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BILL ANALYSIS

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Senate Bills 1129 and 1130 (Substitute S-3 as passed by the Senate)
Sponsor: Senator Kevin Hertel
Committee: Labor (discharged)

Date Completed: 12-23-24

CONTENT

Senate Bill 1129 (S-3) would amend the Publicly Funded Health Insurance Contribution Act to do the following:

-- **Require a public employer to pay at least 80% of the total annual costs of all medical benefit plans offered to its employees and elected officials, beginning January 1, 2025.**
-- **Specify that offers of medical benefit plans for employees based on Medicare or other Federal- or State-sponsored plans, and any Federal or State taxes could not be included in the calculation of an employer's total annual costs.**
-- **Specify that collective bargaining agreements or other contracts in effect on the bill's effective date would not have to comply with the bill's requirements until the contract's expiration, extension, or renewal.**

Senate Bill 1130 (S-3) would amend the Publicly Funded Health Insurance Contribution Act to do the following:

-- **Require a public employer to pay no more than the amounts specified by the bill toward an employee's or elected public official's health care costs account, beginning January 1, 2025.**
-- **Require the State Treasurer to increase annually the specific amounts.**
-- **Specify that collective bargaining agreements or other contracts in effect on the bill's effective date would not have to comply with the bill's requirements until the contract's expiration, extension, or renewal.**

The bills are tie-barred.

Senate Bill 1129 (S-3)

The Act prohibits public employers from paying more than specified amounts or percentages toward employees' medical benefit plans. A public employer may not pay more than either specific amounts described further in the summary for Senate Bill 1130 (S-3) or 80% of the total annual costs of all the medical benefit plans it offers.

For the 80% maximum, total annual costs include certain benefits, such as the premium or illustrative rate of the medical plan and all employer payments to reimburse co-pays, deductibles, and other medically-related costs, and do not include certain benefits, such as beneficiary-paid copayments, coinsurance, deductibles, and other out-of-pocket expenses. Under the bill, total annual costs also would not include any offers of medical benefit plans for employees based on Medicare or other Federal- or State-sponsored plans, and any Federal or State taxes.

In addition, beginning January 1, 2025, the bill would require a public employer to pay *at least* 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. If a collective bargaining agreement or other contract was inconsistent with this requirement and was in effect for one or more employees of a public employer on the bill's effective date, the requirement would not apply to an employee covered by that contract until the stated expiration date of the contract or the date the contract was extended or renewed. A public employer's expenditures for medical benefit plans under a collective bargaining agreement or other contract would have to be excluded from calculation of the public employer's payment under the requirements above.

Senate Bill 1130 (S-3)

The Act prohibits public employers from paying more than specified amounts or percentages toward employees' medical benefit plans. A public employer may not pay more than the specific amounts described below or 80% of the total annual costs of all the medical benefit plans it offers.

The Act requires a public employer to pay no more of 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, than a total amount equal to all the following:

- $5,500 times the number of employees and elected public officials with single-person coverage.
- $11,000 times the number of employees and elected public officials with individual-and-spouse coverage or individual-plus-one-nonspouse-dependent coverage.
- $15,000 times the number of employees and elected public officials with family coverage.

Under the bill, beginning January 1, 2025, a public employer that offered or contributed to a medical benefit plan, excluding any offers of medical benefit plan based on Medicare or other Federal- or State- sponsored plan, for its employees or elected public officials could pay not more than the following amounts for 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:

- $8,258.54 times the number of employees and elected public officials with single-person coverage.
- $17,271.17 times the number of employees and elected public officials with individual-and-spouse coverage or individual-plus-one-nonspouse-dependent coverage.
- $22,523.34 times the number of employees and elected public officials with family coverage.

A public employer could allocate its payments for medical benefit plan costs among its employees and elected public officials as it saw fit. By April 1 of each year after 2024, the State Treasurer would have to adjust the maximum payment for *single-person coverage and family coverage* for medical benefit plan coverage years beginning the succeeding calendar year, based on any change in the average of the Michigan health insurance rates, as approved by the Department of Insurance and Financial Services, or by 3%, whichever was greater. The adjustment for *individual-and-spouse coverage or individual-plus-one-nonspouse-dependent coverage* would be as follows for the following medical benefit plan coverage year:

- January 1, 2026, to December 31, 2026, 2.2 times the amount of single-person coverage.
- January 1, 2027, to December 31, 2027, 2.3 times the amount of single-person coverage.

-- On and after January 1, 2028, 2.4 times the amount of single-person coverage.

If a collective bargaining agreement or other contract were inconsistent with the requirements above, the requirements above would not apply until the collective bargaining agreement or other contract was amended after the bill's effective date. A public employer's expenditures for medical benefit plans under a collective bargaining agreement or other contract described above would have to be excluded from calculation of the public employer's payment for plans offered on or after January 1, 2025.

MCL 15.564 & 15.565 (S.B. 1129)
MCL 15.563 et al. (S.B. 1130)

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

Senate Bills 1129 and 1130 are companion bills to House Bill 6058.

FISCAL IMPACT

The bills would increase public employer contribution caps and mandate an 80% contribution floor. If the public employer contributions were already at the 80% level, then there would be no fiscal impact. If the public employer contributions were below the 80% cap, when the cap was changed to a floor, the public employer would have to increase its spending to reach the 80% cap. Additionally, if a public employer were at or below 80% currently but would like to increase above 80%, the bills would allow the employer to do so. They also would set these levels at $8,259 for single-person coverage, $17,271 for individual-and-spouse or individual-plus-one-non- spouse-dependent, and $22,523 for family coverage. The bills also would adjust these amounts for future years. A total cost cannot be estimated at this time.

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