Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1046 (Substitute S-6 as reported)
Sponsor: Senator Mark C. Jansen
Committee: Reforms and Restructuring

CONTENT

The bill would create the "Publicly Funded Health Insurance Contribution Act" to require that all public employees pay a certain percentage of the overall cost of purchasing health insurance. Beginning January 1, 2011, the bill would require that public employers with and without self-funded health benefit plans pay not more than 80.0% of the premium costs of health insurance plans. The health insurance premium paid by the employer could be increased to 90.0% of the total cost for a health insurance plan for employees or elected officials covered by a medical benefit plan that included a health savings account in combination with a high deductible health plan that complies with Federal statute and regulations. The maximum allowable payment for employers would be calculated annually based on the most comprehensive Detroit consumer price index. Additionally, a public employer that is formed by the merger of two or more public employers after the bill's effective date, and that does not offer a self-funded medical benefit plan, would have to calculate the maximum payment for health insurance as of the date the new entity comes into existence.

The bill includes the following definitions:

-- "Costs" and "total costs" of a medical benefit plan would not include copayments, coinsurance, deductibles, other out-of-pocket expenses, or other service-related fees.
-- "Local unit of government" would be defined as a city, county, village, or township.
-- "Medical benefit plan" would be defined as a plan established and maintained by a carrier or one or more public employers that provides for the payment of medical, optical, or dental benefits including hospital and physician services, prescription drugs, and related benefits, to public employees.
-- "Public employer" would be defined as this State; a county, township, village, city, or other political subdivision of this State; any intergovernmental, metropolitan, or local department, agency or authority; a school district, public school academy, or intermediate school district; a community college or junior college; or a public institution of higher education.

A public employer could contribute to an employee's health savings account and the contribution would not be included in the employer's maximum allowable payment for the cost of medical benefit plans. Additionally, a public employer could deduct the covered employee's portion of the cost of a medical benefit plan from employee's annual compensation.

The bill further states that if the requirements limiting the amount of employer-paid health insurance benefits were inconsistent with a collective bargaining agreement currently in effect, the requirements of the bill would not take effect until the collective bargaining agreement expired, or was amended, extended, or renewed.

A local unit of government could exempt itself from the requirements of the proposed Act for the next succeeding contract period by a two-thirds vote of its governing body. Another two-thirds vote would be required of the governing body to extend an exemption to a new contract period.

FISCAL IMPACT

The passage of Senate Bill 1046 (S-6) would result in approximately $82.0 million of savings in the cost of health insurance provided to State employees during FY 2010-11. This assumes the employer-share of health insurance cost would be capped at 80.0% of premiums as opposed to the 90.0% of premiums currently paid by the employer. Comprehensive data do not exist to accurately calculate the potential savings to local government, school districts, and public higher education employer from this bill. If one assumes the same level of savings for other public sector employees in Michigan as with State employees, the approximate savings would equal $543.0 million. The total projected annual savings for all public sector employers from this bill would be approximately $625.0 million.

Date Completed: 4-19-10 Fiscal Analyst: Gary S. Olson

floor\sb1046
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.