



Senate Fiscal Agency  
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## BILL ANALYSIS



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House Bill 5876 (Substitute H-1 as passed by the House)  
Sponsor: Representative Greg VanWoerkom  
House Committee: Health Policy  
Senate Committee: Health Policy and Human Services

Date Completed: 5-18-22

**CONTENT**

**The bill would amend Public Act 47 of 1949, which governs local hospital authorities, to do the following:**

- Delete a provision requiring the articles of incorporation of a nonprofit corporation and the contractual arrangements between a hospital authority and the nonprofit corporation to prohibit a nonprofit corporation from selling, leasing, or otherwise transferring a hospital without voter approval.**
- Allow a nonprofit corporation to sell, lease, or otherwise transfer a hospital on terms and conditions the nonprofit corporation considered reasonable if the sale, lease, or other transfer were approved by the hospital authority.**
- Delete a provision requiring the articles of incorporation of a nonprofit corporation and the contractual arrangements between a hospital authority and the nonprofit corporation to require a nonprofit corporation to adopt and carry out policies designed to ensure that hospital care is provided to a reasonable degree to indigent people in its hospital service area free of charge and that patients not be denied appropriate care on the basis of source of payment.**
- Allow a hospital board, by a vote of the majority of the entire board, to provide for the dissolution of a hospital authority if the hospital authority had completed the purposes for which it was organized.**

The Act allows two or more cities, villages, or townships, or a combination of those local units, with voter approval, to join to form a hospital authority and to issue bonds for the purpose of planning, promoting, acquiring, constructing, improving, owning, maintaining, and operating one or more community hospitals and related facilities.

Except as otherwise provided, a hospital authority whose jurisdiction has a member population of fewer than 300,000, by resolution, may provide for the sale, lease, or other transfer of a hospital owned by the hospital board. If a hospital authority passes a resolution, the authority also must provide by resolution for a public vote of the electors at large of all cities, villages, and townships in the hospital authority on the question of the sale, lease, or transfer. If the sale, lease, or transfer of the hospital is approved by a majority of the voters, the hospital board may sell, lease, or otherwise transfer a hospital it owns on terms and conditions it considers reasonable, including a sale, lease, or transfer for no or nominal monetary consideration, subject to certain conditions described in the Act, including that, at the time of the sale, lease, or transfer, the articles of incorporation of the nonprofit corporation and the contractual arrangements between the hospital authority and the

nonprofit corporation must prohibit the nonprofit corporation from selling, leasing, or otherwise transferring the hospital without the authority's express consent.

The article of incorporation also must prohibit the nonprofit corporation from selling, leasing, or otherwise transferring the hospital without the approval by a majority of the voters as required for the sale, lease, or other transfer of a hospital from the hospital board to a nonprofit corporation. If the hospital is sold, leased, or otherwise transferred under this provision, the sale, lease, or other transfer must be for market value and the proceeds of the transaction must be turned over to the hospital authority. The bill would delete these provisions.

Under the bill, if the sale, lease, or other transfer of a hospital by a nonprofit corporation were approved by the hospital authority, the nonprofit corporation could sell, lease, or otherwise transfer the hospital on terms and conditions the nonprofit corporation considered reasonable, including a sale, lease, or other transfer for no or nominal monetary consideration.

In addition, the Act specifies, as a condition for sale, that the articles of incorporation of a nonprofit corporation and the contractual arrangements between a hospital authority and the nonprofit corporation must at all times require that the nonprofit corporation adopt and carry out policies designed to ensure that hospital care is provided to a reasonable degree to indigent individuals in the corporation's hospital service area free of charge and that the hospital complies with the requirement of Section 20201(2)(a) of the Public Health Code that patients not be denied appropriate care on the basis of source of payment. The bill would delete these provisions.

The bill would allow a hospital board, by a vote of the majority of the entire board, to provide for the dissolution of a hospital authority if the hospital authority had completed the purposes for which it was organized. A hospital authority would not have completed the purposes for which it was organized if it had bonds outstanding that had not been defeased. (A bond or other debt is "defeased" when it is secured by another asset and its impact is no longer shown on the issuer's balance sheet.)

MCL 331.9

Legislative Analyst: Stephen P. Jackson

### **FISCAL IMPACT**

The bill would have no fiscal impact on the State and no direct fiscal impact on local governments. The bill's provisions would give hospital authorities more flexibility to dispose of property. Any fiscal impact would be limited to the hospital authority and would depend on decisions made by that authority.

Fiscal Analyst: Ryan Bergan

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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.