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BILL



ANALYSIS

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Senate Bills 541 through 545 (as introduced 9-25-13)

Sponsors: 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

Date Completed: 10-1-13

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.

Senate Bill 541 would amend the definition of "medical benefit plan" to exclude plans that are available 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 multipliers used to calculate the cap on the total dollar amount that a public employer may pay toward health care costs.**
- Include individual-plus-one-nonspouse-dependent coverage within family coverage for cap calculation purposes.**
- Exempt certain employer payments from cap calculations.**
- Exclude employees who declined coverage from cap calculations.**

Senate Bill 543 would amend requirements that allow a public employer to opt for a percentage limit on its medical plan contributions. The bill would require a majority vote of the governing body before the beginning of the medical plan coverage year.

Senate Bill 544 would require any contracts or other agreements in effect on September 27, 2011, to conform to contribution limits under the Act.

Senate Bill 545 would modify a provision that allows a local unit of government to exempt itself from the Act's requirements, and require that a vote of the governing board take place before the beginning of the medical benefit plan coverage year.

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

Section 2 of the Act defines "medical benefit plan" and states that the term 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.

The bill states, "This amendatory act clarifies the original intent of the legislature that the costs of a public employer's medical benefit plan do not include the public employer's contributions to a health care fund for benefits that are available to an employee or elected official only upon retirement or separation from service. This amendatory act is curative and applies retroactively."

Senate Bill 542

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.

Under the bill, family coverage would include individual-plus-one-nonspouse-dependent coverage. Elected officials would be included in calculations for the maximum amount a public employer can contribute to a medical benefit plan, which currently refer only to the number of employees.

For a medical benefit plan coverage year beginning during 2013, 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 or elected public official" would not include a public employee or elected official who declined the medical benefit plan offered or contributed to by the public employer.

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 either of the following:

- A payment of the public employer to an employee or elected official 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.

The bill states that it "clarifies the original intent of the legislature that the term 'family coverage' includes individual-plus-1-nonspouse-dependent coverage; that a public employee or elected official who declines the public employer's medical benefit plan

coverage is not an employee or elected public official for purposes of calculating the public employer's maximum total annual medical benefit plan costs; and that a public employer's medical benefit plan costs do not include payments to employees in lieu of medical benefit plan coverage or assessments levied pursuant to the health insurance claims assessment act...". The bill also states, "These amendments are curative and apply retroactively."

Senate Bill 543

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.

The bill provides that, for purposes of Section 4, a public employer's total annual costs of its medical benefit plan would not include either of the following:

- A payment by the public employer to an employee or elected public official 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.

The bill states, "This amendatory act clarifies the original intent of the legislature that a public employer's medical benefit plan costs do not include payments to employees in lieu of medical benefit plan coverage or assessments levied pursuant to the health insurance claims assessment act... This amendatory act is curative and applies retroactively."

Senate Bill 544

Under Section 5, 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 effective date of the Publicly Funded Health Insurance Contribution Act, 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.

Any agreements executed after September 15, 2011, may not include terms that are inconsistent with the requirements of Sections 3 and 4. The bill would change this date to September 27, 2011.

The bill states, "This amendatory act clarifies the original intent of the legislature that September 27, 2011 is the date on and after which a new contract must comply with this act. This amendatory act is curative and applies retroactively."

Senate Bill 545

Section 8 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. Section 8 also 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)
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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 and 545

The bills would have no fiscal impact on State or local government.

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.