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BILL



ANALYSIS

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Senate Bill 450 (as introduced 6-14-17)  
Sponsor: Senator Mike Shirkey  
Committee: Michigan Competitiveness

Date Completed: 6-19-17

### **CONTENT**

The bill would amend Section 305a of the Municipal Health Facilities Corporations Act to allow the board of trustees of a municipal health facilities corporation or a subsidiary board to restructure the corporation or subsidiary corporation as a nonprofit corporation subject to the Nonprofit Corporation Act if both of the following conditions were met:

- The corporation or subsidiary corporation was located in a county with a population of more than 45,000 and less than 60,000 as of the most recent decennial census.<sup>1</sup>
- The restructuring was completed before June 30, 2018.

The restructuring would have to comply with the requirements of Section 305a (described below), applicable licensing and other regulatory requirements, and the requirements of the Nonprofit Corporation Act.

The bill would take effect 90 days after enactment.

MCL 331.1305a

### **BACKGROUND**

The Municipal Health Facilities Corporations Act authorizes a county, city, or village to incorporate a public hospital or other health facility, whose property and income are exempt from State and local taxation. Public Act 331 of 2010 added Section 305a to the Act to allow a municipal health facilities corporation or subsidiary corporation to be restructured as a nonprofit corporation. When a restructuring takes effect, the restructured corporation or restructured subsidiary corporation is considered to be the same entity that existed before the restructuring, and has all of the liabilities of the restructuring corporation.

In order to restructure a municipal health facilities corporation or subsidiary corporation, the board of trustees or subsidiary board must adopt a plan that includes the terms and conditions of the restructuring, and the proposed articles of incorporation and bylaws that are to govern the restructured corporation. The articles and bylaws must comply with the Nonprofit Corporation Act. The restructuring of either a corporation or a subsidiary corporation must have the prior majority approval of the applicable local legislative body. The restructuring of a subsidiary corporation also requires prior approval of the parent company's board of trustees.

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<sup>1</sup> The counties that meet these population criteria are Barry, Branch, Cass, Hillsdale, Newago, and Tuscola, according to the 2010 United States census.

If the restructuring plan is approved, the corporation or subsidiary corporation must file the articles of incorporation with the Department of Licensing and Regulatory Affairs. The restructuring is effective on the effective date of the articles of incorporation under the Nonprofit Corporation Act.

Public Act 331 of 2010 allowed the restructuring of a municipal health facilities corporation in a county with a population of more than 40,000 and less than 44,000, if the restructuring was completed before July 1, 2012.

More recently, Public Act 45 of 2016 amended Section 305a to allow the restructuring of a corporation located in a county with a population of more than 24,000 and less than 30,000 as of the 2010 decennial census, if the restructuring is completed before June 30, 2017.

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The State, through its Medicaid program, achieves GF/GP savings through a program involving publicly owned hospitals, known as "certified public expenditures". These expenditures reflect uncompensated care provided by public hospitals. The State then receives reimbursement from the Federal government that equates to the Medicaid match that the State would have received had the uncompensated care been covered by Medicaid. The program leads to State savings of roughly \$54.0 million GF/GP each year. Conversion of a publicly owned hospital to nonprofit status would reduce the State's GF/GP savings from this program, proportional to the ratio of uncompensated care performed by the given hospital to uncompensated care performed by all public hospitals. Small public hospitals, such as those eligible for restructuring under the bill, represent only a few hundred thousand dollars of these savings.

Conversion of a public hospital owned by a city, county, or other local entity to nonprofit status would lead to local savings if the local government is subsidizing the hospital's operation or if the new owner paid off costs incurred by the local government.

Fiscal Analyst: Steve Angelotti

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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.