

Legislative Analysis



MUNICIPAL HEALTH CORPORATION RESTRUCTURING AS NONPROFIT CORPORATION

Phone: (517) 373-8080
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Senate Bill 450 (S-1) as reported from House committee

Sponsor: Sen. Mike Shirkey

House Committee: Health Policy

Senate Committee: Michigan Competitiveness

Complete to 10-5-17

Analysis available at
<http://www.legislature.mi.gov>

(Enacted as Public Act 148 of 2017)

BRIEF 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.

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 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.

THE APPARENT PROBLEM:

This bill is understood to facilitate a partnership between the Branch County Community Health Center and ProMedica Health Systems of Toledo. Currently, CHC is a municipal health corporation and ProMedica is a nonprofit corporation. In order to merge, both have to be on the same corporate plane, which this bill would allow.

THE CONTENT OF THE BILL:

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.

HOUSE COMMITTEE ACTION:

The House Health Policy committee reported out the Senate-passed version of Senate Bill 450 without amendment.

ARGUMENTS:

For:

Increased access to care: Proponents argue that incorporation of CHC into the ProMedica Health Systems of Toledo will allow citizens in a rural area access to a vast system of doctors and medical care. ProMedica is composed of 12 acute care hospitals and various affiliates, and its network includes more than 2,300 physicians and more than 17,000 employees treating 4.7 million patients annually at 332 sites throughout northwest Ohio and southeast Michigan. Doctors in the ProMedica Health System would be able to provide services at CHC without getting credentials from an additional hospital, and patients would likewise be able to seek medical services throughout the system with greater ease.

Lower costs: Because ProMedica is a larger system, rather than paying a premium to order a single machine or piece of equipment, it will be able to order these items in bulk, providing a potential cost savings to CHC.

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

Against:

Local control: Continuation of local control of the county hospital would ensure a greater degree of accountability to the citizens of Branch County, as opposed to control by ProMedica, a corporation which oversees numerous other hospitals, say critics of the bill.

Decreased competition: Fewer entities offering health care in a certain region leads to less competition, less choice, and potentially, increased costs, say critics. Because fewer hospitals are competing for patients, they can name their price to health insurers. In some cases, patients who already have few choices for health care will have one fewer.

POSITIONS:

The Michigan Health and Hospital Association supports the bill. (9-27-17)

Legislative Analyst: Jenny McInerney
Fiscal Analyst: Kevin Koorstra

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.