



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bills 541 through 545 (as reported without amendment)

Sponsor: Senator Dave Robertson (S.B. 541)

Senator Bruce Caswell (S.B. 542)

Senator Mike Nofs (S.B. 543)

Senator Tom Casperson (S.B. 544)

Senator Mark C. Jansen (S.B. 545)

Committee: Reforms, Restructuring and Reinventing

CONTENT

The bills 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 modify the requirements for public employer-funded health care benefit plans.

Except for Senate Bill 545, each bill states that it "clarifies the original intent of the legislature", and "is curative and applies retroactively".

Senate Bill 541 would amend the definition of "medical benefit plan", which currently excludes 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.

Senate Bill 542 would amend the requirements regarding the cap on the dollar limit that a public employer may pay toward health care costs. The bill would:

- Increase the multiplier used to calculate the cap on the total dollar amount that a public employer may pay toward health care costs for individual-and-spouse coverage.
- Include individual-plus-one-nonspouse-dependent coverage within family coverage for cap calculation purposes.
- Include elected officials in calculation of the cap.
- Exclude from calculation of the cap employees or elected officials who declined coverage.

Currently, except as otherwise provided, if a public employer offers or contributes to a medical benefit plan for its employees or elected public officials, the public employer generally is subject to a limit on the total dollar amount it may pay toward employee health care costs. The limit is based on a calculation of the number of employees and a specific dollar multiplier. Under the bill, for a medical benefit plan coverage year beginning during 2013, the multiplier would be increased from \$11,000 (adjusted for inflation) to \$13,455 for employees with individual-and-spouse coverage.

Additionally, the bill provides that a public employer's total annual costs of all medical benefit plans it offered or contributed to for its employees and elected officials would not

include a payment of the public employer to an employee or elected official in lieu of medical benefit plan coverage, or any amount that the employer paid directly or indirectly for the assessment levied under the Health Insurance Claims Assessment (HICA) Act.

Senate Bill 543 would amend provisions that allow a public employer to opt for a percentage limit on its medical plan contributions, instead of complying with the dollar amount limits, for a medical benefit plan coverage year. Under this option, 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.

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

For purposes of the percentage limit, a public employer's total annual costs of its medical benefit plan would not include a payment by the employer to an employee or elected public official in lieu of medical benefit plan coverage, or any amount that the employer paid directly or indirectly for the assessment levied under the HICA Act.

Senate Bill 544 would require any contracts or other agreements in effect on September 27, 2011, to conform to contribution limits under the Publicly Funded Health Insurance Contribution Act. Currently, this applies to agreements in effect on September 15, 2011.

Under the Act, if a collective bargaining agreement or other contract that was inconsistent with the dollar amount or percentage limits was in effect for a group of employees of a public employer on the Act's effective date, the limits 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.

Senate Bill 545 would modify a provision that allows a local unit of government to exempt itself from the Act's requirements by a two-thirds vote of its governing body each year, and requires a two-thirds vote to extend an exemption to a new year. The bill would require an exemption or extension vote to take place before the beginning of the medical benefit plan coverage year.

MCL 15.562 (S.B. 541)
15.563 (S.B. 542)
15.564 (S.B. 543)
15.565 (S.B. 544)
15.568 (S.B. 545)

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

Senate Bill 541: The bill would have no fiscal impact on State or local government.

Senate Bill 542: 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.

Senate Bill 543: 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.

Senate Bills 544 & 545: The bills would have no fiscal impact on State or local government.

Date Completed: 10-2-13

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.