1977, is amended to read as follows:

18 514.16 GOVERNMENTAL EMPLOYEES INCLUDED. An employee ~~or~~
19 employees of the state, or of any county, city, or ~~of any~~
20 institution supported in whole or in part by public funds,
21 or any subdivisions thereof, may authorize the deduction from
22 his or ~~their~~ her salary or wages of the amount of his or ~~their~~
23 her subscription payments to any corporation operating a
24 nonprofit hospital service plan, or medical service plan,
25 or pharmaceutical or optometric service plan, or legal service
26 plan, as provided in this chapter. The governing body of
27 the state, or of the county, city or of any institution
28 supported in whole or in part by public funds, or any
29 subdivisions thereof, may authorize deductions from the
30 salaries or wages of employees subscribing to such nonprofit
31 hospital service plan, or medical service plan, or
32 pharmaceutical or optometric service plan, or legal service
33 plan. The authorization by an employee ~~or employees~~ for
34 deductions from his or ~~their~~ her salaries or wages shall be
35 evidenced by a written request signed by the employee directed

1 to and filed with the treasurer of the state, county, city,
2 or ~~of~~ any institution supported in whole or in part by public
3 funds, or any subdivisions thereof, and said treasurer is
4 authorized to draw and deliver checks in favor of the hospital
5 service corporation, or medical service corporation, or
6 pharmaceutical or optometric service corporation, or legal
7 service corporation, stipulated in such authorization for
8 the amount covering the sum total of the deductions authorized.
9 The foregoing provisions are not to be deemed an assignment
10 of salaries or wages.

-11 Sec. 10. This Act shall take effect on January 1, 1978.

12 EXPLANATION

13 This bill would authorize the organization of nonprofit
14 corporations to provide legal services to subscribers. The
15 legal services would be performed by attorneys licensed in
16 Iowa who would contract with the corporation to provide agreed
17 upon services to subscribers for the compensation, payable
18 by the corporation, which is agreed to in the contract between
19 the corporation and the attorney. Subscribers would pay
20 subscription payments to the corporation pursuant to a separate
21 contract with the corporation.

22 The corporation would be organized and subject to the pro-
23 visions of chapter 514 of the Code.

24 The various sections of the bill amend sections of chapter
25 514 of the Code to provide as follows:

26 Section 1 exempts the corporation from Iowa insurance laws
27 other than chapter 514.

28 Section 2 requires incorporation under chapter 504 or 504A
29 of the Code.

30 Section 3 authorizes the corporation to enter into con-
31 tracts with subscribers to furnish legal services through
32 licensed attorneys. The section also limits membership in
33 the corporation to attorneys licensed to practice in Iowa.

34 Section 4 provides that rates charged to subscribers by
35 the corporation shall be subject to approval by the com-

1 missioner of insurance.

2 Sections 5 and 6 provide that contracts between the
3 corporation and its subscribers, and between the corpora-
4 tion and attorneys performing the legal services, respec-
5 tively, shall be subject to the approval of the commissioner
6 of insurance.

7 Section 7 provides that expenses of the corporation re-
8 specting the acquisition of subscribers and administrative
9 overhead shall be subject to approval by the commissioner
10 of insurance.

11 Section 8 provides that a dispute between the corpora-
12 tion and an attorney who has contracted with the corpora-
13 tion to provide legal services may be submitted to the
14 commissioner of insurance for resolution.

15 Section 9 provides that employees of state and local
16 governments may authorize payroll deductions which would be
17 paid to the corporation as subscription payments.

18 The corporation, by virtue of section 514.2 as amended,
19 also would be subject to other provisions of chapter 514 which
20 provide for approval by the commissioner of insurance of
21 articles of incorporation, annual reporting to the
22 commissioner, examination by the commissioner of insurance,
23 limitations on the investment of corporate funds, limita-
24 tions on dissolution or merger, and taxation of corporate
25 property and funds. Sections 514.4, 514.17 and 514.18 would
26 not apply to a legal service corporation.

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