Legislative Analysis

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MUNICIPAL HEALTH CORPORATION RESTRUCTURING AS NONPROFIT CORPORATION

Senate Bill 450 (S-1) as passed by the Senate
Sponsor: Sen. Mike Shirkey
House Committee: Health Policy
Senate Committee: Michigan Competitiveness
Complete to 9-25-17

SUMMARY:

Senate Bill 450 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.

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 24,000 and 30,000 as of the 2010 census, and (2) the restructuring is completed before June 30, 2017. 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 current population requirements reflect changes made to the Act by Public Act 45 of 2016 (SB 644), which was adopted to allow for a partnership between Alpena Regional Medical Center and MidMichigan Health, as well as one between the West Shore Medical Center in Manistee and Munson Healthcare. Ultimately, Dickinson County Healthcare System also fell within the population limits, and its county board approved plans to restructure on June 27, 2017.

Senate Bill 450 would amend the population numbers to apply to corporations and subsidiary corporations in counties with a population between 45,000 and 60,000 as of the most recent decennial census. This would include the following counties: Barry (population 59,173), Branch (45,248), Cass (52,293), Hillsdale (46,688), Newaygo (48,460), and Tuscola (55,729).[1] **The new population span would allow the Branch County Community Health Center to restructure as a nonprofit corporation so that it could be purchased by ProMedica Health Systems of Toledo.**

Additionally under the bill, the restructuring would need to be completed by June 30, 2018.

FISCAL IMPACT:

Senate Bill 450 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

[1] According to the 2010 decennial census: https://www.census.gov/prod/cen2010/cph-2-24.pdf (pgs. 36-37)

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 $45.0 million GF/GP within the Medicaid program. Therefore, if 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 other 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 (2) the amount of funding received as part of the sale to a nonprofit corporation, and (3) what that local unit chooses to do with those funds.

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