Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1115 (Substitute S-1 as reported by the Committee of the Whole)
Senate Bill 1116 (as reported without amendment)
Sponsor: Senator Bill Hardiman
Committee: Health Policy

CONTENT

Senate Bill 1115 (S-1) would amend the Municipal Health Facilities Corporations Act to:

-- Allow a board of trustees or a subsidiary board to restructure its municipal health facilities corporation or subsidiary as a nonprofit corporation.
-- Require a board of trustees or subsidiary board proposing a restructuring to adopt a restructuring plan, which would have to include the terms and conditions of the restructuring and the proposed articles of incorporation.
-- Require the approval of the governing body of the local unit of government for a restructuring.
-- Require the articles of incorporation to be filed with the Department of Energy, Labor, and Economic Growth (DELEG).
-- Refer to a sale or transfer, rather than a reorganization, in provisions regarding a change in ownership or operation of a corporation or subsidiary or health care facilities and services.

Senate Bill 1116 would amend the Nonprofit Corporation Act to:

-- Apply the Act to a domestic corporation formed by the conversion of municipal health facilities corporation to a nonprofit corporation.
-- Allow a nonprofit organization (including a municipal health facilities corporation) to convert to a domestic corporation.
-- Require a nonprofit organization proposing to convert to a domestic corporation to adopt a plan of conversion and file a certificate of conversion with DELEG.

MCL 331.1306 et al. (S.B. 1115)
450.2123 et al. (S.B. 1116)

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The State, through its Medicaid program, achieves GF/GP savings through a program involving publicly owned hospitals, known as "certified public expenditures". These expenditures reflect uncompensated care provided by public hospitals. The State then receives reimbursement from the Federal government that equates to the Medicaid match that the State would have received had the uncompensated care been covered by Medicaid. The program leads to State savings of between $35.0 million and $40.0 million GF/GP each year. Conversion of a publicly owned hospital to nonprofit status would reduce the State's GF/GP savings from this program, proportional to the ratio of uncompensated care performed by the given hospital to uncompensated care performed by all public hospitals.

The bills would have no fiscal impact on DELEG.

Conversion of a public hospital owned by a city, county, or other local entity to nonprofit status would lead to local savings if the local government is subsidizing the hospital's operation.

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Fiscal Analyst: Steve Angelotti/David Fosdick
Elizabeth Pratt/Maria Tyszkiewicz