

# Legislative Analysis



## CLARIFY PUBLIC HEALTH INSURANCE LAW

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**Senate Bill 541 as passed by the Senate**  
**Sponsor: Sen. David B. Robertson**

**Senate Bill 542 as passed by the Senate**  
**Sponsor: Sen. Bruce Caswell**

**Senate Bill 543 as passed by the Senate**  
**Sponsor: Sen. Mike Nofs**

**Senate Bill 544 as passed by the Senate**  
**Sponsor: Sen. Tom Casperson**

**Senate Bill 545 as passed by the Senate**  
**Sponsor: Sen. Mark Jansen**

**House Committee: Financial Liability Reform**  
**Senate Committee: Reforms, Restructuring and Reinventing**

**Complete to 10/16/13**

### **A SUMMARY OF THE BILLS AS PASSED BY THE SENATE 10/8/13**

Senate Bills 541-545 would enact largely clarifying amendments to the Publicly Funded Health Insurance Contribution Act (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 \$13,455 for coverage years commencing during calendar year 2013, a figure that would be annually adjusted based on the medical U.S. Consumer Price Index (CPI).

#### **Senate Bill 541**

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 a definition 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."

#### **Senate Bill 542**

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 would increase the cap pertaining to individual-and-spouse coverage from \$11,000 to \$13,455 for coverage years commencing during calendar year 2013, 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.
- Maximum allowable employer costs excludes costs that would otherwise be associated with employees who decline the coverage.
- Total annual costs of a public employer's medical benefit plans do not include payments in lieu of medical benefit plan coverage, amounts that the employer pays for an assessment levied under the Health Insurance Claims Assessment Act (2011 PA 142, MCL 550.1731 to 550.1741), or amounts that the employer pays as a fee or tax under the federal Patient Protection and Affordable Care Act.

### **Senate Bill 543**

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 2/3 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.

The bill also would clarify that the total annual costs of a public employer's medical benefit plans do not include any of the following:

- Payments in lieu of medical benefit plan coverage.
- Amounts that the employer pays for an assessment levied under the Health Insurance Claims Assessment Act (2011 PA 142, MCL 550.1731 to 550.1741).
- Amounts that the employer pays as a fee or tax under the federal Patient Protection and Affordable Care Act.

### **Senate Bill 544**

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**

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 increases the cap on individual-and-spouse coverage in the formula for the dollar-based limit, and thereby increases the total dollar amount that a public employer may spend under this option by up to \$2,455 per employee with this type of coverage. Under current State employee contracts, the State's share of employee health care is limited to 80% of health coverage costs. However, if the State was instead utilizing the dollar-based option, it could incur increased costs of up to \$2,455 for each of the roughly 7,800 state employees (about 17% of those with state-sponsored medical care) with individual-and-spouse coverage.

Similarly, non-state public employers who utilized the dollar-based formula could incur increased costs of \$2,455 per employee with individual-and-spouse coverage, but there are no data to indicate the extent to which this would occur.

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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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.