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ARIZONA ATTORNEY GENERAL

August 17, 1961

Mr. Forrest N. Barr
Assistant Director
Insurance Department of Arizona
718 West Glenrosa
P. O. Box 7093
Phoenix, Arizona

Dear Mr. Barr:

In your letter of July 19, 1961, you set forth the following question:

Are employee hospital and medical service plans exempt from either A.R.S., Title 20, as a whole, or from Chapter 4, Article 3, only?

The pertinent statutes in question in Title 20, Chapter 4, Article 3, are A.R.S. §§ 20-821 and 20-839:

"§20-821. Scope of article

Hospital service corporations, medical service corporations, and hospital and medical service corporations incorporated in this state shall be governed by this article, shall be exempt from all other provisions of this title, except as expressly provided by this article, and no insurance law enacted after January 1, 1955 shall be deemed to apply to such corporations unless they are specifically referred to therein."

"§20-839. Exemption of certain hospital plans

A. This article shall not apply to any corporation operating or maintaining a hospital service plan or medical service plan, participation in which is limited to its employees and the employees of other persons or corporations with which such corporation may have contracted to provide such services.

B. As used in this section, the term 'employees' shall include members of the families of employees."

Originator	BARRY LEVERANT
I Concur	PHIL HAGGERTY DARRELL SMITH
I Concur	CLARK KENNEDY

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The language of these sections is clear and concise and does not appear to be in conflict in any manner. A.R.S. §20-821 exempts particular corporations from the provisions of Title 20. A.R.S. §20-839 exempts certain hospital service or medical service plans from the provisions of Article 3 only.

Hospital service corporations and medical service corporations are corporations organized for the specific and singular purpose of operating non-profit medical plans as set forth in A. R. S. §20-822.

"§20-822. Definitions

'Hospital service corporations,' 'medical service corporations' and 'hospital and medical service corporations' are corporations organized under the laws of this state for the purpose of establishing, maintaining and operating non-profit hospital service or medical service plans, or a combination of such plans, whereby hospital or medical service may be provided by hospitals or physicians with which the corporations have contracted for such purpose to such of the public as become subscribers to the corporations under contracts which entitle each subscriber to certain hospital or medical services, or both."

It is apparent that such limited purpose corporations are exempted from the control of the Insurance Department because of their non-profit nature.

The hospital service plans set forth in A.R.S. §20-839 can be set up by any corporation and do not need to be non-profit in nature. It is obvious that these plans should be regulated, as they are neither non-profit nor established, by a single purpose corporation. A.R.S. §20-839 merely exempts these corporations having, in addition to their other facets, a medical or hospital service plan, from complying with the requirements of Title 20, Chapter 4, Article 3, which are solely and specifically meant for the single purpose medical service type of corporations.

It is, therefore, the opinion of the Attorney General that the total exemption from regulations set forth in A.R.S. §20-821 applies only to such corporations that are organized in accordance with Title 20, Chapter 4, Article 3.

Very truly yours,

ROBERT W. PICKRELL
The Attorney General

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BARRY LEVERANT
Assistant Attorney General

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