

HOUSE BILL No. 5345

September 10, 2009, Introduced by Rep. Dillon and referred to the Committee on Public Employee Health Care Reform.

A bill to provide for consolidation of health benefits for public employees; to create a board to adopt a uniform public employee health benefits program; to provide for powers and duties for certain state and local government departments, agencies, boards, and officers; to require public employers that provide health benefits to employees to participate in the health benefits program; to require uniform health benefits for retirees of public employers under certain conditions; to provide for exceptions; to provide for optional participation by private entities; to allocate costs to participating public and private sector employers; to make an appropriation; to create a restricted fund; and to repeal acts

and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "Michigan health benefits program act".

3 Sec. 2. As used in this act:

4 (a) "Board" means the Michigan health benefits program board
5 created in section 3.

6 (b) "Fund" means the MI health benefits fund created in
7 section 18.

8 (c) "MI health benefits program" or "program" means the
9 Michigan health benefits program adopted by the board under this
10 act.

11 (d) "Public employee" means an employee, officer, or elected
12 official of a public employer. Public employee includes an employee
13 retired from employment with a public employer as provided in
14 section 21.

15 (e) "Public employer" means this state; a city, village,
16 township, county, or other political subdivision of this state; any
17 intergovernmental, metropolitan, or local department, agency, or
18 authority, or other local political subdivision; a school district,
19 a public school academy, or an intermediate school district, as
20 those terms are defined in the revised school code, 1976 PA 451,
21 MCL 380.1 to 380.1852; a community college or junior college
22 described in section 7 of article VIII of the state constitution of
23 1963; or an institution of higher education described in section 4,
24 5, or 6 of article VIII of the state constitution of 1963.

25 Sec. 3. (1) The Michigan health benefits program board is

1 created as an autonomous entity in the department of management and
2 budget and shall exercise its powers independent of the director of
3 the department of management and budget.

4 (2) The board shall consist of 13 regular members, as follows:

5 (a) The following members appointed by the governor:

6 (i) 4 members representing interests of state, municipal,
7 public education, and public safety employees.

8 (ii) 1 member representing interests of public employee
9 retirees.

10 (iii) 3 members representing interests of county, municipal, and
11 public education employers.

12 (b) The following independent members with expertise in areas
13 such as employee benefit design, value-based insurance design, or
14 health care actuarial science:

15 (i) 1 member appointed by the governor.

16 (ii) 1 member appointed by, and serving at the pleasure of, the
17 senate majority leader.

18 (iii) 1 member appointed by, and serving at the pleasure of, the
19 speaker of the house of representatives.

20 (c) The following members serving by virtue of their position:

21 (i) The state employer or his or her designee.

22 (ii) The state budget director or his or her designee.

23 Sec. 4. (1) The members first appointed to the board shall be
24 appointed within 30 days after the effective date of this act.

25 (2) Appointed members of the board shall serve for terms of 4
26 years or until a successor is appointed, whichever is later, except
27 that of the members first appointed, 1 member appointed under

1 section 3(2)(a)(i), 1 member appointed under section 3(2)(a)(iii),
2 and 1 member appointed under section 3(2)(b)(iii) shall serve 2-year
3 terms and 1 member appointed under section 3(2)(a)(i), 1 member
4 appointed under section 3(2)(a)(ii), 1 member appointed under
5 section 3(2)(a)(iii), and 1 member appointed under section 3(2)(b)(ii)
6 shall serve 3-year terms.

7 (3) If a vacancy occurs on the board, an appointment for the
8 unexpired term of an appointed member shall be made in the same
9 manner as the original appointment.

10 (4) The governor may remove a member of the board appointed by
11 the governor for incompetence, dereliction of duty, malfeasance,
12 misfeasance, or nonfeasance in office, or any other good cause.

13 Sec. 5. (1) The first meeting of the board shall be called by
14 the state employer within 30 days after the members are appointed.
15 The state employer shall serve as chairperson. After the first
16 meeting, the board shall meet at least monthly. The board may meet
17 more frequently, at the call of the chairperson or if requested by
18 a majority of the board's members.

19 (2) A majority of the members of the board constitute a quorum
20 for the transaction of business at a meeting of the board. A
21 majority of the members serving are required for official action of
22 the board.

23 Sec. 6. Members of the board shall serve without compensation
24 for their service on the board. However, members of the board may
25 be reimbursed for their actual and necessary expenses incurred in
26 the performance of their official duties as members of the board.

27 Sec. 7. The board shall have the following duties:

1 (a) Review recommendations of the office of state employer as
2 to health benefit plans and total premium cost for each plan to be
3 adopted as part of the MI health benefits program to be offered for
4 public employees or other beneficiaries.

5 (b) Adopt or reject the recommendations of the office of state
6 employer based on the criteria listed in sections 8 and 12.

7 (c) Issue directions to the office of state employer as to
8 changes to be researched, developed, included, and resubmitted for
9 any rejected recommendation.

10 (d) Assess the financial stability of the benefit plans
11 proposed for adoption as parts of the MI health benefits program.

12 (e) Assess the financial stability of the MI health benefits
13 program not less than annually after adoption and implementation.

14 (f) Determine whether the purchase of reinsurance for the MI
15 health benefits program is in the state's best interest.

16 (g) Include in its evaluation of the recommendations of the
17 office of state employer, the additional value of contracting with
18 Michigan-based businesses to implement the program.

19 (h) Develop methods to extend the option to participate in the
20 MI health benefits program to the private sector.

21 Sec. 8. The board shall accept or reject the health benefit
22 plans recommended by the office of state employer using the
23 following criteria:

24 (a) Quality, efficiency, and effectiveness in improving the
25 health of public employees.

26 (b) Financial stability.

27 Sec. 9. The board shall consider the cost of health benefit

1 plans provided to public sector employees in similar states using
2 available data, such as the medical expenditure panel survey
3 published by the agency for health care research and quality, and
4 other sources of data when approving the total premium cost of each
5 health benefit plan and the expected average premium cost for all
6 health benefit plans that are offered as part of the program.

7 Sec. 10. The office of state employer shall have the following
8 general powers, duties, and responsibilities:

9 (a) Administration of the MI health benefits program.

10 (b) Communicating with and educating public employees
11 concerning the MI health benefits program.

12 (c) Managing relationships with health benefit plans and
13 health care providers.

14 (d) Supporting and participating in public forums focused on
15 health care reform.

16 (e) Other duties granted by law.

17 Sec. 11. The office of state employer shall have the following
18 duties in developing recommendations for the MI health benefits
19 program:

20 (a) Analyze current public employee health benefit plans in
21 this state to determine the types and levels of health coverage
22 provided.

23 (b) Review data on public employee health benefit plans in
24 other states.

25 (c) Develop an array of health benefit plan options with
26 different levels of health care coverage and health benefits
27 adapted to the interests of various classes of public employees.

1 The plans and plan options shall comply with applicable federal
2 standards and may include a variety of structures and benefits,
3 including, but not limited to, offering benefits through preferred
4 provider organizations, health maintenance organizations, high-
5 deductible plan options combined with health savings accounts,
6 self-insurance, and plan options that are tailored to address
7 groupings of geographic needs or categories of employee risk or
8 need.

9 (d) Negotiate with appropriate parties to develop health
10 benefit plan recommendations.

11 (e) Set standards and issue requests for proposals to develop
12 health benefit plan recommendations.

13 (f) Periodically review and update recommended plans as
14 necessary.

15 Sec. 12. The office of state employer shall consider in
16 developing, and health benefit plans recommended to the board shall
17 include, all of the following:

18 (a) Maximizing cost containment while ensuring access to
19 quality health care.

20 (b) Wellness, chronic disease management, and prevention
21 incentives, such as smoking cessation, injury and accident
22 prevention, reduction of alcohol misuse or abuse, weight
23 management, exercise, automobile and motorcycle safety, blood
24 cholesterol management, nutrition education, and other methods that
25 focus on strategies to improve health and meet the needs of the
26 covered populations.

27 (c) Utilization review procedures.

1 (d) Evidence-based care and best practices.

2 (e) Use of clinical advocates to review diagnosis and care and
3 to promote correct treatment.

4 (f) Coordination of benefits.

5 (g) Minimum standards for insuring entities.

6 (h) Minimum scope and content of health benefit plans offered
7 to program participants.

8 (i) Incentives to engage in value-based health care
9 utilization.

10 (j) Methods of chronic care management that improve
11 coordination of care and identify employees best served through use
12 of a chronic care model that uses predictive modeling based on
13 claims or other health risk information.

14 (k) Cost considerations set forth in section 9.

15 (l) Any other factors the office of state employer considers
16 appropriate.

17 Sec. 13. The office of state employer shall have the following
18 powers in administering the MI health benefits program:

19 (a) Authority to negotiate and enter into contracts with
20 insurance carriers, health maintenance organizations, preferred
21 provider organizations, third party administrators, or any other
22 entity as necessary to implement the MI health benefits program.

23 (b) Authority to contract externally for services related to
24 administration and operation of the MI health benefits program.

25 (c) Authority to hire an executive director and staff and to
26 incur expenses necessary to administer the program.

27 (d) Authority to include the additional value of contracting

1 with Michigan-based businesses in evaluating the best interests of
2 the state in the award of contracts.

3 Sec. 14. The board and the office of the state employer, using
4 evidence-based medical principles to develop common performance
5 measures, may include provisions for financial incentives in the MI
6 health benefits program that do the following:

7 (a) Reward improvements in health outcomes for individuals
8 with chronic diseases, increased utilization of appropriate
9 preventive health services, or reductions in medical errors.

10 (b) Increase the adoption of and use of information technology
11 that contributes to improved health outcomes, better coordination
12 of care, or decreased medical errors.

13 (c) Through purchasing, reimbursement, or pilot program
14 strategies, promote and increase the adoption of health information
15 technology systems such as electronic medical records, electronic
16 prescribing, and integrated delivery systems, that do any of the
17 following:

18 (i) Facilitate diagnosis or treatment.

19 (ii) Reduce unnecessary duplication of medical tests.

20 (iii) Promote efficient electronic physician order entry.

21 (iv) Increase access to health information for patients and
22 their health care providers.

23 (v) Improve health outcomes.

24 (vi) Reward or encourage review of diagnosis and care by
25 clinical advocates to ensure appropriate treatment.

26 (vii) Reward employee participation in wellness or disease
27 management programs and regular preventive care.

1 Sec. 15. The office of state employer shall have the following
2 continuing duties:

3 (a) Periodically conduct an internal review of each health
4 benefit plan and entire program efficiency and effectiveness.

5 (b) Perform audits of any participating public employer, as
6 needed.

7 (c) Report annually to the board regarding its activities
8 under this act and make the report available to the public on the
9 internet.

10 (d) Maintain a website with information concerning meetings
11 and other information useful to the public concerning the
12 activities of the office of state employer in developing and
13 implementing the MI health benefits program.

14 (e) Employ other techniques to ensure that the program is
15 administered efficiently and cost-effectively, such as coordination
16 of benefits and dependent eligibility audits.

17 Sec. 16. The board shall make the MI health benefits program
18 available to public employers. Except as provided in section 17, a
19 public employer that offers a health benefits plan or health care
20 coverage to its employees shall offer benefits through
21 participation in the MI health benefits program. The MI health
22 benefits program shall not restrict the right of the public
23 employer to select, subject to collective bargaining, any of the
24 following aspects of the MI health benefits program:

25 (a) Which of the health benefit plans in the program that the
26 public employer will offer.

27 (b) The share of the cost of the health benefit plan that will

1 be allocated to the employer or the employee.

2 (c) Which of the employer's employees are eligible to receive
3 health benefits under the program.

4 Sec. 17. A public employer may offer its employees a health
5 benefit plan that is not part of the program in any of the
6 following circumstances:

7 (a) The health benefits are required under a contract in
8 effect on January 1, 2010. This exception expires with the
9 expiration of the contract and does not apply to a contract entered
10 into, revised, or renewed after January 1, 2010.

11 (b) If the public employer presents sufficient evidence to the
12 board that it can provide comparable benefits to its employees at a
13 lower cost, as determined under standards established by the board
14 under section 19. The public employer shall apply to the board for
15 approval to opt out at least 9 months before the expiration of the
16 current health benefit contract. The board shall apply the
17 standards and notify the public employer within 90 days as to the
18 approval or denial of the application.

19 Sec. 18. (1) The MI health benefits fund is created in the
20 state treasury and is held in trust to support the contractual
21 obligation for health benefits for the employees of the employers
22 participating in the MI health benefits program.

23 (2) The state treasurer may receive money or other assets from
24 any source for deposit into the fund. The state treasurer shall
25 direct the investment of the fund. The state treasurer shall credit
26 to the fund interest and earnings from fund investments.

27 (3) Money collected for expenses of the MI health benefits

1 program shall be deposited in the fund.

2 (4) Money in the fund is continuously appropriated and may be
3 expended upon authorization of the office of the state employer
4 only for purposes of the MI health benefits program.

5 (5) Money in the fund at the close of the fiscal year shall
6 remain in the fund and shall not lapse to the general fund.

7 (6) The office of the state employer shall be the
8 administrator of the fund for auditing purposes.

9 Sec. 19. (1) The board shall establish standards to assess
10 whether a public employer who seeks to opt out of participation in
11 the MI health benefits program is able to offer health benefits
12 comparable to those available under the MI health benefits program
13 at a cost that is at least 5% lower, so as to be eligible to opt
14 out of participation in the MI health benefits program. The
15 standards shall include factors such as the total premium, weighted
16 averages for multiple plan options, and out-of-pocket expenses, and
17 additional costs such as administrative fees in making the
18 comparison of benefits and costs and shall make the comparison over
19 a minimum of 3 years.

20 (2) The board shall require that a public employer provide an
21 actuarial study to support the request to opt out of the program.

22 (3) The board may require minimum participation periods and
23 minimum opt-out periods as necessary to support the financial
24 stability and viability of the MI health benefits program.

25 (4) The board may authorize exceptions to the minimum
26 participation or opt-out periods only in financially exigent
27 circumstances.

1 Sec. 20. The costs of offering health benefit plans and
2 administering the MI health benefits program shall be fully
3 supported by allocating program costs and assessing the
4 participating public employers and private sector participants, and
5 those entities shall be responsible for remitting any employee
6 share of the costs.

7 Sec. 21. (1) Beginning January 1, 2010 and subject to this
8 section and section 17, the board of a public employee or officer
9 retirement system shall offer only a health benefit plan that is
10 part of the MI health benefits program to public employees eligible
11 for retirement health benefits under the following acts:

12 (a) The state employees' retirement act, 1943 PA 240, MCL 38.1
13 to 38.69.

14 (b) The public school employees retirement act of 1979, 1980
15 PA 300, MCL 38.1301 to 38.1408.

16 (c) The Michigan legislative retirement system act, 1957 PA
17 261, MCL 38.1001 to 38.1080.

18 (d) The judges retirement act of 1992, 1992 PA 234, MCL
19 38.2101 to 38.2670.

20 (e) The state police retirement act of 1986, 1986 PA 182, MCL
21 38.1601 to 38.1648.

22 (f) The fire fighters and police officers retirement act, 1937
23 PA 345, MCL 38.551 to 38.562.

24 (g) The municipal employees retirement act of 1984, 1984 PA
25 427, MCL 38.1501 to 38.1555.

26 (h) 1851 PA 156, MCL 46.1 to 46.32.

27 (i) The Michigan military act, 1967 PA 150, MCL 32.501 to

1 32.851.

2 (j) 1927 PA 339, MCL 38.701 to 38.706.

3 (2) Beginning January 1, 2010 and subject to this section and
4 section 17, the administrator of a public employee or officer
5 retirement system shall offer only a health benefit plan that is
6 part of the MI health benefits program to any other public employee
7 or officer who receives retirement health benefits as a result of
8 service with a public employer.

9 (3) If a collective bargaining agreement or other binding
10 agreement, such as an agreement specifying a vesting schedule, that
11 affects a health benefit plan is in effect on January 1, 2010, the
12 retirement health benefits shall be administered in accordance with
13 the terms of the collective bargaining agreement or other binding
14 agreement until the agreement expires or is renegotiated.

15 (4) This act does not modify terms relating to retiree health
16 benefits in contractual agreements under which a public employee
17 retired before the effective date of this act.

18 Enacting section 1. (1) The public employees health benefit
19 act, 2007 PA 106, MCL 124.71 to 124.85, is repealed.

20 (2) Sections 506a, 527a, 633, 1255, and 1311m of the revised
21 school code, 1976 PA 451, MCL 380.506a, 380.527a, 380.633,
22 380.1255, and 380.1311m, are repealed.