

Group Hospitalization

A REPORT OF
EXPERIENCES

1937

Bureau of Medical Economics, American Medical Association, Chicago

GROUP HOSPITALIZATION



A Report of Experiences

A REPORT PREPARED

By

THE BUREAU OF MEDICAL ECONOMICS
AMERICAN MEDICAL ASSOCIATION

AMERICAN MEDICAL ASSOCIATION
535 NORTH DEARBORN STREET
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Introduction

No other development in medical economics, with the exceptions perhaps of sickness insurance and state medicine, has incited more interest and discussion than has group hospitalization, or prepayment plans for hospital care.

The purchase of hospital service on a group basis has existed in some form or other for many years, but only recently has "group budgeting for hospital expenses" been strongly advocated. The factors that have caused this sudden activity and the forces that are urging the adoption of group payment methods deserve careful study. It is important, moreover, to determine whether or not the plans that are being promoted will really bring about the better medical service which is desired by the medical profession, the hospitals and the public, or whether such arrangements will actually direct hospital service into channels harmful to the progress of medicine, inimical to the purposes of hospitals, and injurious to the public health.

The movement for group purchase of hospital facilities has developed most rapidly since 1931. Since then group hospitalization plans have been the subject of numerous articles, speeches and news stories. The present study was undertaken as an analysis of experiences with group hospitalization plans that might possibly be useful both to administrators of present plans and to those who desire to organize new plans.

During the recent economic depression, hospital income from endowments and voluntary contributions was decreased by about two-thirds, the charity load was increased almost fourfold, and huge capital investments or fixed costs remained unmet. These conditions induced many hospitals in the United States to adopt group hospitalization plans as a means to secure

needed income. The plans are offered by their sponsors as an equitable method of providing low-cost hospitalization. If hospital administrators are to depend on financial assistance from group hospitalization plans, careful consideration should be given to the possible effects of such organized plans on the future of hospitals.

The observations in this report are necessarily drawn from a consideration of the characteristics and experiences of several plans as a group. The criticisms that are suggested do not, therefore, apply equally to all plans. Many plans are administered by directors and trustees who have been painstaking in their endeavor to develop an organization for the benefit of persons in need of low-cost hospital services. It is expected that these organizations will advance the best features of group hospitalization plans and will be the first to inaugurate the suggested changes for improvement.

Appendix A

SCHEDULE ON GROUP HOSPITALIZATION

For the sake of a more logical procedure it has seemed advisable to divide this schedule into seven sections: I. Organization, II. Services, III. Membership, IV. Membership Rates, V. Hospitals, VI. Statistics, VII. General. Each group of questions attempts to secure information on its respective section. If you feel additional information is pertinent please append as much material as you wish.

For each question only the known possible variations are indicated. If your plan contains variations not indicated, please include them on a separate page or on the back of the schedule.

To conserve time and effort, answers "Yes" or "No" are suggested.

If you do not have all the information asked for, please give what you have. We are hopeful that the replies may be as complete as possible.

The following suggestions are offered to clarify possible doubts and to avoid misunderstandings:

I. ORGANIZATION: If you think the questions do not present a complete picture of your organization, please give a clear description of its origin, inauguration and operation. In addition, however, will you kindly answer the questions in the schedule?

II. SERVICES: Your contract may list and explain these items, but please answer all questions.

III. MEMBERSHIP: For the sake of uniformity we suggest the following classification definitions: *Subscribers* are all who sign the group plan contract. Ordinarily they are included as a group but they may also be individual subscribers; *Dependents* are the immediate family or relatives of the subscribers; *Members* are all persons entitled to service as subscribers, individuals or groups, and their dependents.

IV. MEMBERSHIP RATES: It is desired that the *annual* contract or membership rate be given. It is hoped that the various arrangements for including dependents will be clearly stated.

V. HOSPITALS: Under V.1., if the printed material concerning your plan contains an up-to-date list of member hospitals (if your plan is an association), this printed material will be sufficient. If the names of the member hospitals are not printed, please attach a list.

VI. STATISTICS: It will be helpful if you find it convenient to consolidate the statistics of all participating hospitals. If the statistics are from less than the full number of hospitals, please indicate how many hospitals and specify the period (month and year) for which statistics are given.

Under VI.1., it will assist materially if you will kindly determine the number of member months for each period. The number of months a member is entitled to the protection offered by the plan is the number of "member months." This can be determined accurately from the date of each membership or it can be estimated as indicated in the schedule.

Under VI.2., the distribution of receipts and under VI.3., the causes of claims are asked for. If necessary, indicate your own classifications, but please give examples to illustrate your experience with these items.

You may not have separate records of experience for groups, individuals, women subscribers and dependents, but we shall appreciate as much as possible of the information asked for.

VII. GENERAL: The general questions are intended to elicit special information. Please answer them to the best of your knowledge and add any other statements or opinions which you feel may be of value.

PLEASE RETURN WITH THE COMPLETED SCHEDULE ALL LITERATURE, BY-LAWS, HOSPITAL CONTRACTS, SUBSCRIBER CONTRACTS, REGULATIONS AND OTHER DOCUMENTS DESCRIPTIVE OF THE GROUP HOSPITALIZATION PLAN.

Council on Medical Education and Hospitals

Date.....1935

From:.....
 Street:.....
 City:..... State:.....

O. Group Hospitalization Plans

I. ORGANIZATION to administer the Group Hospitalization Plan

1. Type:.....
 (Non-profit association of hospitals or privately
 owned association or corporation)

2. Date:.....
 (Of organization) (In operation or proposed) (Discontinued?)

3. Funds:..... \$.....
 (Loan from participating hospitals) (Amount)
 \$.....
 (Loan from Community Chest) (Amount)
 \$.....
 (Loan from special sources:
 philanthropists, foundations, etc.) (Amount)

 (Other sources of funds, or method of initial
 financing)

4. Control:

Administration of plan, if two or more hospitals are participating, by:

(Committee of participating hospitals—number of representatives of each hospital, and whether presidents, superintendents, etc.)

(Representatives of hospitals and community—Number and manner of selection)

(Board of Directors, Governors or Trustees—Members chosen from special groups, e. g., Hospitals, Medical Society, Nurses and General Public and methods of selection.)

Administration of plan, if single hospital, by:

(Superintendent of Hospital) (Staff physicians or surgeons)

(Board of Directors, Governors or Trustees—Members chosen from specific groups: Medical Society, Nurses, Staff or General Public.)

5. Sales program and methods:

Indicate how subscribers are secured,—

(a) By contract with a sales agency.....

(b) Director in charge of sales with salaried assistants.....

(c) Employees on salary and commission.....

(d) Employees on commission alone.....

(e) Through cooperation of community organization
 (Women's clubs, charitable organizations and other
 specific groups.)

(f) Voluntary participation by groups or individuals.....

Working arrangement of sales organization—(Describe)

II. SERVICES

1. Does hospital care include?—

Operating room..... Routine Medicine.....
 Bed and board.....Surgical dressings.....
 General nursing.....Routine laboratory tests.....

What type of room is offered?—

Ward.....Semi-private.....Private.....

Does routine medicine include?—

Special serums.....Anesthesia.....

Do routine laboratory tests include?—

Diagnostic examinations only.....
 Treatments: x-ray.....radium.....
 Urinalysis.....
 Blood chemistry.....blood count.....
 X-rays: teeth.....sinuses.....chest.....
 Gastro-intestinal.....
 Basal metabolism.....
 Electrocardiograph.....
 Emergency examination only.....
 (List others).....

2. Are the services of the following included?

	Yes or No	If yes—With what limitations:
Physician or surgeon
Graduate or special nurse
Pathologist
Radiologist
Physiotherapist
Anesthetist
Internes
Dietitians

3. Limitations:

(a) Complaints or diseases not hospitalized under your group hospitalization plan. If hospitalized, state what the arrangements are, or under what limitations.

Contagious and/or venereal.....
 Tuberculosis.....
 Self-inflicted.....
 Mental or nervous disorders.....
 Injuries caused by riot, civil commotion or through act of felony.....
 Attempted suicide.....
 Cancer.....
 Rest cures.....
 Alcoholic or drug conditions.....
 Workmen's Compensation cases.....
 (List others).....

(b) Waiting period before any

service is rendered for:	Number Days	Number Months	Not Hospitalized
Emergency cases
Sickness
Acute abdominal cases
Cancer cases
Obstetric cases
Major surgery
Minor surgery (tonsils, adenoids)

(c) Special service provisions:

Number of days of hospitalization permitted each subscriber per year.....
 Are discounts given for services rendered after above number of days is exceeded?.....How much?.....%
 Is there a money limitation on service to be given? \$.....
 Is there a provision for release of obligation to render service during an epidemic, or in case hospital facilities are overcrowded?.....

- Are discounts given to subscribers on services not included under the group hospitalization plan?.....
- If so, state what discounts, and on what services.....
- Are yearly physical examinations given?.....
- Are first-aid or ambulatory clinic treatments included?
- Are immunizations performed?.....
- Is ambulance service provided?.....
- Are persons having chronic diseases given any hospitalization under the plan?.....
- Is prepayment of annual membership rate required before hospitalization?.....
- Is subscriber's agreement or contract cancelled:—
- For non-payment of agreed rate?.....
- After what period.....
- For unemployment?.....
- After what period.....
- Any other special services:.....
-
-

III. MEMBERSHIP

1. What are the requirements for persons to be eligible as subscribers?.....
- As dependents?.....
-
2. Can the membership of your plan be classified as:
 - (a) Individuals alone?.....
 - (b) Individuals and their dependents?.....
 - (c) Employed groups alone?.....
 - (d) Groups and dependents?.....
 - (e) Groups and individuals?.....
 - (f) Groups and individuals and dependents?.....
 What are the age limitations?.....
- Any occupation or employment restrictions?.....
- Any income limitations?.....
- Any racial distinctions or exclusions?.....
- Other special selection of membership. (Religious; as to place of residence; sex; etc.).....
-
3. Are subscriber's dependents entitled to service?—
 - (a) Automatically included in regular annual charge to subscriber, and entitled to full service.....
 - (b) Automatically included in regular annual charge to subscriber but entitled to a discount on services.....
 -What discount?.....%
 - (c) Optionally enrolled at an additional rate to subscribers' regular annual charge, and entitled to:
 - Full subscribers' service.....
 - Discount on service.....
 - (d) Not included under subscribers' rate or under any additional rate plan.....
 - (e) For a separate annual rate..... What is the rate \$.....
4. What special provisions or restrictions pertain to individual subscribers?.....
-
5. What special provisions or restrictions pertain to women subscribers?.....
-
6. What percentage of your membership could not afford to pay for hospital facilities in private hospitals?.....% How determined.....
-
-

IV. ANNUAL MEMBERSHIP RATES

1. What is the subscriber's *annual* rate for a contract year?—
 In groups \$..... as individuals \$.....
 What enrollment fee is charged? \$..... Is an enrollment fee charged annually.....; of members who renew contracts.....; or only of first year subscribers.....
 What was the basis for selecting the specific rate charged?

2. Is there a special rate for groups?.....
 Specify examples. \$.....
3. Is there a special rate for individuals, if accepted?.....
 What is the rate? \$.....
4. If dependents are not included under subscribers' rate, what is the charge for dependents *in addition* to the subscribers' rate?—
 For each dependent \$.....
 If entire family included \$.....
 Wife only \$.....
 Special rate according to number of dependents \$.....
 Special enrollment fee for dependents \$.....
5. Is the annual rate graduated according to income classes?....

Income Limits and Classifications	Annual Rates
.....
.....
.....
6. Is some special method of determining the rate used? (Certain percentage of monthly income? Are life memberships sold, etc.).....

7. May payments of the rate charged be made:—
 Weekly..... Semi-annually.....
 Monthly..... Annually.....
 Quarterly.....

V. HOSPITALS

1. If an association of hospitals, how many hospitals have agreed to participate..... List or append names of the hospitals included.....

2. What are the provisions for participating hospitals as outlined in the contract with the association?.....

3. What are the methods of paying participating hospitals?—
 A flat rate per patient day specified to be paid in full, or accordingly as funds permit?

- What is the flat rate? \$..... How are payments made?

- Are payments to hospitals to be made by the corporation or association according to an agreed fee schedule (a money limitation for specific services to be rendered)?

- What is the fee schedule? \$..... How are payments made?

If a sales agency is employed, what portion of the total receipts is retained by the agency and what are the methods of paying the hospitals rendering services under the plan?

4. If a single hospital plan, what are the provisions for handling receipts?

If a sales agency is employed, what portion of the total receipts is retained by the agency and what are the methods of paying the hospital rendering service under the plan?

VI. STATISTICS (Financial)

(Periods may be Calendar or fiscal years)	First Period	Second Period	Third Period
	Mo.	Mo.	Mo.
	Yr. 19....	Yr. 19....	Yr. 19....
	to	to	to
	Mo.	Mo.	Mo.
	Yr. 19....	Yr. 19....	Yr. 19....
Number of Members	.....	.....	.....
Number of Patients	.....	.....	.....
Total cost of Services under Group Plan (at regular rates.)	.....	.....	.....
Average cost per Patient	.....	.....	.....
Average cost per Member	.....	.....	.....
Total cost of extra services provided	\$.....	\$.....	\$.....
Total Expenses (other than hospital service)	\$.....	\$.....	\$.....
Receipts from Members	\$.....	\$.....	\$.....
Profit or Loss	\$.....	\$.....	\$.....
Number of Hospitals for which statistics are given	.....	.....	.....

(If the plan has been in existence more than three years, as indicated in the preceeding table, please give additional experience on a separate page.)

1. What was the number of member months for each of the periods given in the preceeding table:

	Number of Member Months
First Period (Calendar or fiscal year)
Second Period	"
Third Period	"

(If a record of member months has not been kept, estimate according to the following formulas:

$$\frac{\text{Membership at beginning of period} + \text{Membership at end of period}}{2} \quad \text{or} \quad \frac{\text{Total income from members for period}}{\text{Monthly subscription rate for members}}$$

or determine from each subscriber's contract the exact number of months for which all members were entitled to protection during each of the periods.)

2. Indicate the distribution of receipts for the period from:

Mo..... 19..... to Mo..... 19....		
Distribution of Receipts	Amount	Per cent
Claims (cost of service)	\$.....
Salaries	\$.....
Printing	\$.....
Others (List).....	\$.....
.....	\$.....
.....	\$.....
Reserves	\$.....
Total all Receipts	\$.....	100%

3. Indicate the number and type of cases receiving service for the period from: Mo.....19... to Mo.....19...

Causes of Claims	Number	Per Cent
Respiratory infections
Accidents
Obstetrics
Gastro-intestinal
Tonsils
Others (List)...
.....
.....
.....
Total (all causes of claims)

4. What is the actual patient day cost for hospital service? \$.....

(If medical or surgical services are provided, separate patient day cost into cost for hospital service and cost for medical or surgical service.)

5. How is your patient day cost determined?.....

6. What is the average hospital bill per patient \$.....

7. What is the agreed day rate to be paid to participating hospitals:

\$..... Private service \$..... Ward service \$.....
Semiprivate service \$.....

8. What method was followed in the initial financing or promotion of the plan?.....

Private promotor (Give details).....

Initial cost financed by regular subscription rates (Give details).....

Promotion by private corporation (Give details).....

Capital loaned or donated (Give details).....

9. What percentage of the total receipts is allotted for administration and overhead costs?.....

10. What amount was actually spent for administrative costs according to past expenses?.....

11. How are membership funds and reserves handled?.....

VI. STATISTICS (Experience)

(Periods may be Calendar or fiscal years)	First Period	Second Period	Third Period
	Mo.....	Mo.....	Mo.....
	Yr. 19....	Yr. 19....	Yr. 19....
	to	to	to
	Mo.....	Mo.....	Mo.....
	Yr. 19....	Yr. 19....	Yr. 19....
Number of Members
Membership composed of:			
Number of Subscribers in groups
Number of individual Subscribers
Dependents entitled to full Subscriber's Service
Dependents entitled to discount only
Average number of mem- bers during period
Number of Members Hospitalized
Total number of Patient Days
Average number of Patient Days per Member
Average Number of Patient Days per Member Hospitalized
Number of Members Hos- pitalized who exceeded the limitation set on number of days hos- pitalization offered
Number discharged within one week
Number discharged within two weeks
Number discharged within three weeks
Number of Lapses (Members discontinuing contracts)
Total number of monthly payments received
Number of hospitals for which statistics are given

(If the plan has been in existence more than three years as indicated in the preceding table, please give additional experience on a separate page.)

- Has the operation of the plan adversely affected philanthropic or community support of hospitals?.....
- What have been the effects of the plan upon the collection of physicians' accounts for services rendered members as compared with the collection of medical bills to non-members?.....
- What have been the effects of the plan upon the amount of free hospital service rendered?.....
- What have been the attitudes of subscribers and lay members of the community toward the plan?.....
- What are the local hospital administrators' opinions of the plan (both favorable and unfavorable)?.....
- What has been the relationship of the plan with the local medical profession (approval, disapproval or attitudes)?.....

Appendix B

GEOGRAPHIC LIST OF GROUP HOSPITALIZATION PLANS

The status of the plans is shown according to the following classifications:

- | | |
|--|--|
| <p>(a) Operating—open for business but may or may not have a membership.</p> <p>(b) Proposed — actively promoted but not formally organized.</p> <p>(c) Consolidated — combined with another active plan either operating or proposed.</p> | <p>(d) Discontinued—was once in operation.</p> <p>(e) Not in existence—is definitely no longer being promoted.</p> <p>(f) Indefinite—status uncertain but considered inactive according to the best available information.</p> |
|--|--|

The type of plan is shown according to the following classifications:

- | | |
|---|---|
| <p>N. Noncommercial plan with single hospital.</p> <p>N'. Noncommercial plan with more than one hospital.</p> | <p>C. Commercial plan with single hospital.</p> <p>C'. Commercial plan with more than one hospital.</p> |
|---|---|

“Noncommercial” designates a plan operated not for profit with the control of the service provisions and membership funds in the hands of hospital administrators and physicians or an agency properly representative of their interests. “Commercial” designates a plan operated for profit or not for profit and directed by a sales agency which contracts with the hospitals.

The classifications given in the following tabulation were made on the basis of the best information available as of October 1936.

Plan	Year of Organization	Status as of October 1936*	Type
ALABAMA			
Hospital Service Corporation of Alabama, Birmingham	1936	b†	N'
ARKANSAS			
Continental Hospital, Fort Smith.....	1933	e	N
Riverside Hospital, Fort Smith.....	1933	f	C
CALIFORNIA			
Approved Hospital Association Hollywood Hospital, Hollywood	1933	e	N
Associated Hospital Service, San Francisco	1936	b	N'
Associated Hospitals Service Fund, San Jose	1933	a	N'
California Hospital Benefit Association, Los Angeles	1933	a	N
County Mutual Hospitals, San Francisco	1934	e	N'
Hospital Service Association, Los Angeles	1934	b	C'
Hospital Service Plan, San Francisco.....	1933	e	N'
Insurance Association of Approved Hospitals, Alameda	1933	b‡	N'
Intercoast Hospitalization Insurance Association (formerly Superior California Hospital Association), Sacramento.....	1932	a‡	N'

* Changes and corrections according to most recent information are:
 † now operating; ‡ reorganized as an insurance company; ‡ discontinued;
 # consolidated with another plan.

Plan	Year of Organiza- tion	Status as of October 1936*	Type
CALIFORNIA—Continued			
Long Beach Community Hospital, Long Beach	1935	f	N
Mutual Hospital Service Plan, Fresno.....	1933	f	N'
Mutual Protective Association, San Jose..	1934	c	N'
(No name), Los Angeles.....	1933	f	N'
San Diego County Mutual Association, San Diego	1933	e	N'
San Luis Sanitarium Medical Group, San Luis	1933	e	N
Santa Barbara Hospital Health Insurance, Santa Barbara	1931	f	O
South San Francisco Hospital, South San Francisco	1934	f	N
West Coast Hospital Association, Oakland	1932	f	O'
COLORADO			
Colorado Health and Hospital Service, Montrose	1933	e	O'
Greeley Hospital, Greeley.....	1932	a	C
Parkview Hospital, Pueblo.....	1933	f	N
Presbyterian Hospital, Denver.....	1932	d	N
CONNECTICUT			
Hospital Service Plan, Inc., Norwalk.....	1935	a	N'
DELAWARE			
Group Hospital Service, Wilmington.....	1935	a	N'
DISTRICT OF COLUMBIA			
Group Hospitalization, Inc., Washington..	1934	a	N'
FLORIDA			
Florida Health Service Association, Orlando	1932	d	O'
(No name), Miami.....	1934	f	O'
The Hospitalization System, St. Lukes Hospital, Jacksonville	1933	a	O
IDAHO			
Samaritan Hospital Service Fund, Nampa	1934	a	N
ILLINOIS			
American City Bureau Plan, Chicago.....	1934	f	O'
Blaine-Ramsay Hospital, Chicago.....	1933	f	N
Champaign-Urbana Hospital Association, Champaign	1936	b	N'
Central Hospitalization, Inc., Chicago.....	1935	e	O'
Central Illinois Hospital Association, Peoria	1936	b	N'
Chicago Hospital Service Association, Inc., Chicago	1932	e	O'
Decatur and Macon County Hospital, Decatur	1933	e	N
Eldorado Hospital, Eldorado.....	1933	e	N
Hospitalization Service Co., Inc., Chicago.	1933	e	O'
Hospital Service Corporation, Chicago....	1936	b†	N'
Illinois Mutual Hospital Aid Society, Chicago	1936	b	C
Mutual Hospitalization Plan, Chicago.....	1933	e	O'
National Hospital Service, Chicago.....	1935	f	O'
North Chicago Community Hospital, Chicago	1933	f	N
Rogers-Post Hospital, Chicago.....	1935	a‡	N
St. Anthony's Hospital, Rock Island.....	1935	b	N

* Changes and corrections according to most recent information are:
† now operating; ‡ reorganized as an insurance company; † discontinued;
consolidated with another plan.

Plan	Year of Organiza- tion	Status as of October 1936*	Type
INDIANA			
Delaware-Blackford County Medical Society Plan, Muncie	1935	b	N'
Fellowship Fund Plan, Methodist Hospital, Indianapolis	1933	a	N
Methodist Hospital, Gary.....	1935	a	N
(No name), Fort Wayne.....	1936	b	N'
IOWA			
Community Hospital, Grinnell.....	1918	a	N
KANSAS			
Atchison Hospital, Atchison.....	1933	e	N
Golden Rule Group Hospitalization Plan, Kansas City	1933	a	N
Wesley Hospital Hospitalization Plan, Wichita	1932	a	N
KENTUCKY			
Ashland Hospital Service Association, Ash- land	1936	a	N'
Kentucky Baptist Hospital, (National Hos- pitalization System), Louisville.....	1932	a||	C
Louisville Hospital Service Association, Louisville	1935	f	N'
Mutual Hospital Aid Service, Owensboro	1935	b	C'
Wm. Mason Memorial Hospital, Louisville	1935	f	C
St. Joseph's Infirmary (National Hospitali- zation System), Louisville.....	1932	a||	C
LOUISIANA			
Baton Rouge General Hospital, Baton Rouge	1935	b	N
Flint-Goodridge Hospital, New Orleans....	1933	a	N
Hospital Service Association, New Orleans	1934	a	N'
Mutual Hospital Service, Shreveport.....	1934	a	C'
Schmidt Hospitalization System, New Iberia	1934	f	C'
MARYLAND			
Baltimore Group Hospitalization Plan, Baltimore	1933	f	C'
MASSACHUSETTS			
Greater Boston Hospitalization Corp., Inc., Boston	1933	e	N'
Boston Hospital Council Plan, Boston....	1935	b	N'
(No name), Pittsfield.....	1936	b	N'
(No name), Waltham.....	1935	b	N'
Weymouth Hospital Service Plan, Wey- mouth	1935	a	N
MICHIGAN			
(No name), Battle Creek.....	1934	e	N
Kent County Health Council Plan, Grand Rapids	1933	e	N'
(No name), Flint.....	1936	b	C'
MINNESOTA			
Group Hospital Service, Inc., St. Paul....	1933	e	C'
Minnesota Hospital Service Association, St. Paul	1935	a	N'
Webber Hospital Group, Duluth.....	1933	f	N'
MISSISSIPPI			
Grenada General Hospital, Grenada.....	1935	f	N
(No name), Hattiesburg.....	1935	b	N'
United Hospital Savings, Jackson.....	1935	e	C'

* Changes and corrections according to most recent information are:
† now operating; ‡ reorganized as an insurance company; || discontinued;
consolidated with another plan.

Plan	Year of Organiza- tion	Status as of October 1936*	Type
MISSOURI			
Barnes Hospital, St. Louis.....	1933	e	N
Group Hospitalization Plan, Research Hos- pital, Kansas City.....	1932	a	N
Group Hospital Service, Inc., St. Louis....	1936	a	N'
Kansas City Hospital Council Plan, Kansas City	1935	f	N'
Menorah Hospital, Kansas City.....	1934	e	N
Nation Wide Hospital Service, St. Louis....	1934	e	C'
NEBRASKA			
(No name), Omaha.....	1936	b	N'
NEW JERSEY			
Dover General Hospital, Dover.....	1935	f	N
Elizabeth General Hospital, Elizabeth.....	1932	a	N
Hospital Service Plan of New Jersey, Newark	1933	a	N'
Monmouth Memorial Hospital, Long Branch	1934	b	N
Mutual Hospitalization Plan, Elizabeth..	1935	f	N
Mutual Hospitalization Plan Dept., Morris- town Hospital, Morristown.....	1935	a	N
Mutual Hospitalization Plan Dept., Perth Amboy Hospital, Perth Amboy.....	1935	b†	N
Mutual Hospitalization Plan Dept., Rahway Hospital, Rahway	1936	b†	N
(No name), Asbury Park.....	1935	b	N'
NEW YORK			
American Hospitalization Service Co., New York City	1934	e	C'
Associated Hospital Service, New York City	1935	a	N'
Associated Hospital Service of the Capital District, Albany	1936	a	N'
Community Hospital Association, Geneva..	1935	a	N
Horton Hospital Service Corporation, Middletown	1935	a#	N
Hospital Insurance of Western New York, Buffalo	1935	b	N'
Jewish Memorial Hospital, New York City	1933	c	N
M. L. Johnstone, Inc., New York City	1932	f	C'
Lenox Hill Hospital, New York City.....	1932	c	N
Lutheran Hospital, Brooklyn.....	1933	c	N
Margaretville Hospital, Margaretville....	1936	b	N
(No name), Troy.....	1933	a||	N'
(No name), Watertown.....	1935	b	N'
Rochester Hospital Service Corp., Rochester	1935	a	N'
Sydenham Hospital, New York City.....	1934	c	N
Syracuse Hospital Service, Inc., Syracuse	1936	a	N'
U. S. Travelers Hospitalization Corp., New York City	1932	f	C'
Westchester Hospital Association, White Plains	1935	e	N'
NORTH CAROLINA			
Burrus Memorial Hospital, High Point....	1933	a	C
Hospital Care Association, Durham.....	1933	a	N'
Hospital Savings Association, Chapel Hill	1936	a	N'
North Carolina Baptist Hospital, Winston- Salem	1934	f	N
St. Leo's Hospital, Greenboro.....	1934	c	N
Watts Hospital, Durham.....	1933	c	N

* Changes and corrections according to most recent information are:
† now operating; ‡ reorganized as an insurance company; || discontinued;
consolidated with another plan.

Plan	Year of Organiza- tion	Status as of October 1936*	Type
OHIO			
City Hospital, Akron.....	1933	e	N
Cleveland Hospital Service Association, Cleveland	1934	a	N'
Flower Hospital, Toledo.....	1934	f	N
Friendship Hospital Association Plan, Cleveland	1932	e	N
(No name), Cincinnati.....	1934	f	N'
Ohio Hospitalization System, Good Sa- maritan Hospital, Sandusky.....	1933	a	C'
OKLAHOMA			
Community Hospital Association, Okla- homa City	1931	a||	C
General Hospitalization of Tulsa, Tulsa...	1933	f	C'
Hospital Mutual, Inc., Oklahoma City....	1933	a	C'
Hospitalization Service, Oklahoma City...	1933	f	C'
PENNSYLVANIA			
Adrain Hospital Association, Punxsutwaney Associate Membership Department, Easton Hospital, Easton	1936	bf	N
.....	1935	a	N
.....	1933	e	N
.....	1932	d	N
.....	1934	b	N
.....	1936	b	N
.....	1936	b	N
SOUTH CAROLINA			
Greenville City Hospital, Greenville.....	1934	e	N
(No name), S. C. State Hospital Associa- tion, Columbia	1936	b	N'
SOUTH DAKOTA			
Black Hills Methodist Hospital, Rapid City	1935	a	N
TENNESSEE			
Baptist Memorial Hospital, Memphis.....	1933	a	N
The Hospitalization System, Fort Sanders Hospital, Knoxville	1932	a	C
Hospital Service Plan, Holston Valley Hospital, Kingsport	1935	a	N
Memphis Hospital Service, Memphis.....	1934	a	N'
National Hospitalization Bureau, Memphis	1933	f	C'
TEXAS			
Baylor University Hospital, Dallas.....	1929	a	N
Fort Worth Hospital, Fort Worth.....	1932	f	N
Hospital Service Association, Houston....	1931	a†	C'
Hospital Service Association, San Antonio	1931	a†	C'
Hospital and Medical Insurance, Texas City	1934	f	C
Hospital Service System, Inc. of Texas and Oklahoma, Dallas	1933	e	C'
Methodist Hospital, (National Hospitaliza- tion System), Dallas.....	1931	a	C
Rushing Clinic and Sanitarium, Dallas.....	1933	f	N
St. Paul's Hospital (National Hospitaliza- tion System), Dallas.....	1931	a	C
VIRGINIA			
Danville Community Hospital, Danville....	1934	f	N
Henry Franklin Hospital Corporation, Richmond	1933	e	C
Lee General Hospital, Pennington Gap....	1933	f	N
Masonic Hospital, Appalachia.....	1933	f	N
Richmond Hospital Service Association, Richmond	1935	bf	N'
Tidewater Hospital Service Association, Norfolk	1935	a	N'
Winchester Memorial Hospitalization Plan, Winchester	1936	b	N

* Changes and corrections according to most recent information are:
† now operating; ‡ reorganized as an insurance company; § discontinued;
consolidated with another plan.

Plan	Year of Organiza- tion	Status as of October 1936	Type
WASHINGTON			
Longview Memorial Hospital, Longview...	1933	f	N
South Bend General Hospital, South Bend	1933	e	N
WEST VIRGINIA			
Associated Hospitals, Inc., Bluefield.....	1933	a	N'
Citizen's Hospital, Welch.....	1933	c	C'
Hospital Service, Inc., Charleston.....	1933	a	N'
Oak Hill Hospital, Oak Hill.....	1933	f	N
St. Mary's Hospital Service Plan, Hunt- ington	1933	b	N
WISCONSIN			
Mercy Hospital, Janesville.....	1935	f	N
Mount Sinai Hospital, Milwaukee.....	1933	d	N

Summary		
Year of Organization	Status as of October 1936	Type of Plan
1918—1	a—56	N—73
1929—1	b—34	N'—53
1931—6	c—10	C—15
1932—18	d—4	C'—31
1933—58	e—29	—
1934—27	f—39	172
1935—39	—	—
1936—22	172	—
—	172	—

NEWLY ORGANIZED PLANS

Plans not included in the tabulation are as follows (O, operating; P, proposed):

- Bridgeport Hospital, Bridgeport, Conn. (P)
- Danbury Hospital, Danbury, Conn. (P)
- Hospital Service Fund, Inc., New Haven, Conn. (O)
- (No name) Coeur D'Alene, Idaho (P)
- Associated Hospital Service of Illinois, Inc., Chicago (O)
- Decatur Hospital Service Corporation, Decatur, Ill. (P)
- (No name) Gary, Ind. (P)
- (No name) Indianapolis (P)
- Finley Hospital, Dubuque, Iowa (P)
- College Hospital, Berea, Ky. (P)
- Community Hospital Service Association, Louisville, Ky. (P)
- Associated Hospital Service of Baltimore, Baltimore (P)
- Philadelphia Hospital, Philadelphia, Miss. (P)
- Central New York Hospital Service Corporation, Utica, N. Y. (O)
- Jamestown Hospital Service Corporation, Jamestown, N. Y. (O)
- (No name) Cortland, N. Y. (P)
- (No name) Elmira, N. Y. (P)
- (No name) Schenectady, N. Y. (P)
- (No name) Steuben County, N. Y. (P)
- Hospital Service Association of Summit County, Akron, Ohio (O)
- (No name) Toledo, Ohio (P)
- Abington Memorial Hospital, Abington, Pa. (P)
- (No name) Providence, R. I. (P)
- (No name) Woonsocket, R. I. (P)
- (No name) Atlanta, Texas (P)

Appendix C

CONTRACT BETWEEN INDIVIDUAL HOSPITAL AND A GROUP OF SUBSCRIBERS—NO SALES AGENCY

We, the employes of.....Company, do hereby undertake to provide for each other, as need and occasion may arise and require, hospitalization benefits and services in.....Hospital under their Group Hospitalization Plan to the extent and under the limitations hereinafter set forth. This hospitalization group is to be known as the.....Group and is composed of bona fide full time regular employes of.....Company, whose representative to contact.....Hospital, mutually satisfactory to all concerned is to be.....

Name Service Capacity

It is the purpose and intent of the said.....Hospitalization Group,.....Hospital being duly advised and consenting, to provide for its members the following hospital service at.....Hospital when and as needed while bed patients in said hospital and in the care and on the written authorization of the personal private physician of each individual patient then and there attending said patient in the said hospital, the said benefits to apply, as if and when needed and professionally authorized, for a maximum period of 35 hospital days each year hereafter, with 33 $\frac{1}{2}$ per cent reduction for necessary hospitalization after the first 35 days have been used by the member-patient.

1. A \$5.00 private or semi-private room.
2. Meals—In.....a selective menu is furnished from which to choose.
3. General nursing care, including graduate head nurses and supervisors.
4. The services, at the disposal of the patient's personal physician, of the house staff of.....Hospital, including a medical director, a resident house physician, a resident house surgeon, a resident obstetrician, and thirteen other graduate physicians ready at any hour to render first aid or relief assistance, on the requirement of the patient's physician.
5. Personal service—Nonprofessional.
6. All needed operating room service.
7. All necessary anesthetics and anesthetic service.Hospital's anesthetic department is under the personal charge of a full-time employe, a physician specialist of many years experience, recognized nationally as a leading authority in anesthesiology. There is no better service than this in all the nation.
8. All needed pathological laboratory service of every kind, as indicated, and ordered by your doctor during your hospitalization, including blood count, blood chemistry, urinalysis, blood typing, gross and microscopic examination of all surgical sections, etc., etc.—in brief, the entire services of a great pathological laboratory devoted entirely to hospital service under the full-time direction of an experienced physician specialist in pathology, assisted by a large staff of competent technicians. Few hospitals can give such service.
9. All medicines.
10. Surgical dressings.
11. Hypodermics.

12. First aid and emergency treatment, at direction of your physician.

13. Surgical binders.

14. Casts and operating room supplies.

15. Electrocardiogram tracings when needed in heart cases while in hospital.

16. Use of pollen machine in unusual cases of asthma or acute hay fever while in hospital.

17. Free use of oxygen tent when needed and prescribed while in hospital.

18. All of the services of the general employes and staff ofHospital.

19. 50% reduction on maternity cases where the patient has been a member of the plan ten months.

20. 50% reduction in cases of diseases not common to both sexes when the patient has been a member ten months or more.

All hospital services herein above enumerated are to be given subject to the approval of the Medical Director of..... Hospital.

Except in accidents, group hospitalization benefits do not apply in surgical cases until the subscriber has been a member for at least ninety days. (This provision is inserted at the urgent request of members to prevent exploitation of their group funds by newcomers seeking the avoidance of an immediate hospital bill.)

No age limit applies as long as the member is actually and actively employed and employable, and is actually in active service in the employ of the said employer.

The above mentioned benefits do not include or apply to rest cures, ambulant treatments, incurable cases, semi-invalidism or continuing convalescence, but are limited to active cases under progressive therapy and needing bed care.

This group hospitalization shall not apply in cases of pulmonary tuberculosis, or chronic mental and nervous disorders, or acute venereal infections, or virulent or quarantinable contagions.

This plan does not apply to workmens' compensation cases, industrial hazards or cases coming under the supervision of the Industrial Accident Board, or to injuries received while in the line of occupational duty.

The plan does not include the patient's doctor bill, either physician or surgeon, nor does it include the services of a special private nurse, nor unusual serums.

The employment of the patient's physician is in his own hands and at his own cost.Hospital has no part in his selection.Hospital furnishes no medical service except under the direction of the patient's own personal physician and then only to bed patients in the hospital. Admission to the hospital under this plan is only on the written authorization of the patient's personal physician.

All members of the.....County Medical Society are eligible to use the facilities of.....Hospital, and no patient can be admitted toHospital except under the care and upon the authorization of some member of the.....County Medical Society, patient to leave hospital when discharged by doctor. When a patient is discharged by his doctor, the benefits of group hospitalization no longer apply, and any further stay in the hospital is at the charge and expense of the patient, and is not chargeable either to the funds of the Group Hospitalization or to the hospital.

In case of epidemic, public disaster or other conditions occasioning an over-crowding of the capacity of.....Hospital to such a degree that it is not possible to provide accommodations and in case adequate accommodations cannot be secured elsewhere in the city, then in the face of such an emergency, the responsibility of.....Hospital under this contract shall be discharged by the refund to the patient of twice the

amount that has been paid by the patient under this contract during the last twelve months immediately preceding, and such payment shall constitute a full and final discharge of the obligations of.....Hospital hereunder.

It is agreed and understood that the sum of seventy-five cents per month, subject to any special rating credits as endorsed hereon, shall be collected by the said representative of this group and by him or her transmitted and paid to.....Hospital to be there held and disbursed in payment for hospital services as herein specified and rendered to members of this said Hospitalization Group by and in said.....Hospital.

It is further and specifically understood and agreed by all concerned, and more particularly by the signatories hereto, thatHospital has no control or nor responsibility for the funds collected under this Group Hospitalization Plan, and is not in any manner or measure obligated to furnish hospitalization hereunder, until the said funds as collected by the representative of the Group and its membership shall have been paid over by the group representative to.....Hospital.

In any and all events, it is expressly understood and mutually agreed that the.....Company is in no wise or sense or degree a guarantor or insurer under the terms of this memorandum either to the said.....Hospital or to any employe of the said employer and no liability is attached by this memorandum in any wise hereunder to the said employer. The sole object and purpose for the said hospitalization group to be "company handled" or "company fostered" is to provide a mutually convenient and economical means and mode of collecting the monthly dues of the employes who are members of the said.....Hospitalization Group.

Hospital protection for the aforesaid group under.....Group Hospitalization was begun....., 193., and is henceforth continued under the terms of this memorandum from date hereof, to-wit,....., 193...

As part of this memorandum.....riders are attached below and made part hereof.

.....
 Hospitalization Group
 by.....
 Group Representative

 Firm Representative

 HOSPITAL
 by.....

**CONTRACT BETWEEN HOSPITAL AND SALES AGENCY
 FOR PROMOTION OF A GROUP HOSPITALIZATION
 PLAN**

THE STATE OF.....
 COUNTY OF.....

THIS AGREEMENT made and entered into by and betweenHospital, hereinafter designated as First Party, and.....Hospitalization System, Inc., a Corporation, with an office in....., herinafter designated as Second Party, WITNESSETH:

That First Party hereby constitutes and appoints Second Party its exclusive agent for a period of Five years from the date hereof, which appointment Second Party here and now accepts, for the purpose of canvassing and soliciting, through agents appointed by it, applications for membership in First Party's hospitalization plan, and the forwarding of such applications to First Party and the collecting of all payments due from such applicants.

In consideration of such appointment Second Party agrees to secure at least 2,000 Hospital Plan members for First Party within a period of One Year from date hereof, and should First Party fail to secure said number of members by the end of said yearly period, this contract may be canceled at option of First Party.

Second Party is hereby authorized to secure during said Five Year period not more than 5,000 members. All persons certifying to good health, between the ages of 15 and 65 regularly engaged in occupations from which they earn a livelihood and college students, excepting housewives, shall be eligible for membership and applications secured from such persons shall be accepted by First Party and First Party agrees to enter into contract with such applicant as per Exhibit "A" attached hereto and made a part hereof.

The annual price per member, including a cash membership fee of \$1.00 shall be \$10.00 the first year and may be payable as follows: \$1.75 for the first month and 75c per month thereafter, or same may be paid on the same basis, quarterly, semi-annually or annually.

The Second Party shall receive as compensation for services rendered during the period of this contract, a commission of \$4.00, including membership fee of \$1.00, on each annual membership for the first year and \$3.00 on each annual collection thereafter during the life of this contract.

Second Party shall collect all payments due and payable by the members and shall remit \$6.00 on each annual membership to the First Party, if, as and when collected. Annual payments shall be made to the respective parties to this contract as herein set out on all memberships which are renewed.

During the period of time this contract is in force, First Party agrees not to sell or offer for sale, directly or indirectly, any plan for membership in its hospital similar to the one to be sold by Second Party through any other agent or person except Second Party, except in case the State and County Society offer a plan of hospitalization and medical care, which this hospital would wish to enter into.

First Party further agrees that at the termination of this contract, it will not sell or offer for sale any similar plan for membership in its hospital until it has first offered such plan to Second Party, who shall have ten days from the date such offer is made in which to accept or reject First Party's offer.

Second Party or its agents, is to furnish all literature, make all collections, maintain its own offices or office and have all clerical work done at its own expense and First Party is not obligated to incur any expense or cost except that it shall write a letter to be sent with identification card and certificate to its members.

Second Party,Hospitalization System, Inc., will procure from its agents or representatives who have control of collection of funds under this contract, a bond with corporate surety, (satisfactory to First Party) payable to First Party in the sum of \$2,500.00 which bond shall be conditioned that such agents and representatives of Second Party will faithfully account and pay over to First Party all amounts collected under this contract to which First Party may be entitled. Said bond shall be procured and tendered to First Party before any collections shall be made by Second Party's agents, territory to be solicited and included as follows: [List of cities.]

It is the intention of the parties to this contract that it be construed as a contract of "Agency" only and not a contract of sale. This contract becomes effective from.....193...

EXECUTED THIS.....day of.....A. D. 193...

.....HOSPITAL

By....., Pres.

....., Sec.

.....HOSPITALIZATION SYSTEM, INC.

By....., Pres.

Party of the Second Part

CONTRACTS AND BY-LAWS OF HOSPITAL SERVICE
CORPORATIONS

CERTIFICATE OF INCORPORATION

We, the undersigned, desiring to form a corporation under and by virtue of the Laws of the State of..... pursuant to the provisions of the Insurance Law and the provisions of the Membership Corporations Law, do hereby make, sign, acknowledge and file this certificate for that purpose, as follows:

1. The name of the proposed corporation shall be.....
HOSPITAL SERVICE CORPORATION.

2. The purposes for which it is to be formed are:

(a) To establish, maintain and operate a nonprofit Hospital Service Plan, whereby hospital care may be provided by this corporation, or by a hospital with which it has a contract for such care, and which is maintained by the state, or any of its political subdivisions, or maintained by a corporation organized for hospital purposes under the laws of this state, or such other hospitals as shall be designated by the state department of social welfare, to such of the public who become subscribers to said Hospital Service Plan.

(b) To make and enter into contracts with hospitals maintained by the State, or any of its political subdivisions, or maintained by a corporation organized for hospital purposes under the laws of this state, or such other hospitals as shall be designated by the state department of social welfare for such purposes for the providing of hospital care to such of the public as become subscribers to said Hospital Service Plan.

(c) To do anything and everything necessary, suitable, proper, convenient or incidental to the aforesaid purposes, or which may be done by a corporation organized for such purposes under the laws of the State of....., together with all the powers now or which may hereafter be permitted to it by the laws of the State of.....

3. The territory in which its operations are principally to be conducted is the City of.....and adjacent territory.

4. The city and county in which its office is to be located are the City of....., County of.....

5. The number of its directors shall be eleven (11).

6. The names and residences of the directors until the first annual meeting are: [List of names and residences.]

7. Of the persons named as directors, at least one is a citizen of the United States and a resident of the State of..... and at least a majority are directors or trustees of hospitals designated in..... of the Insurance Law.

8. All of the subscribers to this certificate are of full age; at least two-thirds of them are citizens of the United States; at least one of them is a resident of the State of.....

IN WITNESS WHEREOF, we have made, subscribed and acknowledged this certificate this.....day of....., 193...

BY-LAWS

ARTICLE I

Membership

Section 1. *Classification of Members.* Members in the Association shall consist of three classes, viz: Voting Members, Members at Large and Participating Hospital Members.

Section 2. *Voting Members.* The Voting Members of the Association shall consist of [designated officers of hospital associations and medical societies].

SECTION 3. *Members at Large.* Members at Large shall consist of such individuals, associations, firms or corporations as may be elected by vote of a majority of the members of the board of directors of the Association, and who shall have such voting rights, if any, as may be conferred upon them by such a majority of the members of the board of directors of the Association.

In the event that voting rights be conferred on any Members at Large, and if the membership be in the name of an association, firm or corporation, the name of the individual representative of such association, firm or corporation who shall exercise the power of membership, shall be certified to the Secretary of the Association. No individual association, firm or corporation shall have more than one vote. A member who is absent from any annual or special meeting of the Association may be represented by another member of the Association, firm or corporation if certified to the secretary of the Association or by written proxy given to some person actively associated with such firm or corporation.

Section 4. *Participating Hospital Members.* Participating Hospital Members shall consist of hospitals maintained by the state, or any of its political subdivisions, or maintained by a corporation organized for hospital purposes under the laws of this state, or such other hospitals as have been designated by the state department of social welfare, with which the Association may at the time have a contract for the providing of hospital service to subscribers to the hospital service plan of the Association, and who have been elected by the vote of a majority of all of the directors of the Association. Participating Hospital Members shall be entitled to no voting rights. The membership of any participating hospital in this Association shall cease when the contract between this Association and such hospital for hospital service has been terminated.

Section 5. *Application for Membership.* Any person, firm, corporation or association desiring to procure a Membership at Large or Participating Hospital Membership in the Association shall present to the Association a written application signed by the applicant which in the case of applicants for Participating Hospital Membership shall have attached thereto an agreement signed by the applicant for the rendering of Hospital service to the subscribers to the hospital service plan of the Association.

Upon receipt of the application for membership, the president shall cause a vote of the directors to be taken thereon at a meeting of the directors. All questions in relation to the admissions of members shall be determined by the majority vote of all the directors of the Association. If the vote is favorable, the secretary shall notify the applicant of its election and the applicant shall be enrolled in the membership of the Association.

Section 6. The Association shall not issue any stock but it may, if desired, issue certificates of membership which will be executed by the president and the secretary.

ARTICLE II

Meetings of Members

Section 1. *Annual Meetings of Members.* The annual meeting of the voting members of the Association shall be held at the office of the Association in the City of on the second Monday in April in each year at five o'clock p. m. for the election of directors and the transaction of such other business as may properly come before said meeting. If such second Monday in April falls on a legal holiday then such meeting shall be held on the next ensuing business day.

Section 2. *Notice of Annual Meeting of Members.* Notice of the time, place and purposes of such annual meeting shall be served either personally or by mail upon each member of the Association entitled to vote at such meeting not less than ten nor more than forty days before the meeting. If mailed it shall be addressed to each such member at his address as it appears on the records of the Association.

Section 3. *Special Meetings of Members.* Special meetings of the members shall be held at the office of the Association in the

City of or at such other place within the City of as may from time to time be designated in the call for and notice of the meeting and may be called at any time by the president or by a majority of the board of directors.

Section 4. Notice of Special Meetings. Notice of the time, place and purposes of every special meeting of the members shall be served either personally or by mail upon each member of the Association entitled to vote at such meeting not less than ten nor more than forty days before the date of such meeting. If mailed it shall be addressed to each member at his address as it appears on the records of the Association.

Section 5. Quorum. At all annual and special meetings of members there shall be present at least ten members of the Association entitled to vote at such meeting, either in person or by proxy, in order to constitute a quorum for the transaction of business, but less than a quorum may adjourn such meeting from time to time without notice until a quorum is present.

Section 6. Voting. Each Voting Member and each Member at Large who shall have been given voting rights as provided in these by-laws shall be entitled to one vote at any meeting of the members.

ARTICLE III

Board of Directors

Section 1. Number and Qualifications. The affairs, property and business of the Association shall be managed by a board of eleven (11) directors, all of whom shall be of full age and at least one of whom shall be a citizen of the United States and a resident of the State of At least a majority of the directors of the Association must be at all times directors or trustees of hospitals which have contracted or may contract with the Association to render to its subscribers hospital service, and which are hospitals maintained by the State of or any of its political subdivisions, or maintained by a corporation organized for hospital purposes under the laws of this state, or such other hospitals as have been designated by the state department of social welfare. The directors of the Association need not be members.

Section 2. How elected. The directors of the Association shall be elected at the annual meeting of the members in each year by a plurality of the votes of the members entitled to vote therefor, or their duly constituted proxies, cast at such election.

Section 3. Filling of Vacancies. Except as otherwise provided by law vacancies in the board of directors occurring during the year may be filled for the unexpired term by a majority vote of the remaining directors, though less than a quorum, at any meeting of the board of directors.

Section 4. Powers and Duties. The board of directors shall have the general management of the affairs, property and business of the Association and subject to these by-laws may adopt such rules and regulations for that purpose and for the conduct of its meetings as the board may deem proper. It shall have the power to appoint an executive committee, an investment committee and such other committees as from time to time shall be deemed advisable, each such committee to have such number of members and such powers as shall be fixed in the resolution of the board of directors creating and appointing such committee.

The board of directors may delegate the powers and duties, or any portion or portions thereof, of any absent officer to any other officer or director. They shall have power to elect and remove officers, appoint and discharge agents and employees, and shall have authority, by a concurring vote of a majority of all of the board of directors, to fix and determine their salaries or compensation.

ARTICLE IV

Meetings of Directors

Section 1. Annual Meeting of Directors. A meeting of the newly elected board of directors elected at the annual or any other meeting of the members of the Association shall be held for the

purpose of organization, election of officers and the transaction of other business at such time and place as shall be fixed by the members at their meeting at which such election is held or by written consent of all such directors or upon two days' written notice mailed to each duly elected director at his last known post office address.

Section 2. Regular Meetings. Regular meetings of the board of directors shall be held at such time and place as may be determined by resolution of the board of directors and no notice shall be required for any regular meeting except as otherwise provided by law. Any business may be transacted at any regular meeting.

Section 3. Special Meetings. Special meetings of the board of directors may, unless otherwise prescribed by law, be called at any time by the president or the secretary. On the written request of any two directors the secretary shall call a special meeting of the board. Special meetings shall be held at the office of the Association in the city of, or at such other place as may from time to time be designated by resolution of the board of directors.

Section 4. Notice of Special Meetings. Unless otherwise prescribed by law notice of the time, place and purposes of any special meeting of the board of directors shall be served either personally upon each director or mailed or telegraphed to his address as it appears upon the records of the Association or to his last known post office address not later than two days prior to the meeting.

SECTION 5. Quorum. At all meetings of the board of directors a majority of the directors shall constitute a quorum for the transaction of business but less than a quorum may adjourn such meeting from time to time without further notice until a quorum is present. Except as otherwise by law or in these by-laws provided, any act of a majority of the directors constituting a quorum shall be the act of the board of directors.

ARTICLE V

Officers

Section 1. The Association shall have as executive officers a president, one or more vice presidents, a secretary and a treasurer, all of whom shall be chosen by the directors annually at the first meeting of the board of directors following the annual meeting of members and each officer shall hold office until the corresponding meeting in the next year or until his successor shall have been duly elected and qualify. The president shall be chosen from among the members of the board of directors. Any vacancy in any of the above offices shall be filled for the unexpired portion of the term by the board of directors at any regular meeting, or at any special meeting called for such purpose. The Association may also have one or more assistant secretaries, one or more assistant treasurers and such other officers or agents as the board of directors may deem necessary, who shall hold office for such term as the board of directors may fix and who shall have such authority and perform such duties as the board of directors may prescribe.

Section 2. President. The president shall be the chief executive officer of the corporation. It shall be his duty to preside at all of the meetings of the board of directors and members. He shall have power to make and execute contracts in the ordinary business of the corporation and for and in the name of the corporation, to execute with the secretary all deeds, mortgages, bonds, certificates of membership and other obligations or instruments when authorized by the board of directors. He shall have the power with the treasurer to execute all annual or other reports or statements of the corporation, which may be required by law. He shall have, subject to the approval of the board of directors, general management of the affairs of the corporation and perform all duties incidental to his office.

Section 3. *Vice Presidents.* In the absence or inability to act of the president or if the office of president be vacant, the vice-presidents in order of seniority may exercise all the powers of the president. The vice-presidents shall have such power and perform such other duties and execute such contracts on behalf of the corporation as may be assigned to them or authorized by order of the board of directors.

Section 4. *The Treasurer.* The treasurer shall have general supervision over the care and custody of the funds and securities of the Association and shall deposit the same or cause the same to be deposited in the name of the Association in such bank or banks, trust company or trust companies, and in such safe deposit company or safe deposit companies, as the board of directors or any committee designated and vested with such power by the board of directors, may designate. He shall keep or cause to be kept full and accurate accounts of all receipts and disbursements of the Association and whenever required by the board of directors he shall render or cause to be rendered financial statements of the Association. He shall prepare and execute with the president and file any annual report or reports, statement or statements, which may be required by law.

Section 5. *The Secretary.* The secretary shall keep the minutes and act as secretary of all meetings of members of the board of directors. He shall be responsible for the giving and serving of all notices of meetings of the members and the board of directors of the Association. He shall be the custodian of the corporate records and of the corporate seal of the Association and shall see that the corporate seal is affixed to all documents, execution of which, on behalf of the Association, under its seal is duly authorized, and when so affixed may attest the same. He shall have the power with the President to make and execute for and in the name of the Association all certificates of membership, deeds, bonds, contracts and other obligations or instruments when authorized by the board of directors. He shall in general perform all duties usually instant to the office of secretary and such other duties as may from time to time be assigned to him by the board of directors.

Section 6. *Compensation of Officers.* No officer of the Association shall receive directly or indirectly any salary, compensation or emolument from the Association as such officer or in any other capacity unless authorized by the concurring vote of majority of all directors.

Section 7. *Bonds.* The board of directors shall have power to require any officer or employee of the Association to give bond for the faithful discharge of his duties in such form and with such surety or sureties as the board of directors may deem advisable.

ARTICLE VI

Contracts of Association

Section 1. *Limitation on Contracts.* No director or officer of the Association shall be interested directly or indirectly in any contract relating to the operations conducted by the Association, nor any contract for the furnishing of supplies to the Association, unless authorized by the concurring vote of two-thirds of the directors. Nothing in this section contained, however, shall be construed as preventing or in any way limiting the right of a hospital of which a director or an officer of the Association may be directly or indirectly interested as a member of its staff or otherwise, from contracting with the Association for the furnishing of the hospital care and service to subscribers for the benefits of the Association's Hospital Service Plan.

Section 2. *Contracts for Hospital Care.* This Association may enter into contracts for rendering of hospital service to any of the subscribers to its hospital service plan only with hospitals maintained by the State, or of any of its political subdivisions, or maintained by a corporation organized for hospital purposes under the laws of this state, or such other hospitals as have been designated by the state department of social welfare for such purpose.

ARTICLE VII

Negotiable Instruments

Section 1. *Signature on Checks, etc.* All checks, drafts, bills of exchange, notes or other obligations or orders for the payment of money shall be signed in the name of the Association by such officer or officers, person or persons as the board of directors of the Association may from time to time designate by resolution.

ARTICLE VIII

Funds

Section 1. *Investments.* The funds of this Association shall be invested only in securities provided by the law of this state for the investment of life insurance companies.

ARTICLE IX

Principal Office

SECTION 1. *Location.* Principal office of the Association shall be located in the City and State of The location of said office in may at any time be changed by vote of the board of directors. It shall then be the duty of the secretary to notify the members of such change of location of the principal office.

ARTICLE X

Seal

Section 1. *Description.* The seal of the Association shall be circular in form, with the name of the Association in the circumference and the words and figures "Incorporated—1934—....." in the center.

ARTICLE XI

Fiscal Year

Section 1. *Definition.* The fiscal year of the Association shall be from the first day of January to the 31st day of December, inclusive, in each year or such other twelve months as the board of directors may by resolution designate.

ARTICLE XII

Waiver of Notice

Section 1. *Meetings Held on Waiver.* Whenever under the provisions of these laws or any laws of the State of, the Association, the members, the board of directors or any committee is authorized to take any action or hold any meeting after call, notice, the lapse of any prescribed period of time or any other prerequisite, such action may be taken or such meeting may be held without such call, notice, lapse of time or other prerequisite if such action be authorized or approved and such requirements be waived in writing by every person entitled to notice or to participate in such action.

ARTICLE XIII

Amendments

Section 1. *How Made.* These by-laws may be amended, added to or altered or repealed, or new by-laws may be adopted at any meeting of the members of the Association, or of the board of directors, by a vote of at least a majority of the voting members or two-thirds of the directors of the Association, as the case may be, provided notice that said proposed action is to be considered and acted upon and stating the nature thereof is inserted in the notice or the waiver of notice of said meeting.

CONTRACT WITH MEMBER HOSPITAL

THIS AGREEMENT, made and entered into this day of, 19....., by and between HOSPITAL SERVICE CORPORATION, a corporation (hereinafter called "the Corporation") and of (hereinafter called "the Hospital"),

WITNESSETH:

WHEREAS, the Corporation has undertaken to operate the Non-Profit Plan for Hospital Care (hereinafter referred to as "the Plan") more specifically described in the copy of the Plan annexed hereto and made a part hereof; and

WHEREAS, the Hospital desires to become a member hospital under the Plan upon the terms and conditions herein specified;

NOW, THEREFORE, in consideration of the premises and the agreements herein contained, it is covenanted as follows:

1. The Hospital agrees to render hospital care as defined in the Plan to all subscribers to the Plan and their designated dependents who may apply for admission to the Hospital in the manner specified in the Plan.
2. The Hospital agrees not to charge or collect from any subscriber to the Plan any amount whatsoever for any hospital care included in the Plan which it may render such subscriber.
3. The Hospital agrees that, for all hospital care included in the Plan which it may render any designated dependent of a subscriber, it will charge and collect from such dependent not to exceed fifty per cent (50%) of its regular fixed charges for such services.
4. The Hospital agrees at all times to maintain insurance in a company or companies satisfactory to the Corporation indemnifying the Hospital and the Corporation against claims for malpractice in the Hospital to the extent of not less than Five Thousand Dollars (\$5,000.00) for each person and with a limit of not less than Ten Thousand Dollars (\$10,000.00) per year.
5. The Hospital further agrees to indemnify and keep and save the Corporation harmless from and against any and all claims, damages, costs and expenses that may be made against or incurred by the Corporation by reason of any refusal by the Hospital, its agents or employees, to admit, when reasonably able to do so, any subscriber or dependent to the Hospital pursuant to the terms of the Plan.
6. The Corporation agrees to pay to the Hospital for all hospital care covered by the Plan which the Hospital may render to each subscriber the sum of Six Dollars (\$6.00) for each day of hospital care as defined in the Plan, provided that if on any one admission any subscriber shall receive less than four (4) days of such hospital care then the Corporation agrees to pay to the Hospital the sum of Fourteen Dollars (\$14.00) for a one-day stay, the sum of Seventeen Dollars (\$17.00) for a two-day stay or the sum of Twenty Dollars (\$20.00) for a three-day stay; and provided, further, that in case of treatment of an ambulatory accident case, the Corporation shall not pay to the Hospital any amount in excess of the Hospital's regular fixed charge for such services.
7. The Corporation agrees to pay to the Hospital on account of all hospital care covered by the Plan which the Hospital may render to each designated dependent of a subscriber the sum of Three Dollars (\$3.00) for each day of hospital care as defined in the Plan; provided that if on any single admission any such dependent shall receive less than four (4) days of such hospital care, then the Corporation agrees to pay to the Hospital the sum of Seven Dollars (\$7.00) for a one-day stay, the sum of Eight and 50/100 Dollars (\$8.50) for a two-day stay or the sum of Ten Dollars (\$10.00) for a three-day stay; provided, further, that in case of treatment of an ambulatory accident case, the Corporation shall not pay to the Hospital any amount in excess of one-half of the Hospital's fixed charges for such services.

8. As conditions precedent to the obligation of the Corporation to make any payment for care rendered by the Hospital to a subscriber or designated dependent, the Hospital shall, prior to its discharge of such subscriber or dependent, mail to the Corporation the identification card issued to such subscriber or dependent together with a notice of admission duly signed by the admitting officer of the Hospital, and the Hospital shall likewise promptly furnish the Corporation such information and records concerning the diagnosis, treatment and care of such subscriber or dependent, and the Hospital's regular charges for such care, which the Corporation may, within thirty (30) days after its receipt of notice of admission, in writing request. Within sixty (60) days after full compliance by the Hospital with the foregoing conditions, the amount fixed in Paragraph Seven or Eight shall be due and payable by the Corporation.

9. In the event of any dissolution or liquidation of the business of the Corporation at any time, then the Corporation hereby agrees to pay to the Hospital an amount equivalent to that proportion of the assets of the Corporation remaining after the payment of all obligations of the Corporation (other than obligations to other hospitals similar to the obligation in this paragraph contained) which the total number of days of hospital care theretofore rendered subscribers (but not dependents) by the Hospital hereunder bears to the aggregate number of days of hospital care theretofore rendered subscribers by all member hospitals with which the Corporation at any time since its incorporation has contracted or may contract.

10. The Corporation reserves the right to change from time to time the amounts payable to the Hospital hereunder or the type of hospital care to be furnished by the Hospital to subscribers to the Plan or their designated dependents, subject, however, to the approval of the State Department of Public Welfare. Written notice of each such change shall be mailed to the Hospital, and no change decreasing the amounts payable to the Hospital or increasing the hospital care to be furnished by the Hospital shall be effective until the expiration of not less than forty-five (45) days after the mailing of notice thereof. No such change shall in any event affect the amounts payable for hospital care theretofore rendered by the Hospital.

11. This agreement may be terminated by either party at any time upon thirty (30) days' prior written notice to the other.

IN WITNESS WHEREOF, the parties have caused this agreement to be duly executed, as of the day and year first above written.

HOSPITAL SERVICE CORPORATION
 By.....
 President
Hospital
 By.....
 President

CONTRACT WITH SUBSCRIBER

I. Definition of the Term "Subscriber."

1. The term "subscriber" shall mean any individual with whom the Hospital Service Corporation enters into a subscription agreement.

II. Subscription Agreement and Effective Date of Benefits Thereunder.

1. The term "subscription agreement" is deemed to mean the agreement entered into between this Corporation and the individual subscriber under and by virtue of which said subscriber becomes entitled to the benefits of this Plan, and shall consist of the application of the subscriber and the certificate issued by the Corporation evidencing the acceptance of the application.

2. Any person desiring to obtain the benefits of this Plan shall make written application therefor on the forms furnished by this

Corporation. No such application shall become effective as a subscription agreement until the same is approved and accepted by this Corporation, which acceptance shall be signified by a subscriber's certificate executed in the name of the Corporation by a duly authorized officer, bearing the date of said acceptance. Hospital service shall be available to the subscriber ten days after the effective date of the subscription agreement, except that in case of accident or emergency illness the hospital care shall be provided immediately. Such hospital service, however, shall not include the treatment of conditions known to the subscriber to exist and to require hospital service on the date of the application of the subscriber for a subscription agreement.

III. *Effective Period of Benefits Under This Plan—Contract Year.*

1. The effective period of each subscription agreement is the period of one year from its effective date and from year to year thereafter until terminated as hereinafter provided and the term "contract year" shall mean the period of one year following the effective date of any subscription agreement and each yearly period thereafter during the time the subscription agreement is in effect and shall not mean a calendar year.

IV. *Member Hospitals Covered By This Certificate.*

1. The term "member hospitals" shall mean any hospital with which this Corporation has a contract for the rendering of hospital service covered by this certificate.

2. This Corporation will compensate member hospitals periodically for the services rendered by them to the subscribers to this Plan by paying to each a fixed amount per day of hospital service rendered, which amount is at all times subject to the determination of the Board of Directors of this Corporation and subject to the approval of the State Department of Social Welfare.

3. In the event of accident or emergency illness, this Corporation will compensate hospitals, other than member hospitals for services rendered by them to the subscribers to this plan upon the approval of such hospital by the State Department of Social Welfare and in an amount per day for hospital services rendered which shall at all times be subject to the determination of this Corporation, and shall in no event exceed the rate of payment to member hospitals adopted by this Corporation and approved by the State Department of Social Welfare.

4. The membership in this Corporation of any member hospital and the agreement between this Corporation and the member hospital for the rendering of hospital service by such member hospital to the subscribers to this Plan may be terminated by either this Corporation or the member hospital at any time upon thirty days' prior written notice to the other and in the event of such termination the obligation of such hospital to render hospital service shall thereupon cease as to all subscribers to this Plan making application for such service after the effective date of termination.

V. *Hospital Service.*

1. Hospital service includes bed and board, general nursing care, use of the operating room, use of the delivery room, ordinary medications and dressings, anesthesia when such service is supplied by the member hospital and administered by a salaried employee of the hospital, laboratory examinations consisting of urine examinations, complete blood counts, basal metabolism tests, stool examinations and examinations of pathological tissue and other equivalent examinations, and ordinary X-ray examinations, and other customary routine care. The benefits do not include admission of patients to member hospitals for laboratory or X-ray examinations solely for diagnostic purposes. Hospital Service shall include the care of obstetrical cases only after the first year from the effective date of any subscription agreement. Obstetrical care shall include any condition resulting from pregnancy, the care of the mother and shall include the ordinary nursery care of the new-born child during the duration of the hospital stay of the mother.

2. The benefits included hereunder cover the treatment and care of all illness and injuries regularly accepted for treatment by the member hospital selected by the subscriber, but do not in any event cover pulmonary tuberculosis after diagnosis as such, venereal diseases, hospital care provided for under the Workmen's Compensation laws of any state, quarantinable diseases or mental disorders.

3. THE BENEFITS HEREUNDER DO NOT INCLUDE SERVICES OF THE SUBSCRIBER'S ATTENDING PHYSICIANS, SURGEONS, SPECIAL NURSES OR THEIR BOARD. Separate arrangements must be made with the physician, surgeon and special nurse for the payment of their fees for services.

4. This Plan does not confer upon any member hospital any right to select a physician or surgeon for the subscriber. The subscriber shall be at liberty to select his or her physician or surgeon, provided only that such physician or surgeon is acceptable for practice in the member hospital to which the subscriber is admitted, and nothing contained in this Plan shall interfere with the ordinary relationship between the subscriber and any such physician or surgeon selected by the subscriber.

VI. *Conditions Under Which Hospital Service Will Be Rendered.*

1. This Corporation shall not be liable under its subscription agreement unless evidence shall be produced, if and when requested by this Corporation, establishing to the satisfaction of this Corporation that hospital service was not sought or has not been rendered for any condition requiring hospital service known to the subscriber to exist and to require hospital service at the date of the original application.

2. Hospital services shall be rendered under this Plan only upon the recommendation of a physician or surgeon who is a member of the medical staff of or acceptable to the member hospital selected by the subscriber, and any hospital care hereunder shall continue only during such time as the subscriber is under treatment and care of such physician.

3. The subscriber may select any hospital which at the time is a member hospital at the time application is made for hospital service. All service furnished hereunder is subject to the rules and regulations of the member hospital so selected by the subscriber, including the rules and regulations governing admittance.

4. The subscriber when admitted to a member hospital shall occupy a bed in a room designed to serve semi-private patients, but the subscriber may occupy a private room with the consent of his or her physician or surgeon upon payment directly to such member hospital of the difference between \$4.50 and the daily rate for the private room selected.

5. If at the time the subscriber applies for hospital care the member hospital selected by him or her is unable to furnish the required service, the subscriber on the recommendation of his or her physician shall be free to utilize the service of any other member hospital.

6. This Corporation hereby waives a physical or oral examination of any subscriber as a condition to the issuance of this certificate. However, in consideration of such waiver, the subscriber agrees that any physician, surgeon, nurse or hospital that has made a diagnosis or rendered treatment in connection with any illness for which hospital service is sought under this Plan may furnish and is authorized to furnish to this Corporation at any time upon its request any and all information and records or copies of records relating to the diagnosis, treatment or service rendered to the subscriber; it being understood that this Corporation in contracting to render hospital service to its subscribers shall be in the same position with regard to the aforesaid information and records as if this Corporation were itself rendering said hospital service.

VII. *Extent and Duration of Hospital Care.*

1. Hospital service will be furnished on one or more admissions up to and including twenty-one (21) days for each contract year during the times that each subscription agreement is in force, provided service thereunder is begun before the expiration date of such contract year.

2. In computing the number of days of hospital service furnished by a member hospital to a subscriber, the day of the subscriber's admission shall be counted only if the admission is before noon, and the day of the subscriber's discharge shall be counted only if the discharge is after noon; provided, however, that if a subscriber is discharged on the same day that he is admitted, said day shall be counted as one day, and if the subscriber is admitted after noon and discharged before noon on different days, then such portions of the different days shall be considered together as one day.

3. Hospital service in any one contract year in excess of the stipulated twenty-one (21) days will be furnished to the subscriber by any member hospital in which treatment has been begun at a discount of 25% of said hospital's semi-private charges.

4. If the subscriber shall remain in a member hospital after he has been advised by the attending physician that further hospital care is unnecessary, whether or not the stipulated twenty-one (21) days included under this Plan for any one contract year have been exhausted, the subscriber shall pay to the member hospital in cash the full hospital charges for all services received after such advice.

VIII. *Conditions Making the Plan Inoperative.*

1. In case of a war, public disaster, general epidemic or other conditions occasioning an overcrowding of all the member hospitals to such a degree that it is impossible for them to provide hospital service, or in the event that for any reason all member hospitals are unable to provide such service, this Corporation will compensate subscribers for illnesses for which hospital service would otherwise under this Plan have been provided by this Corporation, in the following manner and on the following terms and conditions:

(a) There shall be presented by the subscriber to this Corporation an affidavit satisfactory to this Corporation on the forms furnished by it of the attending physician or surgeon setting forth the nature of the illness for which payment is sought, that in his opinion the illness required and should have received hospital service; and that to his knowledge all member hospitals were unable to provide such service.

(b) The amount which will be paid to the subscriber per day of such illness will be equivalent to the then prevailing rate of payment per day of hospital service by this Corporation to its member hospitals.

(c) The number of days for which such payment will be made shall be the number of days which the records of this Corporation indicate is the average period of hospital service rendered to its subscribers for such illness, which period shall not in any event exceed the period of twenty-one (21) days.

Payment by this Corporation to the subscriber in the manner aforesaid shall constitute a full and final discharge of all the obligations of the Corporation hereunder for said illness.

IX. *Benefits Non-Assignable.*

1. The benefits of any subscription agreement are personal to the subscriber and are in no way assignable.

X. *Payment of Annual Charges.*

1. The amount of the annual charges for subscribers for a contract year shall be determined by the Board of Directors of theHospital Corporation from time to time, and shall be subject to the approval of the Superintendent of Insurance of the State of.....

2. The amount of the annual charges as above determined and the time or times and manner of payment thereof shall be as set forth in the subscription application and as specified thereon by the subscriber.

3. In the event of a change in the amount of the annual charges by the Board of Directors, the subscribers shall be notified of such change. Such change shall, however, not affect the amount of the annual charges under existing subscription agreements until

the end of the contract year, prior to which time the subscriber will be required to sign a new subscription application setting forth the new annual charges. If the subscriber fails to execute such new subscription application, his or her subscription agreement shall automatically terminate.

XI. Automatic Termination.

1. In the event of any default in making payment to this Corporation of the annual charges, in accordance with the provisions of the subscription application of the subscriber, the subscription agreement with such subscriber shall automatically terminate and the subscriber thereafter shall not be entitled to any further benefits under this Hospital Service Plan.

XII. Reinstatement of Subscription Agreement.

1. Any subscription agreement or any agreement between this Corporation and the remitting agent which shall have terminated in any manner as provided herein, may be reinstated by this Corporation in its sole discretion, upon such terms and conditions as it may determine.

XIII. Voluntary Termination.

1. Any subscription agreement may be terminated by either party hereto at any time by giving twenty days' prior written notice to the other, provided, however, that the..... Hospital Service Corporation may not elect to terminate a subscription agreement prior to the expiration of a contract year if at the time the subscriber shall have applied for hospital service, which shall not at the time have been furnished or shall then be receiving hospital service under a subscription agreement.

2. Notice of termination of a subscription agreement, if given by.....Hospital Service Corporation to the subscriber, shall be sufficient if and when mailed to the subscriber at his address as it appears on the records of this Corporation, and if given by the subscriber if and when mailed to this Corporation at its principal office at.....

3. In the event that this Corporation shall elect to terminate a subscription agreement before the expiration of a contract year, it shall refund to the subscriber a sum equivalent to the amount of the annual charges, if any, which have been paid by the subscriber covering the unexpired part of the current contract year and such payment shall constitute a full and final discharge of all obligations of this Corporation hereunder.

CERTIFICATE OF MEMBERSHIP CORPORATION OR ASSOCIATION

HOSPITAL SERVICE CORPORATION OF.....
(Herein referred to as the Corporation)

Agrees to provide for Hospital Service, in any member hospital of this Corporation, for.....the Subscribing Member, herein referred to as member, in accordance with and subject to all the terms and conditions of the By-Laws and Charter of the Corporation.

BY-LAWS

ARTICLE I

[The twelve sections of Article I present the usual provisions of the subscriber's contract.]

ARTICLE II

Section 1. Charter Members shall be those hospitals, herein referred to as Member Hospitals, which enter into a written contract with this Corporation to furnish hospital service to its subscribing and associate members, in accordance with the By-Laws and Charter of the Corporation.

SECTION 2. Subscribing Members. Subscribing Membership in this Corporation shall be limited to approved persons who reside in the state of.....

Section 3. Associate Members. Those eligible for associate membership shall be the following persons only who live in the household of the subscribing member, namely: (a) wife; (b) husband; (c) unmarried minors who are not gainfully employed; and (d) such other persons under the age of 61 in the immediate family of, and entirely supported by the subscribing member, who are specially approved by the Corporation.

[The remaining four sections of Article II discuss the regulations governing application for a Certificate.]

ARTICLE III

Section 1. The Surplus of the Corporation shall consist of such moneys as may be allocated thereto by action of the Board of Trustees and shall be held for the benefit of the subscribing members, to be disbursed to them at such time, or times, in such manner, either as dividends or refunds on their subscriptions, or otherwise as the Board of Trustees may direct.

ARTICLE IV

Section 1. Name and Location. The name of this Corporation shall be Hospital Service Corporation. Its principal office shall be located in.....

Section 2. The purpose of this Corporation shall be to secure funds by regular subscription from its members so as to provide for hospital service for members in accordance with the By-Laws and Charter of the Corporation.

Section 3. This Corporation shall be incorporated not for profit. All monthly dues collected from members shall be set aside in a fund for the benefit of said members as set out in Section 2 next above, and for defraying the administrative and operating expense of the Corporation.

ARTICLE V

Section 1. This Corporation shall have a Board of Trustees consisting of not less than five. The Board of Trustees shall be composed of one representative from each member hospital and such others as said Board may elect. All business of the Corporation shall be under the supervision and direction of the Board.

[The remaining sections of Article V and Article 6 discuss the appointment and duties of officers.]

This Certificate, with endorsement for associate members, if any, is issued in consideration of the statements made in the application, subject, however, to the terms of the Charter and By-Laws of the Corporation, and the payment of the Registration Fee of \$.....and dues of \$....., and is effective according to its provisions from twelve o'clock noon, eastern standard time, of the day this Certificate is dated, and as long thereafter as it may be continued in force by mutual consent of the subscribing member and the Corporation by payment of the monthly dues herein prescribed and acceptance of the same by the Corporation at its election (subject, however, to the privilege of having a new Certificate issued as herein provided), and should the dues herein prescribed be more or less than sufficient to meet the requirements of the Corporation, such dues may be decreased or increased by the Corporation subject to the election of the subscribing member to continue this Certificate in force after such change in dues.

IN WITNESS WHEREOF, Hospital Service Corporation has caused this Certificate to be signed by its duly authorized officer at the principal office of the Corporation at..... this.....day of.....193...

.....
 Manager,

Appendix D

TABLE A.—Reported Experience of Group Hospitalization Plans Showing Subscribers Hospitalized and Patient Days During the Specified Periods for Subscribers Entitled to Full Benefits

Plan	Experi- ence Period (Months)	Subscriber Months	No. of Subscribers Hospi- talized During Period	Subscribers Hospi- talized per Subscriber Month	Patient Days (No. of Days)	
					Were Hospi- talized During Period)	Patient Days per Subscriber Month
B	24	50,190*	349	0.00695	3,544	0.07061
F	30	414,954†	4,553	0.01097	35,569	0.08572
G.1	15	24,455	171	0.00699	1,282	0.05242
G.2	15	67,047	518	0.00773	4,297	0.06409
L.1	5	2,873	20	0.00696	130	0.04525
M.1	12	21,842	152	0.00696	2,625	0.12018
M.3	12	70,021	589	0.00841	5,302	0.07572
O.1	5	23,800	72	0.00303	606	0.02546
Q.1	27	49,275†	243	0.00493	2,454	0.04980
Q.2	7	6,881†	163	0.02369	1,825	0.26522
Q.3	7	791†	14	0.01770	114	0.14412
R.1	5½	2,953*	21	0.00711	63	0.02133
S.1	15	56,542	518	0.00916	4,041	0.07147
		791,624‡	7,383	0.00933	61,852	0.07813

* Based on a computed average membership (subject to error if membership increases or decreases rapidly).

† Based on actual average membership (subject to error if membership increases or decreases rapidly).

‡ Approximately equal to a membership of 60,894 insured for thirteen months.

TABLE B.—Reported Experience of Group Hospitalization Plans Showing Members Hospitalized and Patient Days During the Specified Periods for Subscribers and Dependents Entitled to Full Benefits

Plan	Experi- ence Period (Months)	Member Months	No. of Members Hospi- talized During Period	Members Hospi- talized per Member Month	Patient Days (No. of Days)	
					Were Hospi- talized During Period)	Patient Days per Member Month
A	12	65,532*	677	0.01033	6,396	0.09760
B	12	76,152*	488	0.00640	5,108	0.06707
D	12	7,080*	66	0.00932	509	0.07189
H	36	40,908*	446	0.01090	3,975	0.09717
J.1	12	17,427	363	0.02063	2,550	0.14632
J.2	8	2,224	27	0.01214	260	0.11691
J.3	12	8,775	109	0.01242	842	0.09595
J.4	12	2,595	27	0.01040	225	0.08670
J.5	12	97,493	..	.....	10,504	0.10866
K	36	119,028†	1,363	0.01145	8,234	0.06918
N	9	6,471*	176	0.02720	953	0.14727
P	36	103,572*	1,156	0.01116	9,284	0.06964
		547,257‡	4,896||	0.01089||	48,930	0.08941

* Based on a computed average membership (subject to error if membership increases or decreases rapidly).

† Based on actual average membership (subject to error if membership increases or decreases rapidly).

‡ Approximately equal to a membership of 28,803 insured for nineteen months.

|| Based on 449,764 member months, excluding Plan J.5.

TABLE C.—*Reported Experience of Group Hospitalization Plans Showing Members Hospitalized and Patient Days During the Specified Periods for Subscribers Entitled to Full Benefits and Dependents to Discounts*

Plan	Experi- ence Period (Months)	Member Months	No. of Members Hospi- talized During Period	Members Hospi- talized per Member Month	Patient Days (No. of Days Were Hospi- talized During Period)		Patient Days per Member Month
E	24	45,420†	490	0.01079	3,249	0.07153	
I	24	2,724*	28	0.01028	290	0.10646	
L.1-2	5	7,270	37	0.00509	241	0.03315	
O.1-2-3	5	44,848	150	0.00334	1,107	0.02468	
R.1-2	5½	4,801*	24	0.00500	72	0.01500	
S.1-2	15	226,147*	1,325	0.00586	8,934	0.03951	
		331,210†	2,054	0.00620	13,893	0.04195	

* Based on a computed average membership (subject to error if membership increases or decreases rapidly).

† Based on actual average membership (subject to error if membership increases or decreases rapidly).

‡ Approximately equal to a membership of 25,478 insured for thirteen months.

TABLE D.—*Reported Experience of Group Hospitalization Plans Showing Patients Hospitalized and Patients' Stay During the Specified Periods for Dependents Entitled to Discounts*

Plan	Experi- ence Period (Months)	Dependent Months	No. of Dependents Hospi- talized During Period	Dependents Hospi- talized per Dependent Month	Patient Days (No. of Days Were Hospi- talized During Period)		Patient Days per Dependent Month
L.2	5	4,397	17	0.00387	111	0.02524	
O.2	5	4,679	29	0.00619	243	0.05193	
O.3	5	16,370	49	0.00299	258	0.01576	
R.2	5½	1,848*	3	0.00162	9	0.00487	
S.2	15	169,605*	807	0.00476	4,893	0.02885	
		196,899†	905	0.00460	5,514	0.02801	

* Based on a computed average membership (subject to error if membership increases or decreases rapidly).

† Approximately equal to a membership of 28,128 insured for seven months.

Several tables have presented the hospitalization and financial statistics reported by various plans. To assist in the interpretation of these tables the following essential features were determined:

1. Classes of members.
2. What service is offered dependents?
3. Special Membership requirements.
4. Are obstetric patients hospitalized?
5. Type of room accommodations.
6. Limitation on number of days of hospitalization.
7. Discount after the specified number of days has been used.
8. Subscribers' annual rate.
9. Patient-day payment to hospital.
10. Special provisions.

These features are indicated for each plan:

PLAN A—

1. Groups, individuals and dependents.
2. Full service.
3. Medical investigation for all individual subscribers. Dependents must be financially dependent on subscriber.
4. Yes, after 15 days at 50% discount.
5. Private.
6. 10 days' hospitalization a year for each 25c of monthly premium.
7. 33 $\frac{1}{2}$ %.
8. \$10.80.
9. \$5, plus fee schedule.
10. Hospital assumes discount. Outpatients receive laboratory, x-ray, operating room and anesthesia services.

PLAN B—

1. Groups and dependents.
2. Full service.
3. Subscriber must be over 3 months and under 65 years of age.
4. No.
5. Semiprivate.
6. 21 days.
7. 33 $\frac{1}{2}$ %.
8. \$10.
9. \$6 (all inclusive).
10. Laboratory or x-ray examinations solely for diagnostic purposes and not for treatment incidental to inpatient care are not included.

PLAN C—

1. Groups and dependents.
2. Full service.
3. Subscriber less than 65 years of age.
4. Yes, after 10 months.
5. Semiprivate.
6. 21 days.
7. 25%.
8. \$10.
9. \$6 (according to funds available).
10. None.

PLAN D—

1. Groups, individuals and dependents.
2. Full service.
3. Subscriber between 3 and 35 years of age with reasonably good health.
4. No obstetric patients, but first cesarean.
5. Ward.
6. 21 days.
7. 25% discount after 21 days up to 30 days.
8. \$9.
9. \$4.50. Additional for extra services.
10. First aid in outpatient department.

PLAN E—

1. Groups and dependents.
2. 50% discount for \$1 per month per family.
3. Subscriber employed—admitted with group of 4 of same concern.
4. Yes, after 12 months at 50% discount.
5. Private.
6. 21 days.
7. 33 $\frac{1}{3}$ %.
8. \$9.
9. Own funds—no specified payment.
10. No x-ray or laboratory services. Negroes excluded.

PLAN F—

1. Groups and dependents.
2. A special plan for families.
3. Subscriber must be a bona fide employee.
4. Yes, after 10 months at 50% discount.
5. Private and semiprivate.
6. 35 days.
7. 33 $\frac{1}{3}$ %.
8. \$9 for private room.
9. Own funds—no specified payment.
10. First aid and emergency treatment at direction of physician in outpatient dept. X-ray service and physical therapy not included.

PLAN G—

1. Groups and dependents.
2. Half rate.
3. Subscriber: employed by one employer—group of 10 is minimum. Dependent: contingent on employed member's subscription; must be father or mother, husband or wife, unmarried brothers or sisters living at the same address.
4. No.
5. Ward and semiprivate.
6. 21 days.
7. No.
8. \$7.20, ward; \$9, semiprivate.
9. \$4.50, ward; \$6, private (all inclusive).
10. None.

PLAN H—

1. Groups, individuals and dependents.
2. Full service.
3. Subscriber in good health; between the ages of 1 to 65 years. Dependent wholly dependent on subscriber and in good health.
4. Yes, after 12 months.
5. Private.
6. 21 days.
7. No.
8. \$9.
9. Own funds—no specified payment.
10. No x-ray or radium service.

PLAN I—

1. Groups, individuals and dependents.
2. 33 $\frac{1}{3}$ % discount for \$1 extra a year.
3. Subscriber employed and in good health. Dependent must be husband or wife of employed subscriber. Age limitation, 70 years.
4. Yes, after 10 months at 33 $\frac{1}{3}$ % discount.
5. Semiprivate.
6. 21 days.
7. 33 $\frac{1}{3}$ %.
8. \$7.
9. Own funds—no specified payment.
10. No x-ray or radium treatments. Blood pressure and kidney check-up free each year.

PLAN J—

There are five different classes of members indicated as J.1, J.2, J.3, J.4 and J.5.

1. J.1 and J.2—groups of 25 or more and dependents; J.3—selected groups under 25; J.4—individuals, and J.5—small groups and individuals.
2. Full service for all members.
3. Over 3 months old and in sound health. (All plans.)
4. J.1, J.3, J.4 and J.5—yes, after 12 months; J.2—yes.
5. J.1 and J.2—private; J.3, J.4 and J.5—private and ward.
6. J.1 and J.3—20 days; J.2—10 days; J.4—18 days; J.5—18 days (individuals) and 20 days (groups).
7. No. (All plans.)
8. \$12 private; \$9, ward. (All plans.)
9. \$5, private; \$3, ward, plus fee schedule. (All plans.)
10. J.5—association not liable for any period of hospitalization of less than 3 days or for the cost of room and board of the first 2 days of any period of hospitalization.

PLAN K—

1. Groups, individuals and dependents.
2. Full service.
3. Doctor's certificate for individuals. Salary limitation \$150 for single subscribers and \$200 for married subscribers. Dependents: unmarried minors who are not gainfully employed and who live in the household of the subscriber and other dependents under 61 years of age who are specially approved (such as mother or father).
4. Yes, after 6 months.
5. Ward and private.
6. 42 days per year.
7. No.
8. \$12, ward; \$15, private.
9. \$3.50, ward; \$6, private, plus fee schedule.
10. Service will provide for one visit daily by the attending physician and allow \$2 for each visit—not to exceed a total of \$40. Outpatient service included.

PLAN L—

1. Groups, individuals and dependents.
2. Dependents of group members entitled to 25% discount for 25c a month.
3. Medical examination for individuals. Subscriber must be resident of or employed in hospital area and in sound health; member of group of 10 employees, in case of group membership. Dependents must be relatives of subscriber, residing in same household; must be in sound health and listed on records.
4. Yes, after 10 months.
5. Ward.
6. 21 days.
7. 33⅓%.
8. \$9.
9. Own funds. Payment to other hospitals \$3 per day—limit of \$45.
10. None.

PLAN M—

1. Groups and dependents.
2. 25% discount for \$1 a year.
3. Subscriber must be in good health, employed and a member of a group of at least 10, representing at least 40% of the eligible employees. Dependents must be wife or dependent children.
4. Yes, after 10 months at 50% discount.
5. Ward.
6. 21 days.
7. No.
8. \$9.
9. \$5 (all inclusive).
10. X-ray and radium treatments at 25% discount. First aid in outpatient department.

PLAN N—

1. Groups and dependents.
2. Dependent children, full service for \$3 each for an aggregate of 42 days for family; adult dependents, \$12.
3. Employed adult under 65 years; average hospital risk as to health. Dependent must be dependent on subscriber for support; between the ages of 6 months and 65 years, with good health record.
4. Yes, after 10 months at 50% discount.
5. Private.
6. 42 days for family. 21 days individual subscriber.
7. No.
8. \$9.
9. \$4, plus fee schedule.
10. Temporary service, pending consultation with physician, given in outpatient department in emergency.

PLAN O—

1. Groups and dependents.
2. 50% discount.
3. Subscriber must be under 65 years of age and admitted with a group of 10 or more working in same place and must have no physical defect requiring immediate hospitalization. Dependents must be under 21 years of age, must be dependent on subscriber for support and must have no physical defect requiring immediate hospitalization.
4. Yes, after 10 months.
5. Semiprivate.
6. 21 days.
7. No.
8. \$7.80.
9. \$5. Additional for extra services.
10. None.

PLAN P—

1. Groups, individuals and dependents.
2. Full service.
3. Subscriber and dependents must be in normal health and mind and under the age of 55 years, unless a member of a group of 10 subscribers.
4. Yes, after 12 months.
5. Semiprivate.
6. 21 days.
7. No.
8. \$11.
9. \$4.50. Additional for extra services.
10. None.

PLAN Q—

There are three separately reported plans indicated as Q.1, Q.2 and Q.3. Provisions are the same for all plans.

1. Groups and individuals.
2. No dependents—each contract individual.
3. Subscriber must be between the ages of 6 and 64 years and in good health.
4. Yes, after 10 months.
5. Private.
6. Subscribers between the ages of 6 and 16 years, 14 days; adults, 21 days.
7. 25%.
8. \$12.
9. Own funds—no specified payment.
10. No x-ray service and neither laboratory nor anesthesia service, except for maternity patients. Outpatient service included.

PLAN R—

1. Groups and dependents.
2. 25% discount for wife and oldest child at no extra charge.
3. Subscriber must be in good health and gainfully employed; at least 60% of employees must accept contracts. Age limits of 1 and 65 years. Dependents must be wholly dependent on subscriber and in good health.
4. Yes, after 10 months.
5. Ward.
6. 21 days.
7. 25%.
8. \$10.
9. \$5 (all inclusive).
10. First aid given in outpatient department.

PLAN S—

1. Groups and dependents.
2. One-third discount off on all services.
3. Subscriber must be regularly employed. Dependents must be wife or children under 21 years of age; mother and father (under 65 years of age) may be accepted if unemployed, residing with, and wholly dependent on subscriber.
4. Yes, after 10 months.
5. Ward and private.
6. 25 days.
7. 33 $\frac{1}{3}$ %.
8. \$9, private; \$7.20, semiprivate.
9. \$6, private; \$4, semiprivate (all inclusive).
10. One-third off on all special services, including x-ray. Negroes excluded.

PLAN T—

1. Employed groups and their dependents.
2. Dependents are entitled to discounts only.
3. Subscribers must be between the ages of 16 and 65 years, in good health and regularly employed in an occupation having the approval of corporation.
4. Yes, after 10 months at 50% discount. Corporation will pay hospital \$1 per patient per day for nursing care of infant.
5. Semiprivate.
6. 21 days.
7. 10% discount absorbed by member hospitals.
8. \$9.
9. \$5 (all inclusive).
10. No special laboratory or x-ray service or anesthesia or physical therapy benefits. \$1 of payment guaranteed to hospitals retained. Negroes entitled to ward service only.

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