Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 513 (as reported without amendment)
Sponsor: Senator Ed McBroom
Committee: Health Policy

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 if the following conditions were met:

-- The corporation or subsidiary corporation was in a county with a population of more than 5,000 and less than 7,500 as of the most recent Federal decennial census.[1]
-- The restructuring was completed before June 30, 2025.

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

MCL 331.1305a — Legislative Analyst: Alex Krabill

BRIEF RATIONALE

According to testimony, Helen Newberry Joy Hospital in Luce County, MI is looking to expand its services and better react to potential business opportunities. The hospital originally organized under the Municipal Health Facilities Corporations Act. Reportedly, being organized under this Act presents challenges in responding to a rapidly changing healthcare landscape. The bill would allow Helen Newberry Joy Hospital to transition to a more traditional 501(c)(3) nonprofit hospital model, which could result in a more sustainable business model.

PREVIOUS LEGISLATION
(Please note: This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is a reintroduction of Senate Bill 1055 from the 2021-2022 Legislative Session. Senate Bill 1055 passed the Senate and was reported by the House Committee on Health Policy but received no further action.

FISCAL IMPACT

The State, through its Medicaid program, achieves General Fund/General Purpose (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

[1] The counties that meet these population criteria are Luce and Ontonagon, according to the 2020 United States Census.

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.

The bill could have a positive fiscal impact on the affected local government. 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 were subsidizing the hospital's operation or if the new owner paid off costs incurred by the local government.

Date Completed: 9-29-23

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