

HOUSE SUBSTITUTE FOR
SENATE BILL NO. 7

A bill to limit a public employer's expenditures for employee medical benefit plans; to provide the power and duties of certain state agencies and officials; to provide for exceptions; and to provide for sanctions.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "publicly funded health insurance contribution act".

3 Sec. 2. As used in this act:

4 (a) "Designated state official" means:

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

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

1 (iii) For an election affecting house of representative
2 employees and officers, the clerk of the house.

3 (iv) For an election affecting legislative council employees,
4 the legislative council.

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

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

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

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

14 (d) "Local unit of government" means a city, village,
15 township, or county, a municipal electric utility system as defined
16 in section 4 of the Michigan energy employment act of 1976, 1976 PA
17 448, MCL 460.804, an authority created under chapter VIA of the
18 aeronautics code of the state of Michigan, 1945 PA 327, MCL 259.108
19 to 259.125c, or an authority created under 1939 PA 147, MCL 119.51
20 to 119.62.

21 (e) "Medical benefit plan" means a plan established and
22 maintained by a carrier, a voluntary employees' beneficiary
23 association described in section 501(c)(9) of the internal revenue
24 code of 1986, 26 USC 501, or by 1 or more public employers, that
25 provides for the payment of medical benefits, including, but not
26 limited to, hospital and physician services, prescription drugs,
27 and related benefits, for public employees or elected public

1 officials. Medical benefit plan does not include benefits provided
2 to individuals retired from a public employer.

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. 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, for a medical benefit plan coverage year beginning on or
25 after January 1, 2012. A public employer may allocate its payments
26 for medical benefit plan costs among its employees and elected
27 public officials as it sees fit. By October 1 of each year after

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

8 Sec. 4. (1) By a majority vote of its governing body, a public
9 employer, excluding this state, may elect to comply with this
10 section for a medical benefit plan coverage year instead of the
11 requirements in section 3. The designated state official may elect
12 to comply with this section instead of section 3 as to medical
13 benefit plans for state employees and state officers.

14 (2) For medical benefit plan coverage years beginning on or
15 after January 1, 2012, a public employer shall pay not more than
16 80% of the total annual costs of all of the medical benefit plans
17 it offers or contributes to for its employees and elected public
18 officials. For purposes of this subsection, total annual costs
19 includes the premium or illustrative rate of the medical benefit
20 plan and all employer payments for reimbursement of co-pays,
21 deductibles, and payments into health savings accounts, flexible
22 spending accounts, or similar accounts used for health care but
23 does not include beneficiary-paid copayments, coinsurance,
24 deductibles, other out-of-pocket expenses, other service-related
25 fees that are assessed to the coverage beneficiary, or beneficiary
26 payments into health savings accounts, flexible spending accounts,
27 or similar accounts used for health care. Each elected public

1 official who participates in a medical benefit plan offered by a
2 public employer shall be required to pay 20% or more of the total
3 annual costs of that plan. The public employer may allocate the
4 employees' share of total annual costs of the medical benefit plans
5 among the employees of the public employer as it sees fit.

6 Sec. 5. (1) If a collective bargaining agreement or other
7 contract that is inconsistent with sections 3 and 4 is in effect
8 for a group of employees of a public employer on the effective date
9 of this act, the requirements of section 3 or 4 do not apply to
10 that group of employees until the contract expires. A public
11 employer's expenditures for medical benefit plans under a
12 collective bargaining agreement or other contract described in this
13 subsection shall be excluded from calculation of the public
14 employer's maximum payment under section 4. The requirements of
15 sections 3 and 4 apply to any extension or renewal of the contract.

16 (2) A collective bargaining agreement or other contract that
17 is executed on or after September 15, 2011 shall not include terms
18 that are inconsistent with the requirements of sections 3 and 4.

19 Sec. 6. A public employer may deduct the covered employee's or
20 elected public official's portion of the cost of a medical benefit
21 plan from compensation due to the covered employee or elected
22 public official. The employer may condition eligibility for the
23 medical benefit plan on the employee's or elected public official's
24 authorizing the public employer to make the deduction.

25 Sec. 7. (1) The requirements of this act apply to medical
26 benefit plans of all public employees and elected public officials
27 to the greatest extent consistent with constitutionally allocated

1 powers, whether or not a public employee is a member of a
2 collective bargaining unit.

3 (2) If a court finds the requirements of section 3 to be
4 invalid, the expenditure limit in section 4 shall apply to a public
5 employer that does not exempt itself under section 8, except that
6 the requirement for a majority vote of the governing body of the
7 public employer in section 4 shall not apply. If a court finds
8 section 4 to be invalid, the expenditure limit in section 3 shall
9 apply to each public employer that does not exempt itself under
10 section 8.

11 Sec. 8. (1) By a 2/3 vote of its governing body each year, a
12 local unit of government may exempt itself from the requirements of
13 this act for the next succeeding year.

14 (2) A 2/3 vote of the governing body of the local unit of
15 government is required to extend an exemption under this section to
16 a new year.

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

20 (4) An exemption under this section is not effective for a
21 county with a county executive who is both the chief executive and
22 chief administrator, unless the county executive also approves the
23 exemption.

24 Sec. 9. If a public employer fails to comply with this act,
25 the public employer shall permit the state treasurer to reduce by
26 10% each economic vitality incentive program payment received under
27 2011 PA 63 and the department of education shall assess the public

1 employer a penalty equal to 10% of each payment of any funds for
2 which the public employer qualifies under the state school aid act
3 of 1979, 1979 PA 94, MCL 388.1601 to 388.1772, during the period
4 that the public employer fails to comply with this act. Any
5 reduction setoff or penalty amounts recovered shall be returned to
6 the fund from which the reduction is assessed or upon which the
7 penalty is determined. The department of education may also refer
8 the penalty collection to the department of treasury for collection
9 consistent with section 13 of 1941 PA 122, MCL 205.13.