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BILL



ANALYSIS

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Senate Bill 395 (as introduced 5-28-13)
Sponsor: Senator Bruce Caswell
Committee: Reforms, Restructuring and Reinventing

Date Completed: 5-28-13

CONTENT

The bill would amend the Publicly Funded Health Insurance Contribution Act (which limits the amount State and local employers may contribute toward employees' medical benefit plans) to do the following:

- **Exclude payments to an employee in lieu of medical coverage, and amounts paid for health insurance claims assessments, from the dollar and percentage limits on a public employer's total contributions.**
- **Specify that "medical benefit plan" would not include a public employer's contributions to a fund used solely for health care benefits available to public employees or elected officials only upon retirement or separation.**
- **For purposes of the dollar-amount limit based on the number of employees receiving coverage, include individual-plus-1-nonspouse-dependent coverage in family coverage, and increase the multiplier for individual-and-spouse coverage from \$11,000 to \$13,455.**
- **Require an annual election before the start of a medical benefit plan coverage year, for a public employer to choose an 80% limit on its contributions, rather than the dollar-amount limit.**
- **Require a local unit's vote on opting out of the Act to be held before the beginning of the medical benefit plan coverage year.**

The bill states, "The changes in this amendatory act to sections 3 and 4 clarify the original intent of the legislature that payments to employees in lieu of medical benefit plan coverage are not included in the costs of a public employer's medical benefit plan, and those changes shall be applied retroactively."

Dollar Limit on Contributions

Under Section 3, except as otherwise provided by the Act, if a public employer offers or contributes to a medical benefit plan for its employees or elected public officials, the public employer is subject to a limit on the total dollar amount it may pay toward the annual costs or illustrative rate and any payments for reimbursement of co-pays, deductibles, or payments into health savings accounts, flexible spending accounts, or similar accounts used for health care costs.

For a medical benefit plan coverage year beginning on or after January 1, 2012, the limit is the sum of the following (subject to annual adjustments based on the medical care component of the U.S. consumer price index):

- \$5,500 times the number of employees with single-person coverage.

- \$11,000 times the number of employees with individual-and-spouse coverage.
- \$15,000 times the number of employees with family coverage.

The bill states that the family coverage would include individual-plus-1-nonspouse-dependent coverage.

For a medical benefit plan coverage year beginning on or after the bill's effective date, the multiplier would be \$13,455 for employees with individual-and-spouse coverage.

For purposes of calculating the limit on a public employer's total annual expenditures, the bill provides that "employee" would not include a public employee who declined the medical benefit plan offered or contributed to by the public employer.

Optional 80/20 Limit

Section 4 allows a public employer to elect to comply with a percentage limit on its medical benefit plan contributions, instead of complying with the requirements in Section 3, for a medical benefit plan coverage year. (Although this applies to a public employer other than the State, the designated State official for employees of the judicial branch, Senate, House, Legislative Council, State classified service, or executive branch, may elect to comply with Section 4 instead of Section 3 as to medical benefit plans for State employees and officers.) Under Section 4, a public employer may not pay more than 80% of the total annual costs of all of the medical benefit plans it offers or contributes to for its employees and elected public officials.

The Act requires a vote of the public employer's governing body for this election. The bill would require a vote each year before the beginning of the medical benefit plan coverage year.

Exclusions from the Total

In Section 3, the bill provides that a public employer's total annual costs of its medical benefit plan would not include either of the following:

- A payment of the public employer to an employee in lieu of medical benefit plan coverage.
- Any amount that the public employer paid directly or indirectly for the assessment levied under the Health Insurance Claims Assessment Act.

For the purposes of Section 4, the total annual costs of all of the medical benefit plans a public employer offered or contributed to for its employees and public officials and the employer's share of those costs would not include the payment or amount described above.

Medical Benefit Plan Exclusion

Currently, the term "medical benefit plan" does not include benefits provided to individuals retired from a public employer. The bill also would exclude a public employer's contributions to a fund used for the sole purpose of funding health care benefits available to public employees or elected public officials only upon retirement or separation from service.

Local Unit Exemption

The Act allows a local unit of government, by a two-thirds vote of its governing body each year, to exempt itself from the requirements of the Act for the next year. The bill would refer to the next medical benefit plan coverage year, and would require the vote before the beginning of that year.

A two-thirds vote of a local unit's governing body also is required to extend this exemption to a new year. The bill would require a two-thirds vote before the beginning of each succeeding medical benefit plan coverage year.

Collective Bargaining Agreement

Under the Act, if a collective bargaining agreement or other contract that was inconsistent with Sections 3 and 4 was in effect for a group of employees of a public employer on the Act's effective date, the requirements of those sections do not apply to that group of employees until the contract expires.

The bill would refer to one or more employees, and an employee covered by the contract, rather than a group of employees.

MCL 15.562

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Based on 2011 data, there are an estimated 49,500 employees enrolled in a State health plan. Of that number, an estimated 7,900 employees are enrolled in an individual-and-spouse health care plan. The bill would increase the cap on the State's portion for those individuals enrolled in an individual-and-spouse plan from the current \$11,000 annually to \$13,455 annually. Although the State's currently negotiated contracts require the State to pay up to a maximum of 20% of an employee's health care costs instead of the capped dollar amount, if the State and employee unions negotiate to pay the capped dollar amount in the future, the State would incur higher costs.

Using the estimated figure of 7,900 employees currently enrolled in an individual-and-spouse plan, the proposed change would increase the State's contribution by \$2,455 per employee or a total of \$19.4 million annually. For the State, the GF/GP cost is estimated at 53% of the gross cost, or \$10.3 million annually.

Comprehensive data do not exist to accurately calculate the potential cost to local government, school districts, and public higher education employers from this bill. However, for a unit of government that has chosen to pay the capped dollar amount instead of the 80% of premium cap, the bill would increase the costs for the public employer by \$2,455 per employee enrolled in an individual-and-spouse plan.

Additionally, the proposed change to exclude payments to an employee in lieu of medical coverage from the dollar and percentage limits on a public employer's total contributions could result in a higher amount paid by the employer. The exclusion of these payments from the employer's dollar and percentage limits could result in the employer having to pay a higher amount for health care coverage for its employees. The amount of these higher payments is indeterminate and dependent on the number of affected employees and the amount of the payments in lieu of medical benefits.

Fiscal Analyst: Joe Carrasco

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.