

SFA

BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909 •

(517) 373-5383

Senate Bill 584

Sponsor: Senator John F. Kelly

Committee: Health Policy

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APR 18 1990

Date Completed: 3-8-90

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SUMMARY OF SENATE BILL 584 as introduced 10-10-89:

The bill would amend the Public Health Code to regulate the hours that teaching hospitals may schedule resident physicians to work; require hospitals to develop a written policy regarding 24-hour work periods; create exceptions for emergency room work and services in which residents get adequate rest; establish the Task Force on Hospital Management and Physician Resident Education to report to the Legislature on the operation of the bill; and authorize the Department of Public Health to promulgate rules and modify the bill's requirements pursuant to task force recommendations.

A teaching hospital that admits resident physicians to practice could not schedule a resident with direct patient care responsibilities in areas other than the emergency department to work more than an average of 80 hours per week over a consecutive four-week period, or to work more than one consecutive 24-hour period per week. If a hospital did schedule a resident to work a consecutive 24-hour period, the hospital also would have to schedule the resident in the same week not to work for a consecutive 24-hour period. Hospitals would be required to develop a specific, written policy pertaining to schedules and limits of responsibility of residents during consecutive 24-hour work periods, including responsibility for the evaluation of new patients.

These provisions would apply to all of the following hospital services: anesthesiology; family practice; medicine; surgery; obstetrics; and pediatrics; as well as other services, except emergency services, with high patient turnover or acutely ill patients, or both. These provisions would not apply to services, other than those listed above and emergency services, in which the residents get adequate periods of rest, including psychiatric services. A hospital that modified that bill's requirements for such a service would have to document the modification in writing.

A hospital that has an emergency room or department that serves more than 15,000 patients per year and admits residents to practice could not schedule a resident to work in the emergency room or department more than one consecutive 12-hour period per rotation.

If a resident had worked a consecutive 24-hour period or a 12-hour period, as permitted in the bill, another hospital could not schedule the resident to work a consecutive period in violation of these provisions.

Each hospital that admits resident physicians to practice would have to have

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available at all times intravenous services, phlebotomy services (for drawing blood), and messenger and transportation services sufficient to meet reasonable and expected demands.

The Department of Public Health could promulgate rules to implement these provisions, and could modify the bill's requirements by promulgating rules to effectuate the recommendations of the proposed task force.

A 15-member Task Force on Hospital Management and Physician Resident Education would be created in the Department. The task force would be required to file an annual report on the operation of the bill with the Senate and House committees responsible for public health matters, and recommend to the Department changes to those requirements, if changes were considered necessary by the task force.

Members of the task force would be appointed for three-year terms by the Governor with the advice and consent of the Senate, as follows:

- Eight members would have to be physicians, including four residents.
- Four members would have to represent hospitals.
- Three members would have to represent the insurance industry.

The bill's section creating the task force would be repealed four years after its effective date.

Proposed MCL 333.21541 & 333.21542

Legislative Analyst: S. Margules

FISCAL IMPACT

The bill would result in an indeterminate impact on State expenditures. The increase in total medical costs would be approximately \$18,200,000. The impact on the State Medicaid Program would be an increase of between \$850,000 and \$1,250,000 in General Fund money. An indeterminate increase in State-paid health insurance premiums also would be anticipated. These estimates are based on the following assumptions:

- Current Michigan utilization of medical residents is equivalent to New York utilization (400 hours per month) prior to the passage of similar legislation.
- The average annual cost of a resident is approximately \$26,000.
- 10%-15% of total State hospital expenditures are attributable to the Medicaid program.
- There would be no significant change in the provision of medical care as a result of the bill. Therefore, an increased number of residents would be required to provide care. (It should be noted that in 1988-89, 7% of the available positions for residents went unfilled. In the event that additional openings for residents could not be filled, then attending or contractual, higher-cost physician services could be used to provide necessary care. In this case, the cost of the bill would be higher than estimated using the above assumptions.)

Fiscal Analyst: P. Graham
J. Walker

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Senate Bill 598 (Substitute S-2 as reported)
Sponsor: Senator John J.H. Schwarz, M.D.
Committee: Finance

Date Completed: 2-12-90

RATIONALE

Under the Single Business Tax (SBT) Act, small businesses can qualify for the small business credit according to the Act's requirements. A small business with an "adjusted business income" under \$475,000 (and gross receipts under \$7.25 million in 1990, or \$7.5 million in 1991 and thereafter) can choose either 1) to pay a tax of 4% on adjusted business income, or 2) to calculate its tax under the standard SBT provisions and use the small business credit. ("Adjusted business income" is the sum of business income; compensation and directors' fees of active shareholders; compensation and directors' fees of officers; and loss carryforwards and carrybacks.)

It has been pointed out that the Act's eligibility requirements for the credit may not be fair to firms that have large profits one year and large losses the next, compared to firms with steady revenue streams. A firm that has large losses in a year may actually end up with a negative adjusted business income (less than zero), thus easily qualifying for the credit that year. There is no provision, however, to carry forward that negative adjusted business income to the next year or succeeding years when the firm may make a profit (as is allowed on the Federal tax return); as a result, the firm might not qualify for the credit. Thus, over a period of years in which two firms may have comparable business incomes and Federal income tax liabilities, the firm with steady revenue may qualify for the credit each year while the firm with fluctuating revenue may only qualify in the years in which it had losses. It has been suggested that, for purposes of determining eligibility for the credit (but not in calculating the credit itself), a firm be allowed to carry forward any negative adjusted business income.

CONTENT

The bill would amend the Single Business Tax Act to allow a small business to use negative adjusted business income from any of the five preceding tax years to determine whether the business qualified for the small business credit in a tax year.

The bill provides that, in order to qualify for the credit, a business would have to have under \$475,000 "eligibility income" (rather than adjusted business income), and would define "eligibility income" as adjusted business income, minus negative adjusted business income in any of the five preceding years. In determining eligibility income for a tax year, a taxpayer would not have to use more of its negative adjusted business income than the amount needed to qualify for the credit (in other words, reduce its eligibility income below \$475,000). A taxpayer could not reuse a negative adjusted business income it had used to determine eligibility income in a previous tax year, and it could not use a negative adjusted business income from a year in which it did not qualify for the credit.

MCL 208.36

FISCAL IMPACT

The bill would lead to a small, indeterminate reduction in SBT revenues. Very few firms would be eligible to benefit from the proposed change.

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ARGUMENTS

Supporting Argument

The bill simply would allow a firm with significant losses in a tax year to use those losses in a succeeding year in determining eligibility for the small business credit. Currently, if a firm has a large loss resulting in a negative adjusted business income, it will easily qualify to claim the small business credit; however, in succeeding years when it has a large profit it may be disqualified. This can put it at a competitive disadvantage with a firm of comparable size, earnings, and Federal tax liability, that has a steady revenue that allows it to claim the credit each year. By allowing a firm to use unused negative business income from a year to reduce positive income in a succeeding year, the bill would level the playing field and assist those firms that have large yearly fluctuations in revenue.

Legislative Analyst: G. Towne

Fiscal Analyst: N. Khouri

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HOUSE LEGISLATIVE
~~SENATE~~ ANALYSIS SECTION

SENATE BILL 598

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SEE HB 5537