

# SENATE BILL No. 395

May 28, 2013, Introduced by Senators CASWELL, JANSEN and NOFS and referred to the Committee on Reforms, Restructuring and Reinventing.

A bill to amend 2011 PA 152, entitled "Publicly funded health insurance contribution act," by amending sections 2, 3, 4, 5, and 8 (MCL 15.562, 15.563, 15.564, 15.565, and 15.568).

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 2. As used in this act:

2           (a) "Designated state official" means:

3           (i) For an election affecting employees and officers in the  
4 judicial branch of state government, the state court administrator.

5           (ii) For an election affecting senate employees and officers,  
6 the secretary of the senate.

7           (iii) For an election affecting house of representatives  
8 employees and officers, the clerk of the house.

9           (iv) For an election affecting legislative council employees,  
10 the legislative council.

1 (v) For an election affecting employees in the state  
2 classified service, the civil service commission.

3 (vi) For an election affecting executive branch employees who  
4 are not in the state classified service, the state employer.

5 (b) "Flexible spending account" means a medical expense  
6 flexible spending account in conjunction with a cafeteria plan as  
7 permitted under the federal internal revenue code of 1986.

8 (c) "Health savings account" means an account as permitted  
9 under section 223 of the internal revenue code of 1986, 26 USC 223.

10 (d) "Local unit of government" means a city, village,  
11 township, or county, a municipal electric utility system as defined  
12 in section 4 of the Michigan energy employment act of 1976, 1976 PA  
13 448, MCL 460.804, an authority created under chapter VIA of the  
14 aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.108  
15 to 259.125c, or an authority created under 1939 PA 147, MCL 119.51  
16 to 119.62.

17 (e) "Medical benefit plan" means a plan established and  
18 maintained by a carrier, a voluntary employees' beneficiary  
19 association described in section 501(c)(9) of the internal revenue  
20 code of 1986, 26 USC 501, or by 1 or more public employers, that  
21 provides for the payment of medical benefits, including, but not  
22 limited to, hospital and physician services, prescription drugs,  
23 and related benefits, for public employees or elected public  
24 officials. Medical benefit plan does not include benefits provided  
25 to individuals retired from a public employer **OR A PUBLIC**  
26 **EMPLOYER'S CONTRIBUTIONS TO A FUND USED FOR THE SOLE PURPOSE OF**  
27 **FUNDING HEALTH CARE BENEFITS THAT ARE AVAILABLE TO PUBLIC EMPLOYEES**

1 **OR ELECTED PUBLIC OFFICIALS ONLY UPON RETIREMENT OR SEPARATION FROM**  
2 **SERVICE.**

3 (f) "Public employer" means this state; a local unit of  
4 government or other political subdivision of this state; any  
5 intergovernmental, metropolitan, or local department, agency, or  
6 authority, or other local political subdivision; a school district,  
7 a public school academy, or an intermediate school district, as  
8 those terms are defined in sections 4 to 6 of the revised school  
9 code, 1976 PA 451, MCL 380.4 to 380.6; a community college or  
10 junior college described in section 7 of article VIII of the state  
11 constitution of 1963; or an institution of higher education  
12 described in section 4 of article VIII of the state constitution of  
13 1963.

14 Sec. 3. (1) Except as otherwise provided in this act, a public  
15 employer that offers or contributes to a medical benefit plan for  
16 its employees or elected public officials shall pay no more of the  
17 annual costs or illustrative rate and any payments for  
18 reimbursement of co-pays, deductibles, or payments into health  
19 savings accounts, flexible spending accounts, or similar accounts  
20 used for health care costs, than a total amount equal to \$5,500.00  
21 times the number of employees with single-person coverage,  
22 \$11,000.00 times the number of employees with individual-and-spouse  
23 coverage, plus \$15,000.00 times the number of employees with family  
24 coverage, **WHICH INCLUDES INDIVIDUAL-PLUS-1-NON SPOUSE-DEPENDENT**  
25 **COVERAGE**, for a medical benefit plan coverage year beginning on or  
26 after January 1, 2012. A public employer may allocate its payments  
27 for medical benefit plan costs among its employees and elected

1 public officials as it sees fit. By October 1 of each year after  
2 2011, the state treasurer shall adjust the maximum payment  
3 permitted under this ~~section~~**SUBSECTION** for each coverage category  
4 for medical benefit plan coverage years beginning the succeeding  
5 calendar year, based on the change in the medical care component of  
6 the United States consumer price index for the most recent 12-month  
7 period for which data are available from the United States  
8 department of labor, bureau of labor statistics.

9           (2) **FOR A MEDICAL BENEFIT PLAN COVERAGE YEAR BEGINNING ON OR**  
10 **AFTER THE EFFECTIVE DATE OF THE AMENDATORY ACT THAT ADDED THIS**  
11 **SUBSECTION, THE MULTIPLIER UNDER SUBSECTION (1) SHALL BE \$13,455.00**  
12 **FOR EMPLOYEES WITH INDIVIDUAL-AND-SPOUSE COVERAGE.**

13           (3) **FOR PURPOSES OF CALCULATING THE LIMITATION ON A PUBLIC**  
14 **EMPLOYER'S TOTAL ANNUAL EXPENDITURES UNDER SUBSECTION (1),**  
15 **"EMPLOYEE" DOES NOT INCLUDE A PUBLIC EMPLOYEE WHO DECLINES THE**  
16 **MEDICAL BENEFIT PLAN OFFERED OR CONTRIBUTED TO BY THE PUBLIC**  
17 **EMPLOYER.**

18           (4) **A PUBLIC EMPLOYER'S TOTAL ANNUAL COSTS OF ITS MEDICAL**  
19 **BENEFIT PLAN UNDER THIS SECTION DO NOT INCLUDE ANY OF THE**  
20 **FOLLOWING:**

21           (A) **A PAYMENT OF THE PUBLIC EMPLOYER TO AN EMPLOYEE IN LIEU OF**  
22 **MEDICAL BENEFIT PLAN COVERAGE.**

23           (B) **ANY AMOUNT THAT THE PUBLIC EMPLOYER PAYS DIRECTLY OR**  
24 **INDIRECTLY FOR THE ASSESSMENT LEVIED PURSUANT TO THE HEALTH**  
25 **INSURANCE CLAIMS ASSESSMENT ACT, 2011 PA 142, MCL 550.1731 TO**  
26 **550.1741.**

27           Sec. 4. (1) By a majority vote of its governing body **EACH YEAR**

1 **PRIOR TO THE BEGINNING OF THE MEDICAL BENEFIT PLAN COVERAGE YEAR,** a  
2 public employer, excluding this state, may elect to comply with  
3 this section for a medical benefit plan coverage year instead of  
4 the requirements in section 3. The designated state official may  
5 elect to comply with this section instead of section 3 as to  
6 medical benefit plans for state employees and state officers.

7 (2) For medical benefit plan coverage years beginning on or  
8 after January 1, 2012, a public employer shall pay not more than  
9 80% of the total annual costs of all of the medical benefit plans  
10 it offers or contributes to for its employees and elected public  
11 officials. For purposes of this subsection, total annual costs  
12 includes the premium or illustrative rate of the medical benefit  
13 plan and all employer payments for reimbursement of co-pays,  
14 deductibles, and payments into health savings accounts, flexible  
15 spending accounts, or similar accounts used for health care but  
16 does not include beneficiary-paid copayments, coinsurance,  
17 deductibles, other out-of-pocket expenses, other service-related  
18 fees that are assessed to the coverage beneficiary, or beneficiary  
19 payments into health savings accounts, flexible spending accounts,  
20 or similar accounts used for health care. Each elected public  
21 official who participates in a medical benefit plan offered by a  
22 public employer shall be required to pay 20% or more of the total  
23 annual costs of that plan. The public employer may allocate the  
24 employees' share of total annual costs of the medical benefit plans  
25 among the employees of the public employer as it sees fit.

26 (3) **FOR PURPOSES OF THIS SECTION, THE TOTAL ANNUAL COSTS OF**  
27 **ALL OF THE MEDICAL BENEFIT PLANS THE PUBLIC EMPLOYER OFFERS OR**

1 CONTRIBUTES TO FOR ITS EMPLOYEES AND PUBLIC OFFICIALS AND THE  
2 EMPLOYER'S SHARE OF THOSE COSTS DO NOT INCLUDE ANY OF THE  
3 FOLLOWING:

4 (A) A PAYMENT BY THE PUBLIC EMPLOYER TO AN EMPLOYEE IN LIEU OF  
5 MEDICAL BENEFIT PLAN COVERAGE.

6 (B) ANY AMOUNT THAT THE PUBLIC EMPLOYER PAYS DIRECTLY OR  
7 INDIRECTLY FOR THE ASSESSMENT LEVIED PURSUANT TO THE HEALTH  
8 INSURANCE CLAIMS ASSESSMENT ACT, 2011 PA 142, MCL 550.1731 TO  
9 550.1741.

10 Sec. 5. (1) If a collective bargaining agreement or other  
11 contract that is inconsistent with sections 3 and 4 is in effect  
12 for a ~~group of 1 OR MORE~~ employees of a public employer on the  
13 ~~effective date of this act, SEPTEMBER 27, 2011,~~ the requirements of  
14 section 3 or 4 do not apply to ~~that group of employees~~ **AN EMPLOYEE**  
15 **COVERED BY THAT CONTRACT** until the contract expires. A public  
16 employer's expenditures for medical benefit plans under a  
17 collective bargaining agreement or other contract described in this  
18 subsection shall be excluded from calculation of the public  
19 employer's maximum payment under section 4. The requirements of  
20 sections 3 and 4 apply to any extension or renewal of the contract.

21 (2) A collective bargaining agreement or other contract that  
22 is executed on or after September ~~15,~~ **24**, 2011 shall not include  
23 terms that are inconsistent with the requirements of sections 3 and  
24 4.

25 Sec. 8. (1) By a 2/3 vote of its governing body each year  
26 **PRIOR TO THE BEGINNING OF THE MEDICAL BENEFIT PLAN COVERAGE YEAR**, a  
27 local unit of government may exempt itself from the requirements of

1 this act for the next succeeding **MEDICAL BENEFIT PLAN COVERAGE**  
2 year.

3 (2) A 2/3 vote of the governing body of the local unit of  
4 government **PRIOR TO THE BEGINNING OF EACH SUCCEEDING MEDICAL**  
5 **BENEFIT PLAN COVERAGE YEAR** is required to extend an exemption under  
6 this section. ~~to a new year.~~

7 (3) An exemption under this section is not effective for a  
8 city with a mayor who is both the chief executive and chief  
9 administrator, unless the mayor also approves the exemption.

10 (4) An exemption under this section is not effective for a  
11 county with a county executive who is both the chief executive and  
12 chief administrator, unless the county executive also approves the  
13 exemption.

14 Enacting section 1. The changes in this amendatory act to  
15 sections 3 and 4 clarify the original intent of the legislature  
16 that payments to employees in lieu of medical benefit plan coverage  
17 are not included in the costs of a public employer's medical  
18 benefit plan, and those changes shall be applied retroactively.