

# Legislative Analysis



## CLARIFY PUBLIC EMPLOYEE HEALTH INSURANCE LAW

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**Senate Bill 541 (H-1) as reported from House Committee**

**Sponsor: Sen. David B. Robertson**

**Senate Bill 542 (H-1) as reported from House Committee**

**Sponsor: Sen. Bruce Caswell**

**Senate Bill 543 (H-1) as reported from House Committee**

**Sponsor: Sen. Mike Nofs**

**Senate Bill 544 as passed by the Senate 10/8/13**

**Sponsor: Sen. Tom Casperson**

**Senate Bill 545 as passed by the Senate 10/8/13**

**Sponsor: Sen. Mark Jansen**

**House Committee: Financial Liability Reform**

**Senate Committee: Reforms, Restructuring and Reinventing**

**Complete to 12/9/13**

### **A SUMMARY OF THE BILLS:**

Senate Bills 541-545 would enact largely clarifying amendments to the Publicly Funded Health Insurance Contribution Act (HICA, 2011 PA 152, MCL 15.561 to 15.569), which established limits on employer contributions to public employee health care coverage. Most of the bills include enacting sections that explicitly state that certain changes being made constitute clarifications of original legislative intent, and that the amendments are curative and apply retroactively. However, SB 542 also would increase the dollar-amount cap on employer contributions to individual-and-spouse coverage from \$11,000 to \$12,250 for coverage years commencing during calendar year 2014, a figure that would be annually adjusted based on the medical U.S. Consumer Price Index (CPI).

#### **Senate Bill 541 (H-1)**

Senate Bill 541 would clarify that the term "medical benefit plan" does not include employer contributions to a retirement health care savings account. It also would add definitions for:

- "Medical benefit plan coverage year," which would be "the 12-month period after the effective date of the contractual or self-insured medical coverage plan that a public employer provides to its employees or public officials."
- "Medical benefit plan costs," which would include HICA assessments, insurance commissions, and fees under the federal Patient Protection and Affordable Care Act (ACA), but explicitly exclude payments in lieu of medical benefit plan coverage.

### **Senate Bill 542 (H-1)**

Current law allows public employers to opt between a dollar-limit or a percentage-based cap on spending on employee health insurance. The dollar-limit cap is based on the sum of various coverage-specific incremental caps times the numbers of employees with each type of coverage. Specifically, the dollar-limit cap is the sum of \$5,500 times the number of employees with single-person coverage plus \$11,000 times the number of employees with individual-and-spouse coverage plus \$15,000 times the number of employees with family coverage. Alternatively, a public employer can opt for a percentage-based cap that limits the employer share to 80% of total annual costs.

Senate Bill 542 pertains to the dollar-limit cap option and would increase the cap pertaining to individual-and-spouse coverage from \$11,000 to \$12,250 for coverage years commencing during calendar year 2014, a figure that would be annually adjusted based on changes in the medical CPI.

The bill also would include elected public officials among the numbers of employees in the dollar-cap formula.

Additionally, the bill would clarify that:

- "Family coverage" includes coverage for an individual plus one nonspouse dependent.
- Employees and elected officials who decline medical benefits do not count for purposes of calculating a public employer's maximum total annual medical benefit plan costs.

### **Senate Bill 543 (H-1)**

Senate Bill 543 pertains to the 80/20 percentage-based option. For public employers other than the state, the choice has to be supported by a majority vote of the local governing body. The bill would specify that the vote occur annually prior to the beginning of the medical benefit plan coverage year.

### **Senate Bill 544 as passed by the Senate**

Senate Bill 544 would clarify that the effective date of the act (which was September 27, 2011) is the date on or after which a new collective bargaining agreement must comply with the act.

### **Senate Bill 545 as passed by the Senate**

The law generally allows a local unit of government to exempt itself from the act by a 2/3 vote of its governing body each year. The bill would specify that the vote occur prior to the beginning of the medical benefit plan coverage year.

**FISCAL IMPACT:**

Senate Bill 542 would re-set the cap on individual-and-spouse coverage in the formula for the dollar-based limit, establishing it at \$12,250 commencing January 1, 2014, which would be annually adjusted thereafter according to current law using the medical U.S. consumer price index.

Senate Bills 541, 543, 544, and 545 would have no significant fiscal impact on the State or local units of government, except to the extent that failure to enact the various clarifications led to contrary interpretations and implementation of the act.

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