Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 323 (Substitute S-2 as reported)
Sponsor: Senator Bruce Caswell
Committee: Reforms, Restructuring and Reinventing

Date Completed: 6-19-13

RATIONALE

The Publicly Funded Health Insurance Contribution Act sets a relative ceiling on the amount that a public employer (such as a municipality or school district) may contribute to its medical benefit plan for employees or elected public officials. Except as otherwise provided, a public employer may not pay more than a total amount equal to the sum of the following: $5,500 times the number of employees with single-person coverage; $11,000 times the number of employees with individual-and-spouse coverage; and $15,000 times the number of employees with family coverage. A public employer may allocate payments for its medical benefit plan among employees and elected public officials as it sees fit. The multipliers must be adjusted each year based on the change in the medical care component of the United States consumer price index. As an alternative to the dollar-amount limit, a public employer may elect an 80% limit on its contributions to employee medical benefit plans.

Evidently, the $11,000 cap for individual-and-spouse coverage results in higher costs for those policy holders when compared to the costs for other policy holders. Therefore, it has been suggested that multiplier for this coverage should be increased.

CONTENT

The bill would amend the Publicly Funded Health Insurance Contribution Act to increase the limit on a public employer's contribution to a medical benefit plan, by raising the multiplier for individual-and-spouse coverage from $11,000 to $13,455 for a medical benefit plan coverage year beginning on or after January 1, 2013, through December 31, 2013.

MCL 15.563

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Reportedly, insurance policies are priced in a manner that individual-and-spouse coverage costs more than individual or family policies. For example, policies for family coverage reportedly cost approximately $80, while two-person policies cost approximately $240. Evidently, this disparity could be equalized if the employer's contribution limit were increased from $11,000 to $13,455.

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

Based on 2011 data, there are an estimated 49,500 employees enrolled in a State health plan. Of that number, an estimated 7,900 employees are enrolled in an individual-and-spouse health care plan. Although the State's currently negotiated contracts require the State to pay up to a maximum of 20% of an employee's health care costs instead of the capped dollar amount, if the State and employee unions negotiate to pay the capped dollar amount in the future, the State would incur higher costs due to the increased multiplier.

Using the estimated figure of 7,900 employees currently enrolled in an individual-and-spouse plan, the proposed change would increase the State's contribution by $2,455 per employee or a total of $19.4 million annually. For the State, the GF/GP cost is estimated at 53% of the gross cost, or $10.3 million annually.

Comprehensive data do not exist to accurately calculate the potential cost to local government, school districts, and public higher education employers from this bill. However, for a local unit of government that has chosen to pay the capped dollar amount rather than the 80% of premium cap, the bill would increase the costs for the public employer by $2,455 per employee enrolled in an individual-and-spouse plan.

Fiscal Analyst: Joe Carrasco

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