# Legislative Analysis

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## MUNICIPAL HEALTH CORPORATION RESTRUCTURING AS A NONPROFIT CORPORATION

**Senate Bill 644 as passed by the Senate w/o amendment**
**Sponsor: Sen. Jim Stamas**
**House Committee: Health Policy**
**Senate Committee: Health Policy**
**Complete to 2-11-16**

## SUMMARY:

Senate Bill 644 would amend the Municipal Health Facilities Corporations Act (MHFCA) by adjusting the population requirements and extending the deadline for a municipal health facilities corporation to be restructured as a nonprofit corporation. (MCL 331.1305a)

As passed by the Senate, this bill is identical to House Bill 5138, which was reported out of the Health Policy Committee without amendment on February 2, 2016.

Current law states that a board of trustees or subsidiary board may restructure a corporation as a nonprofit corporation when a corporation or subsidiary corporation (1) is located in a county with a population between 40,000 and 44,000 as of the 2000 census, and (2) the restructuring is completed before July 1, 2012. This ability to restructure is also subject to any applicable licensing and regulatory requirements, the requirements of the Nonprofit Corporation Act, and the requirements listed elsewhere in Section 305a of the MHFCA.

The population requirements in current law (at MCL 331.1305a) apply only to the counties of Gratiot (population 42,285) and Mecosta (40,553), based on their population in the 2000 census, and the current restructuring provisions were put in the act by Public Act 331 of 2010 to allow for the merger of Spectrum Health and Mecosta County Medical Center.

Senate Bill 644 would amend the population numbers to apply to corporations and subsidiary corporations in counties with a population between 26,000 and 30,000 as of the 2010 census. Additionally, the restructuring would need to be completed by June 30, 2017.

The new population figures in the bill would apply to the following counties, based on their population in the 2010 census: Alpena (population 29,598), Cheboygan (26,152), Dickinson (26,168), Mason (28,705), and Oceana (26,570).[1] The bill is understood to be aimed at facilitating a partnership between Alpena Regional Medical Center and MidMichigan Health. It would allow the ARMC board to convert the community-owned hospital into a nonprofit organization, which would enable ARMC to pursue an agreement with MidMichigan Health. The two organizations signed an agreement on January 27, 2016 for ARMC to join the MidMichigan system once this legislation takes effect and ARMC makes the necessary conversion.

[1] 2000 and 2010 Census Data for Michigan. http://www.michigan.gov/cgi/0,4548,7-158-54534-252541--,00.html

**FISCAL IMPACT:**

Senate Bill 644 could either have a negligible fiscal impact on the state or could increase state costs up to $1.5 million GF/GP. The Department of Health and Human Services has partnerships with publicly owned or operated hospitals known as Certified Public Expenditures (CPE). The hospitals submit uncompensated care reports to DHHS, who then uses those reports to draw down federal Disproportionate Share Hospital (DSH) payments. Federal CPE DSH funds are then used to offset approximately $50.0 million GF/GP within the Medicaid program. If therefore, a publicly owned hospital chooses to restructure as a nonprofit corporation, then that hospital's uncompensated care can no longer be counted as CPE. The actual cost is unknown since all other DSH payments and Medicaid payments are counted prior to calculating CPE for each hospital.

The fiscal impact on local units of government is indeterminate as it depends on 1) the amount of funding the local unit provides to (or receives from) a municipal health facility that restructures as a nonprofit corporation and 2) what that local unit chooses to do with those funds.

Legislative Analyst: Jennifer McInerney
Fiscal Analyst: Kevin Koorstra