

“Public Employees Health Benefits Act”

Act. No. 95 of June 29, 1963, as amended

(Contains amendments incorporated by:

Act No. 52 of June 16, 1966
Act No. 38 of June 19, 1969
Act No. 18 of March 25, 1976
Act No. 90 of May 30, 1976
Act No. 23 of June 1, 1982
Act No. 68 of June 3, 1983
Act No. 54 of July 2, 1985
Act No. 1 of October 5, 1987
Act No. 59 of July 1, 1988
Act No. 79 of July 11, 1988
Act No. 125 of August 17, 2001
Act No. 50 of January 4, 2003
Act No. 172 of July 31, 2003
Act No. 324 of December 29, 2003
Act No. 280 of September 14, 2004
Act No. 483 of September 23, 2004
Act No. 22 of January 23, 2006
Act No. 158 of August 10, 2006)

(Amendments non-incorporated:

Act No. 11 of January 20, 2010
Reorganization Plan No. 3 of July 26, 2010
Act No. 88 of June 7, 2011
Act No. 276 of December 24, 2011)

To establish a plan for medico-surgical, hospitalization, and supplementary benefits for the officials and employees of the Commonwealth of Puerto Rico; to determine the governmental contribution to the employees' insurance cost; to authorize the deduction and withholding, from the employees' salaries, of the balance of the insurance cost of such officials and employees; to repeal Act No. 466, approved April 25, 1946, as amended; and for other purposes.

STATEMENT OF MOTIVES

On April 25, 1946, and by virtue of Act No. 466 of that year, the Government of Puerto Rico established a plan for medical and hospitalization services in behalf of the

officials and employees of the various public agencies, departments and instrumentalities. The approval of the said act marked the first step towards the goal of obtaining social security against sickness, grounded upon cooperative bases and by the concurrence of both the employers of private enterprise and their employees private and of citizens and the Government itself. As originally approved, the act provided for a governmental contribution equivalent to fifty (50) per cent of the cost of the plan, the balance to be paid by the officials and employees who might voluntarily avail themselves of such services. By virtue of Act No. 311, approved May 18, 1949, the benefits of the program were extended to the officials and employees of the municipalities of Puerto Rico.

By the time when the act establishing the plan to make health services available to public employees, the Blue Cross was the only nonprofit association in Puerto Rico which offered a plan for medico-surgical and hospital services similar to the one devised for government employees. For that reason, Act No. 466, of April 25, 1946, specifically provided that contracts were to be executed with the Blue cross for the rendering of the services set forth in the statute. Subsequently other organizations and entities worked out health service plans similar to those offered by the Blue Cross. Taking into account these new circumstances, the Legislative Assembly approved Act No. 70, of June 25, 1959. Under this statute the Commissioner of Insurance of Puerto Rico was authorized to execute a contract, in behalf of the officials and employees of the Government of Puerto Rico, for a health insurance plan with those entities authorized to render medico-surgical and hospital services that offered the best conditions under such new plan, however, as soon as the Commissioner of Insurance had executed the pertinent contract with the selected entity, all government officials and employees desiring to enjoy the benefits of health insurance had necessarily to enroll in the plan selected by the Commissioner of Insurance.

As a result of an investigation conducted by the Committees on Health and Charities of the Senate and the House of Representatives of Puerto Rico during the months, of August and September, 1962, it was possible to verify the existence of serious flaws and deficiencies in the operation of the plan for the rendering of medical and hospital services to the employees of the Government of Puerto Rico, which had been contracted for by the Insurance Commissioner in compliance with the provisions, contained in Act No. 70, of June 25, 1959. As a result of the survey conducted by the above-mentioned Legislative Committees, it was concluded that the primary causes, among others, of the deficient operation of the medical and hospital service plan agreed upon were: the lack of a proper administrative organization on the part of the entity to whom the contract was awarded, the failure to create a proper tool with which to effect a constant statistical evaluation of the costs and receipts to be considered in fixing the rates payable under the contract, and the overutilization of services.

By virtue of this act a selective plan is established, similar to the one existing for Federal Government employees, that will permit the officials and employees of the Government of Puerto Rico to select their preferred medico-surgical and hospital services and supplementary benefits, and to receive benefits of the governmental contribution hereby established towards defraying the cost of such service. Briefly, the outstanding features of this act are:

1. It repeals Act No. 466 of 1946, as amended, so far the legal basis for the execution of contracts for medical and hospital services.

2. Permits the Director of the Personal Office to contract with two or more carriers offering health insurance benefits, instead of limiting the choice to only one carrier, as heretofore.

3. Establishes three types of health benefit plans, which the Director of the Personnel Office shall use in contracting for medico-surgical, hospital and dispensary services for public employees.

4. It permits the employer's contribution as well as the deduction from the employee's salary in connection with any health benefit plan selected by the employee from among those approved by the Director of the Office of Personnel, which is different from the present situation, where the employer's contribution and the deduction are limited to the plan contracted for by the Insurance Commissioner.

5. Established fixed scales of employer's contribution, so that the Director of the Office of Personnel may have a certain degree of flexibility when executing contracts from year to year, without having to amend the law.

6. Permits the employees of public corporations to enroll in the plans contracted for by the Director of the Office of Personnel if they so desire.

Be it enacted by the Legislature of Puerto Rico:

TITLE OF THE ACT

Section 1. — [Short title] (3 L.P.R.A. § 729a)

This act shall be known as "Public Employees Health Benefits Act".

CREATION OF THE PLAN

Section 2. — [Creation of plan] (3 L.P.R.A. § 729b)

There is hereby established, upon voluntary basis, a medico-surgical and hospital benefit plan for the employees of the Government of Puerto Rico, its municipalities and instrumentalities.

DEFINITIONS

Section 3. — [Definitions] (3 L.P.R.A. § 729c)

When used in this act, the following terms shall have the meaning stated below:

(a) *Secretary*. Means the Secretary of the Treasury.

(b) *Employee*. Means every appointed or elected officer or employee in active service in the Executive or Legislative Branches of the Government, or a pensioner of any branch of the Government of the Commonwealth of Puerto Rico and of its agencies, departments and municipalities, but excluding the officers and employees of the public corporations and of the University of Puerto Rico, and the officers and employees of the Judiciary Branch of the Government of the Commonwealth of Puerto Rico, who may avail themselves of the plans

selected by the Secretary of the Treasury if they do so desire, and if the public corporation, the Judiciary Branch, and such officers and employees meet the provisions of this act. The term "employee" also includes officers and employees in active service outside of Puerto Rico.

(c) *Eligible employee.* Means an employee who has been declared eligible, through regulation, by the Secretary of the Treasury.

(d) *Government.* Means the Government of the Commonwealth of Puerto Rico and its political subdivisions and agencies, and the municipalities. Public corporations may be considered within this term if they so desire and comply with the provisions hereof.

(e) *Employee organization.* Means an association or other organization of employees in Puerto Rico, which is statewide, and in which membership is open to all employees of the Government of the Commonwealth of Puerto Rico, its agencies, departments, municipalities, and public corporations, who are eligible to enroll in a health benefit plan under this act.

(f) *Carrier.* Means a commercial or private insurer, and association of the same type as Blue Cross or Blue Shield, an insurance cooperative licensed to operate in Puerto Rico, or any employees organization as such is herein defined, which is economically solvent and gives bond to the satisfaction of the Secretary of the Treasury, to provide, pay for, or reimburse the cost of health services under group insurance policies or contracts, medical and hospital service agreements, membership or subscription contracts, or similar group arrangements, in consideration or premiums or other periodic charges payable to such insurer.

(g) *Family member.* Means the spouse of any employee, and any child: (1) under the age of nineteen (19) years, including: (A) an adopted child, and (B), a stepchild or recognized natural child living with the employee in a regular parent-child relationship, and/or (2) regardless of age who is incapable of self-support because of mental or physical incapacity that existed prior to his reaching the age of nineteen (19) years, and relatives of the employee or his or her spouse, who live permanently in the same abode with the employee, and who substantially depend on him for their support.

CONTRACTING AUTHORITY

Section 4. — [Contracting authority] (3 L.P.R.A. § 729d)

(a) The Secretary of the Treasury, with the advice of the Insurance Commissioner, the Director of the Personnel Administration Central Office, the Secretary of Health, an official or member delegate from the Commonwealth Employees Association and an official or member delegate from the Puerto Rico Pensioners Association, appointed by the Boards of Directors of said Associations, provided the Commonwealth Employees Association does not administer any health plan under the provisions of this Act or of Act No. 133 of June 28, 1966, as amended [3 L.P.R.A. § 862 et seq.], is hereby authorized to execute contracts, with or without the requirement of competitive bidding, with two (2) or more insurers that qualify according to law and the requirements to that effect, that offer any or all the plans described Section 5 of this act. Every such contract shall be for a uniform term of not less than one (1) year, but may be made automatically renewable from term to term in the absence of their termination by any of the parties.

The Chief Justice of the Supreme Court or his/her representative, shall negotiate and contract health service insurance plans and approve regulations to such effects for the employees and officers of the Judiciary Branch, pursuant to the powers conferred upon same by Act No. 64 of May 31, 1973 as amended [4 L.P.R.A. §§ 521-525]. Provided, That the Chief Justice may accept the negotiation and contracting of health services plans executed by the Secretary of the Treasury for the employees of said Branch, pursuant to the provisions of this act.

(b) Each contract for such plans as described Section 5 of this act, shall contain a detailed statement of benefits offered, and shall include such maximums, limitations, exclusions, and other definitions or benefits as the Secretary of the Treasury may deem necessary or desirable.

(c) No contract shall be made or plan approved which excludes any person because of race, sex, health status, or, at the time of the first opportunity to enroll, because of age; or which denies the insured the right, in emergency cases, to receive services as a dispensary, health center, or public hospital (commonwealth or municipal), or the right of the Commonwealth or municipal government to recover from the plan or carrier the cost of the services rendered the insured on the occasion of having entered such institution to receive services for emergency reasons. Nothing in this act shall be construed as an obligation on the part of the carrier to pay to the Commonwealth or municipal government a larger sum than the limit of benefits fixed in the plan for hospitals or nonparticipant institutions.

(d) No contract shall be made or plan approved which does not offer to each employer whose enrollment in the plan is terminated for any reason other than a voluntary cancellation of enrollment under any plan made under this act, a temporary extension of coverage, during which he may exercise the option to convert, without evidence of good health to a nongroup contract providing health benefits. An employee who exercises this option shall pay the full periodic charges of the nongroup contract, on such terms and conditions as are prescribed by the carrier and approved by the Secretary of the Treasury.

(e) The coverage and benefits made available pursuant to the provisions of subsection (d) of this section may, at the option of the employee, be noncancelable except for fraud, overinsurance or nonpayment of periodic charges. Overinsurance shall not be understood to mean such additional protection as may be provided the insured in a manner that will afford him protection beyond the benefits provided for in any plan.

(f) Rates charged under the plans described Section 5 of this act shall reasonably and equitably reflect the cost of the benefits provided. Rates determined for the first contract term shall be continued for subsequent contract terms, except that they may be readjusted for any subsequent term, based on statistical surveys performed by the Insurance Commissioner and the Secretary of Health, as hereinafter provided, and on past experience and benefit adjustments under such subsequent contract. Any readjustment in rates shall be made in advance of the contract term in which they will apply and on a basis which, in the judgment of the Secretary of the Treasury, is consistent with the general practice of carriers which issue group health benefit plans to large employers.

(g) The Secretary of the Treasury is hereby authorized to prescribe regulations fixing reasonable minimum standards for health benefit plans described Section 5 of this act, and for carriers offering such plans. Provided, That the approval of the regulation, or amendments thereto, shall take place after a public hearing held before him, or before the person to whom

he may delegate, at which hearing every interested person may participate. The holding of a hearing for the purpose expressed in this subsection shall be published in a newspaper of general circulation in the Commonwealth, at least five (5) days in advance.

(h) Those employees who opted for syndication pursuant to the provisions set forth in Act No. 45 of February 25, 1998, as amended [3 L.P.R.A. §§ 1451 et seq.], shall be entitled to have the exclusive representative negotiate directly on their behalf regarding all matters concerning health benefits and the contracting of a health plan. The exclusive representative shall designate a health plans evaluating committee to represent the different sectors and interests of the members. This committee shall be responsible for the analysis and evaluation of all health plans in the market in order to select those that offer the lowest or most reasonable premiums, the best coverage and health services benefits, and the best medication coverage.

The exclusive representative shall call the members to an assembly in which he/she shall present the health plans selected by the committee, so that the assembly, by the express vote of the majority constituting quorum to such effects, selects the health plan that better suits its needs. Once the health plan has been selected in a legally convened assembly, it shall be compulsory for all the members represented by said exclusive representative.

The present and future members of the teaching profession and the present and future members of the Puerto Rico Teacher's Association covered by the provisions of Act No. 23 of June 3, 1960, as amended [18 L.P.R.A. § 382], and the public employees and pensioners members of the Teacher's Association who voluntarily prefer to continue to be covered by the provisions of Act No. 72 of September 7, 1993, as amended [3 L.P.R.A. §§ 7001 et seq.], are hereby excluded from the application of this act.

The agencies, dependencies, and municipalities whose employees, at present or in the future opt for the right to negotiate collective bargaining agreements shall be obligated to negotiate the terms and conditions that allow for the herein provided.

HEALTH BENEFIT PLAN

Section 5. — [Health benefit plans] (3 L.P.R.A. § 729e)

The Secretary of the Treasury may approve the following health benefit plans:

(a) *Service Benefit Plan.* Any plan offering one or more levels of benefit or alternatives to all eligible employees, and under which payments are made by a carrier under contracts with physicians, hospitals, or other providers of health services, for benefits of the types described in Section 6 (1), rendered to employees or members of their families, or, under certain conditions, payments are made by a carrier to the employee or member of his family.

(b) *Indemnity Benefit Plan.* Any plan offering one or more levels of benefit or alternatives, to all eligible employees, and under which a carrier agrees to pay a certain sum of money, not in excess of the actual expenses incurred, for benefits of the types described in Section 6 (2) of this act.

(c) *Employee Organization Plans.* Employee organization plans which offer benefits of the types referred to in Section 6(3), which are sponsored or underwritten, and are administered, in whole or in a substantial part, by employee organizations, and which are available only to

persons (and members of their families) who, at the time of enrollment are members of the organization.

Health plans contracted under subsections (a) and (b) of this section shall be offered by entities that have been authorized by the Insurance Commissioner to do business in Puerto Rico, and whose financial solvency shall be accredited each year, and which have been active for at least three (3) years prior to the date of contracting with the Secretary of the Treasury. It shall be the continuous obligation of these entities to report to the Office of the Insurance Commissioner any change that affects their financial solvency.

TYPES OF BENEFITS

Section 6. — [Types of benefits] (3 L.P.R.A. § 729f)

The benefits to be provided by the health plans described Section 5 of this act may be of the following types:

(1) Service benefit plan.

- (A) Hospital benefits.
- (B) Surgical benefits.
- (C) In-hospital medical benefits.
- (D) Ambulatory patient benefits.
- (E) Supplemental benefits, including dental services.
- (F) Obstetrical benefits.

(2) Indemnity benefit plan.

- (A) Hospital care.
- (B) Surgical care and treatment.
- (C) Medical care and treatment.
- (D) Obstetrical benefits.
- (E) Prescribed drugs, medicines, and prosthetic devices.
- (F) Other medical supplies and services.
- (G) Supplemental benefits, including dental services.

(3) Employee organization plans.

Benefits of the types specified in this section under subsections (1) or (2) or both. Benefits contracted for under subsections (1) and (2) of this section shall include normal costs as well as costs of an abnormal or catastrophic nature within the normal limits of the policy; such benefits may include benefits for disability, death or dismemberment, without evidence of insurability; Provided, however, That said benefits shall be included in the coverage only at the employee's option. No insurer or employee organization will condition the sale of the benefits specified in subsections (1) and (2) to the sale of the benefits for disability, death and dismemberment.

The benefits described in this section shall include services for mental conditions, tuberculosis, mastectomy, and any other post-mastectomy reconstructive surgery necessary for the physical and emotional recovery of the patient.

ELECTION OF COVERAGE

Section 7. — [Election of coverage] (3 L.P.R.A. § 729g)

(a) Any employee may, at such time, in such manner, and under such conditions of eligibility as the Secretary of the Treasury may by regulation prescribe, with absolute freedom of selectivity, enroll in an approved health benefits plan prescribed Section 5 of this act, either as an individual, or for himself and family. Such regulations may provide for the exclusion of employees on the basis of the nature and type of their employment or conditions pertaining thereto, such as, but not limited to, short-term appointments, seasonal or intermittent employment, and employment of like nature, but no employee or group of employees shall be excluded solely on the basis of the hazardous nature of their employment.

(b) If the spouse of an employee or retired employee works in the public service or is, in turn, retired from the public service, either of the spouses may enroll for himself and his family in a family plan of his choice, and shall be entitled to have the government contributions for both applied to such plan up to the maximum allowance of such government contribution, or each spouse may enroll as an individual in the individual or family plan of his choice.

(c) A change in the coverage of any employee, or of any employee and members of his family, enrolled in a health benefits plan under this act, may be made by the employee upon application filed within sixty (60) days after the occurrence of a change in family civil status or at such other times and under such conditions as the Secretary of the Treasury may by regulation prescribe.

(d) A transfer of enrollment from one health benefits plan described Section 5 of this act, to another such plan, may be made by an employee at such times and under such conditions as the Director may by regulation prescribe.

CONTRIBUTIONS

Section 8. — [Contributions] (3 L.P.R.A. § 729h)

(a) The Government employer contribution for health benefits for employees covered by health benefit plans under this act shall be fixed in the General Budget of Expenses and shall not be less than five dollars (\$5) monthly in the case of the municipalities nor one hundred dollars (\$100) monthly for the employees of rest of the Government dependencies, and one hundred dollars (\$100) for the pensioners of the Employees Retirement System of the Commonwealth of Puerto Rico and the pensioners of the Teachers of Puerto Rico Retirement System, but shall not exceed the total amount of the corresponding fee to be paid to any employee.

Provided, That said employer contribution to the health plans of public employees not covered by Act No. 45 of February 25, 1998, as amended [3 L.P.R A §§ 1451 et seq.]e, and for those who are, but that as of February 29, 2004, had not signed agreements with related financial clauses, the same shall take effect as of October 1, 2004. On the other hand, employees covered by the provisions of said Act 45, in turn, have agreements signed up to February 29, 2004, that include clauses on employer contributions shall receive one hundred dollars (\$100) as of July 1, 2004. Likewise, in the cases in which the agreement provides a

lesser amount than the amount proposed through this legislation shall receive the amount that is necessary to complete the proposed employer contribution of one hundred dollars (\$100) monthly as of July 1, 2004. It is further Provided, That those employees covered by clauses with an employer contribution greater than one hundred dollars (\$100) monthly may receive the difference, if the agency contributes the additional costs thus entailed.

(b) There shall be withheld from the salary or pension of each employee voluntarily enrolled in a benefit plan provided by this act, so much as it is necessary after deducting the contribution of the Government, to pay the total charge for his enrollment. No deduction shall be made for the payment of medical and hospital services from the salaries of teachers who are members of the Teachers Association of Puerto Rico, or their relatives who are public employees and are enrolled in the Medico-Hospital Service Program operated by the Association, to whom the provisions of Section 10 shall apply.

(c) An employee enrolled in a health benefits plan under this act who is placed in a leave without pay status may have his coverage continued under such plan for a period not to exceed one year in accordance with regulations prescribed by the Secretary of the Treasury. In such cases, it shall be the duty of the employee to arrange directly with the carrier for the payment of the benefits contracted for regarding himself and family. Such regulations may provide for the discontinuance of contributions of the employee and the Government.

(d) Government employer contributions with respect to employees in active service shall be included in the General Budget of Expenses of the Commonwealth of Puerto Rico.

The employer contribution corresponding to pensioners of the Employees Retirement System of the Commonwealth Government and its Instrumentalities, the Judiciary Retirement System and the Annuity and Pension System for the Teachers of Puerto Rico shall be cosigned in the General Budget of Expenses of the Commonwealth of Puerto Rico as an additional contribution to said systems.

It is hereby Provided, That the Office of Management and Budget shall be empowered to provide through reimbursement the cost of the increase in employer contributions, to be charged against the appropriations included for such purposes in the Joint Resolution for the General Budget of Expenses. However, said reimbursement shall only cover the wages that are defrayed with resources obtained from the General Fund. It is provided that those employees that according to the dates established herein are qualified to receive this income, but who receive income from other funds, shall receive the same increases chargeable to the special federal and state funds from which they receive their income. In order to obtain this reimbursement, each agency that defrays such an increase from the General Fund shall submit a certified itemized list of the employees that qualify for the increase to the Office of Management and Budget, as the latter shall provide. Said certification shall be received at the Office of Management and Budget not later than October 31, 2004.

ADMINISTRATION

Section 9. — [Administration] (3 L.P.R.A. § 729i)

(a) The Secretary of the Treasury is hereby authorized to promulgate such regulations as may be necessary to carry out the provisions of this act.

(b) Regulations of the Secretary of the Treasury shall include regulations with respect to the beginning and ending dates of coverage of employees and members of their families under health benefits plans, and for such purpose may permit such coverage to continue in force, exclusive of the temporary extension of coverage described in Section 4 of this Act, until the end of the pay period in which an employee is separated from service.

(c) No employee enrolled in a plan under this act who is removed or suspended without pay and later reinstated or restored to duty on the ground that such removal or suspension was unjustified, shall be deprived of coverage or benefits during the interim, but shall have his coverage restored to the same extent and effect as though such removal or suspension had not taken place, and appropriate adjustments shall be made in premiums, subscription charges, contributions, and claims. In case the employee is so restored to duty on the ground that his removal or suspension was unjustified, appropriate adjustments shall be made to reimburse the Government's contribution to the employees for the duration of his removal or suspension. If his removal is confirmed, the carrier may discharge such employee from the plan.

(d) The Secretary of the Treasury shall make available to each employee eligible to enroll in a health benefits plan under this act, in a form acceptable to said Secretary after consultation with the carrier, such information as may be necessary to enable such employee to exercise an informed choice among the types of plans referred to Section 5 of this act. Each employee enrolled in such a health benefits plan shall be issued an appropriate document setting forth or summarizing the services or benefits (including maximums, limitations, and exclusions), to which the employee and members of his family, are entitled thereunder, the procedure for obtaining benefits, and the principal provisions of the plan affecting the employee or members of his family.

Section 10. — [Studies and reports] (3 L.P.R.A. § 729j)

(a) Respecting teachers who are members of the Teachers Association of Puerto Rico, and their relatives who are enrolled in the Medico-Hospital Service Program operated by the Association and who work at a government dependency, including the University of Puerto Rico, the Secretary of the Treasury of Puerto Rico, with the advice of the Secretary of Health and the Director of the Central Personnel Administration Office, shall execute with said Association the necessary contract or contracts for the rendering of such services to such teachers and relatives. Provided, that employees who are members of the Teachers Association and their relatives who are enrolled in the Medico-Hospital Service Program operated by the Association but do not work actively as teachers, may enroll in the plan contracted for by the Secretary of the Treasury of Puerto Rico with the Teachers Association of Puerto Rico, or in any other plan, in which case the contribution of the Government shall be made to the carrier or to the chosen entity. For such service the Association shall be paid, for each teacher or relative enrolled in same, a fee equal to that established for other employees in this act. The Association shall furnish the corresponding documents providing that said relatives have independent contracts whereby they make individual contributions apart from the one made by the associate teacher. The contribution of teachers in active service shall continue to be deducted from their salary in the same manner and at the same rate as it is done at present by virtue of the provisions of Act No. 23, of June 3, 1960 [18

L.P.R.A. § 382]. The Secretary of the Treasury shall be responsible for the effectuation of such payment to the Teachers Association.

(b) The Secretary of the Treasury shall include provisions in contracts with carriers which would require carriers to (1) furnish such reasonable reports as the Secretary of Treasury may deem necessary to enable him to carry out his functions under this act; and (2) permit the Secretary of the Treasury, in coordination with the Insurance Commissioner, to examine the books and records of the carrier, to the extent necessary for him to carry out his functions under this act.

(c) The Secretary of Health is charged with the surveillance of the services rendered by the entities and contracted for by the Secretary of the Treasury pursuant to the provisions of this act. The Secretary of Health and the Insurance Commissioner shall maintain appropriate statistics reflecting at all times the operating cost of the various plans for health benefits contracted for by the Secretary of the Treasury, as well as to the income obtained by each one of the insureds under the contract. The analysis of the statistics so compiled shall be taken into account by the Secretary of the Treasury at the time of renegotiating the contract rates, as provided in Section 4(f). The manner in which the Secretary of Health is to discharge the responsibilities entrusted to him by this act shall be contained in the regulations to be prepared by said official as provided by law. The said regulations shall provide the manner in which the Secretary of Health is to perform the pertinent investigations to determine the quality of the services and the performance of the conditions of the contracts on the part of the entities contracted with. The Secretary of Health shall report to the Secretary of the Treasury, at least once quarterly, on the result of his investigations. Whenever conclusions are reported which are adverse to a contracting entity, after formal hearing of the aggrieved party and granting it an opportunity to confront the evidence submitted against it by the Secretary of Health and to introduce such evidence as may controvert said evidence, the Secretary of the Treasury may cancel the contract or contracts. The decision of the Secretary of the Treasury in that respect shall be reviewable by the Court of First Instance, San Juan Part.

Section 11. — [Report] (3 L.P.R.A. § 729k)

The Secretary of the Treasury shall annually transmit to the Governor of Puerto Rico a report concerning the operation of this act.

JUDICIAL JURISDICTION

Section 12. — [Judicial jurisdiction] (3 L.P.R.A. § 729l)

The Court of First Instance of Puerto Rico, San Juan Part, shall have original jurisdiction to take cognizance of any civil action or claim brought under the provisions of this act.

Section 13. — [Direct contracting] (3 L.P.R.A. § 729m)

The agencies and government dependencies whose employees render services outside of Puerto Rico may contract health benefits for their officials and employees with suppliers

available in the geographical area where they are in active service with the express consent of the Secretary of the Treasury, provided a bidding process is carried out and the prior approval of the Secretary of the Treasury is obtained.

REPEAL AND EFFECTIVENESS

Section 14. — Act No. 466, approved April 25, 1946, as amended, is hereby repealed. The repeal of said act shall be effective as of June 30, 1964.

Section 15. — This act shall take effect July 1, 1964.

Note. This compilation was prepared by the Puerto Rico OMB staff who have striven to ensure it is complete and accurate. However, this is not an official compilation and may not be completely free of error. It contains all amendments incorporated for reading purposes only. For accuracy and exactitude please refer to the act original text. Compiled by the Office of Management and Budget Library.