



**House  
Legislative  
Analysis  
Section**

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**COUNTY TB HOSPITALS/SANATORIA**

Senate Bill 810 as passed by the Senate  
First Analysis (11-30-88)

**RECEIVED**

Sponsor: Sen. Jerome T. Hart  
Senate Committee: Health Policy  
House Committee: Public Health

**JAN 18 1989**

**Mich. State Law Library**

**THE APPARENT PROBLEM:**

The County Health Facilities Corporations Act (Public Act 230 of 1987) allows county boards of commissioners to incorporate county public hospitals that operated under two earlier laws: Public Act 350 of 1913, which allows any county board of supervisors, with the approval of the voters, to establish and maintain a public hospital; and Public Act 109 of 1945, which allows boards of supervisors of counties with more than 100,000 residents to acquire (or build) and operate county general hospitals. The County Health Facilities Corporations Act also permits any county owning or operating a county hospital under a charter or any statute other than Public Acts 350 and 109 to incorporate — without the approval of the county voters — all health care facilities (other than medical care facilities) by adopting and filing articles of incorporation (see MCL 331.1204).

Under yet another law (Public Act 177 of 1925), counties may build and operate tuberculosis hospitals and sanatoria (which also may treat patients with diseases other than tuberculosis), and to raise operating funds by assessing up to one mill a year in taxes. Saginaw Community Hospital, one of three county hospitals in the state originally organized under this act, is considering incorporating under the new County Health Facilities Act, but fears that it will lose its ability to levy taxes for operating expenses if it does so.

**THE CONTENT OF THE BILL:**

The bill would amend the County Health Facilities Corporations Act to permit a county public hospital organized and operated under Public Act 177 of 1925 to assess up to one mill in any one year in order to acquire, construct, and operate health care facilities without a vote of the county electors and to appropriate money from its general fund without limitation. (This provision currently applies to a county hospital organized and operated under Public Act 109 of 1945.)

MCL 331.1305

**BACKGROUND INFORMATION:**

Counties are allowed to support, build, acquire, maintain, or operate hospitals under a number of Michigan laws:

Public Act 139 of 1909 allows county taxation in support of hospitals or sanatoria in the county. Under this act, county boards of supervisors could levy taxes of up to two-fifths of a mill without voter approval; in counties with more than 25,000 residents, up to one mill could be approved by voters for a period of two years to be used to build or to help build a hospital or sanatorium.

Public Act 350 of 1913 allows counties, upon authorization by county voters, to issue bonds in order to build and maintain a county public hospital offering among its services "the treatment of contagious and infectious

diseases," a training school for nurses, nursing home facilities, care and treatment of tuberculosis, and care for charity patients and dependent children. If the hospital is located at the county seat, it also may provide "a suitable room for the detention and examination of all persons who are brought before the commissioners of insanity for such county." Under the act, counties also may appropriate each year up to five percent of the county's general fund for the improvement and maintenance of the hospital.

Public Act 109 of 1945 allows counties with more than 100,000 residents to levy, without voter approval, taxes of up to one mill (or, with voter approval, more) in order to "acquire, own, construct, establish, maintain and operate" a hospital for the treatment of "contagious or infectious diseases," for the treatment of indigent patients "suffering from any physical ailment or impairment," and for the temporary detention of mentally ill patients. Counties with more than 1,000,000 residents may, in addition, offer emergency services.

Public Act 177 of 1925 allows counties with more than 30,000 residents to assess without voter approval up to one mill in taxes (or, with voter approval, more) in order to establish, maintain and operate a hospital or sanatorium with at least 50 beds for the treatment of tuberculosis. Two or more counties also are allowed to establish, maintain, and operate a joint county hospital or sanatorium. The board of trustees of a county tuberculosis hospital or sanatorium (with the approval of the county board of commissioners) can decide to admit patients for treatment of diseases other than tuberculosis, as well as patients who do not live in the county. Counties not building tuberculosis hospitals or sanatoria can raise taxes to support any public hospital or sanatorium in the state and can contract with them for care of indigent patients.

**FISCAL IMPLICATIONS:**

According to the Senate Fiscal Agency, the bill would have no significant impact on state general fund expenditures. (9-22-88)

**ARGUMENTS:**

**For:**

Over the years, the operation of hospitals has changed dramatically. Unfortunately, the limited wording of statutes that created certain county hospitals, such as Public Act 177 of 1925, has prevented these hospitals from diversifying into other health care areas, which has stifled growth and competitiveness. The County Health Facilities Corporations Act allows hospitals that elect to incorporate under it to compete more effectively. It is not certain, however, whether county hospitals established under Public Act 177 of 1925 and currently collecting a one-mill tax levy, as authorized under Public Act 177, still could collect the tax once they incorporated. Yet, these hospitals cannot afford to lose the operational funds generated by

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the tax, even after incorporation. Under the County Health Facilities Corporations Act, hospitals created under Public Act 109 of 1945 are allowed to assess a one-mill tax levy per year. This same provision should be extended to hospitals created under Public Act 177.

***Against:***

The County Health Facilities Corporations Act is designed to aid certain county hospitals in competing in the health care market, especially with for-profit/private hospitals. If county hospitals, such as those created under Public Act 177 of 1925 are allowed to keep their one-mill subsidy, then these county hospitals would have an unfair advantage and would not be competing on equal ground with private hospitals.

***Response:*** Public Act 177 hospitals need the one-mill tax for operation and maintenance, in part because they are required to care for indigent patients. Furthermore, some of these hospitals operate as long-term care and psychiatric unit hospitals, unlike many private hospitals which operate as acute care facilities. Thus, county hospitals that incorporated under the County Health Facilities Corporations Act and that continued to collect the one-mill tax would not gain an unfair advantage over private hospitals.

***POSITIONS:***

The Department of Public Health has no position on the bill. (11-29-88)

The Michigan Hospital Association supports the bill. (11-29-88)

The Michigan Association of Counties supports the bill. (11-17-88)