Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1209 (as introduced 11-27-18)
Sponsor: Senator Phil Pavlov
Committee: Education

Date Completed: 12-4-18

CONTENT

The bill would amend the Publicly Funded Health Insurance Contribution Act to do the following:

- **For a medical benefit plan coverage year beginning on or after the bill's effective date, specify the amount of annual costs or illustrative rate, and any payment for reimbursement of co-pays, deductibles, or payments into health savings accounts (HSA's), flexible spending accounts (FSA's), or similar accounts used for health care costs that a public employer that offered or contributed to a medical benefit plan for its employees or elected officials could pay.**
- **Specify that, for a medical benefit plan coverage year beginning on or after the bill's effective date, a public employer could not pay more than 80% of the costs of an employee's or elected public official's medical benefits.**
- **Specify that the bill would apply to a collective bargaining agreement or other contract that was executed, extended, or renewed on or after the bill's effective date.**

The bill would take effect 90 days after its enactment.

Under the Act, except as otherwise provided, if a public employer offers or contributes to a medical benefit plan for its employees or elected public officials, the employer is subject to a limit on the total dollar amount it may pay toward the annual costs or illustrative rate and any payments for reimbursement of co-pays, deductibles, or payments into HSAs, FSAs, or similar accounts used for health care costs.

("Public employer" means the State; a local unit of government or other political subdivision of the State; any intergovernmental, metropolitan, or local department, agency, or authority, or other local political subdivision; a school district, a public school academy, or an intermediate school district, a community college or junior college; or an institution of higher education. "Medical benefit plan" means a plan established and maintained by a carrier, a voluntary employees' beneficiary association described in Section 501(c)(9) of the Internal Revenue Code or by one or more public employers, that provides for the payment of medical benefits, including hospital and physician services, prescription drugs, and related benefits, for public employees or elected public officials.)

For a medical benefit plan coverage year beginning January 1, 2014, through December 31, 2014, the multiplier used to calculate the maximum public employer payment under the Act is $12,250 for employees and elected public officials with individual-and-spouse coverage or individual-plus-one-nonspouse-dependent coverage and is adjusted each year as provided by the Act.

(The Act requires the State Treasurer by October 1 of each year after 2011, to adjust the maximum payment permitted for each coverage category for medical benefit plan coverage years based on the change in the medical care component of the United States consumer price index for the most recent 12-month period.)

Under the bill, for a medical benefit plan coverage year beginning on or after the bill's effective date, a public employer that offered or contributed to a medical benefit plan for its employees or elected public officials could pay not more of the annual costs or illustrative rate and any payment for reimbursement of co-pays, deductibles, or payments into HSAs, FSAs, or similar accounts used for health care costs than the following:

-- For any employee or any elected public official with single-person coverage, $6,560.52.
-- For any employee or any elected public official with individual-and-spouse coverage or individual-plus-one-nonspouse-dependent coverage, $13.720.07.
-- For any employee or any elected public official with family coverage, $17,892.36.

The Act also provides that, by a majority vote of its governing body each year, before the beginning of the medical benefit plan coverage year, a public employer, excluding the State, may elect to comply with the medical benefit plan described below for a medical benefit plan coverage year instead of the requirements described above. The designated State official may elect to comply with this medical benefit plan instead of the medical benefit plan described above as to medical benefit plans for State employees and State officers.

For medical benefit plan coverage years beginning on or after January 1, 2012, a public employer may pay not more than 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. Total annual costs includes the premium or illustrative rate of the medical benefit plan and all employer payments for reimbursement of co-pays, deductibles, and payments into HSAs, FSAs, or similar accounts used for health care but does not include beneficiary-paid copayments, coinsurance, deductibles, other out-of-pocket expenses, other service-related fees that are assessed to the coverage beneficiary, or beneficiary payments into accounts used for health care.

Under the bill, for a medical benefit plan coverage year beginning on or after the bill's effective date, for an employee or elected public official of a public employer, the public employer could pay not more than 80% of the costs of the medical benefits for the employee or elected official under the medical benefit plan that the public employer offered or contributed to for the employee or official. Costs of medical benefits would include the premium or illustrative rate of the medical benefit plan and all employer payments for reimbursement of co-pays, deductibles, and payments into HSAs, FSAs, or similar accounts used for health care but would not include beneficiary-paid copayments, coinsurance, deductibles, other out-of-pocket expenses, other service-related fees that were assessed to the coverage beneficiary, or beneficiary payments into accounts used for health care.

The bill specifies that the Act would not prohibit a public employer from paying a premium or illustrative rate that was based on a combination of the claims experience of the public employer's employees and elected public officials, and the claims experience of individuals retired from the public employer. Additionally, the bill specifies that these provisions would apply to a collective bargaining agreement or other contract that was executed, extended, or renewed on or after the bill's effective date.

MCL 15.563 et al. Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government. The bill could reduce health benefit costs for the State or a local government employer by capping the amount paid by the employer at 80% of the cost per individual. Currently, a public employer can make payments based on the total cost for all employees rather than based on an individual's cost, which can result in an employer paying more than the proposed cap of 80%. In those instances, under the bill, the employer would have to pay a maximum of 80% of an individual's health care costs, which could result in lower costs for those employers that currently pay more than 80%. The amount of savings is indeterminate and would depend on the number of individuals who would be affected by the proposed change.

Fiscal Analyst: Joe Carrasco

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