

Legislative Analysis



MUNICIPAL HEALTH FACILITY CORPORATIONS: APPOINTMENT OF BOARD OF TRUSTEES

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Senate Bill 374 (Substitute S-1)

(Enacted as Public Act 195 of 2011)

Sponsor: Sen. John Moolenaar

House Committee: Health Policy

Senate Committee: Health Policy

Complete to 10-3-11

A SUMMARY OF SENATE BILL 374 AS REPORTED BY HOUSE COMMITTEE

The bill would revise the manner in which expired terms or vacant positions on a board of trustees of a public hospital or health facility are filled and revise the manner in which the initial members of a subsidiary board are appointed. In both cases, positions would be filled by the board of trustees of the parent corporation with the advice and consent of the appropriate local governing body.

BACKGROUND INFORMATION:

The bill seeks to decrease the number of nominees the Board of Trustees of a public hospital or health facility must submit to fill a vacant board position. Currently, three names must be submitted for each vacant position. According to committee testimony, this requirement is making it hard to encourage good people to put themselves forward since it is more likely that they would be rejected than selected. In addition, in some smaller communities there is a limited pool from which to choose qualified nominees. Reportedly, some boards have found it difficult to recruit nominees as people who had been nominated previously but been rejected felt disappointed and discouraged and are no longer interested going through the process again. Instead, it has been suggested that submitting a single name for each position and approving that person with the advice and consent of the applicable governing body would be more efficient and more conducive to encouraging people to seek a board position.

CONTENT:

Senate Bill 374 would amend the Municipal Health Facilities Corporations Act. Currently, a local governmental unit (a county, city, or village) may incorporate a public hospital or other health facility. If a local governmental unit does so, the county board of commissioners, or the city or village council, as applicable, must appoint trustees to all positions on the corporation's board. When a local governmental unit incorporates a *subsidiary*, the board of trustees of the parent corporation must submit the names of subsidiary board nominees to the applicable governing body. Also, to fill *a vacancy* on the board of a corporation or subsidiary corporation, the remaining board members must submit the names of three nominees to the applicable governing body. In both cases, the

governing body is required to consider the nominations and make appointments to the board of the corporation or subsidiary.

Senate Bill 374 would retain the requirement that the applicable governing body appoint the members of the *initial* board of trustees of a municipal health facilities corporation, but would delete the process involving the nomination of members to serve on the initial *subsidiary* board or fill *a vacancy*.

Under the bill, when a term of office of a trustee expired or otherwise became vacant, the remaining board members would be required to fill the vacancy with the advice and consent of the applicable local governing body. The bill would also require the board of trustees of a parent corporation to appoint an initial subsidiary board with the local governing body's advice and consent. (Vacancies on a subsidiary board would be handled the same way.) These requirements would not apply to an ex officio member who was appointed by a chief executive officer.

(Note: The House Health Policy Committee reported the Senate-passed version of the bill without amendments.)

MCL 331.1209 and 331.1258

FISCAL IMPACT:

The bill would appear to have no significant fiscal impact on state or local government.

POSITIONS:

A representative of the West Branch Regional Medical Center testified in support of the bill. (9-22-11)

The Michigan Health & Hospital Association indicated support for the bill. (9-22-11)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Paul Holland

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