

**SUBSTITUTE FOR
SENATE BILL NO. 7**

A bill to limit a public employer's portion of the cost of health insurance benefits; and to provide for exceptions.

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. 3. As used in this act:

4 (a) "Costs" of a medical benefit plan and "total costs" of
5 medical benefit plans do not include copayments, coinsurance,
6 deductibles, other out-of-pocket expenses, or other service-related
7 fees assessed to the coverage beneficiary.

8 (b) "Local unit of government" means a city, county, township,
9 authority created under 1939 PA 147, MCL 119.51 to 119.62, or
10 village.

Senate Bill No. 7 as amended May 18, 2011

1 (c) "Medical benefit plan" means a plan established and
2 maintained by a carrier or 1 or more public employers that provides
3 for the payment of medical, optical, or dental benefits, including,
4 but not limited to, hospital and physician services, prescription
5 drugs, and related benefits, to public employees.

6 (d) "Public employer" means this state; a city, village,
7 township, county, or other political subdivision of this state; any
8 intergovernmental, metropolitan, or local department, agency, or
9 authority, or other local political subdivision; a school district,
10 a public school academy, or an intermediate school district, as
11 those terms are defined in sections 4 to 6 of the revised school
12 code, 1976 PA 451, MCL 380.4 to 380.6; a community college or
13 junior college described in section 7 of article VIII of the state
14 constitution of 1963; or an institution of higher education
15 described in section 4 of article VIII of the state constitution of
16 1963.

17 Sec. 5. <<(1)>> Except as otherwise provided in this act, <<
18 subject to the implementation dates prescribed in subsection (2)>>,
a public employer that offers a medical benefit plan
19 to its employees or elected officials shall pay no more than 80% of
20 the total annual cost of all of the medical benefit plans it offers
21 to its employees and elected officials. Each elected official who
22 participates in a medical benefit plan offered by a public employer
23 shall be required to pay 20% or more of the annual cost of that
24 plan. The public employer may allocate the employees' share of
25 medical benefit plan costs among its employees as it sees fit. In
26 addition, a public employer that offers a medical benefit plan that
27 includes a health savings account as permitted in section 223 of

1 the internal revenue code of 1986, 26 USC 223, shall increase the
2 amount it pays toward the annual total cost of an employee's or
3 public official's medical benefit plan by an amount equivalent to
4 the amount the employee or public official contributes to the
5 health savings account, and that increase shall be excluded from
6 the maximum public employer expenditure otherwise permitted under
7 this section.

<<(2) This subsection shall be implemented on the following dates:

(a) Any collective bargaining agreement or other contract settled on or after the effective date of this act, on July 1, 2011, shall comply with the requirements of this section. However, the limitation imposed by this section on the employer shall not become operative until January 1, 2012.

(b) Except as provided in section 11, for any collective bargaining agreement or other contract in effect on the effective date of this act, and for all other public employees subject to the provisions of this act, on January 1, 2012.>>

8 Sec. 7. A public employer's contribution is not included in
9 the public employer's annual maximum allowable payment for the cost
10 of medical benefit plans if it is either of the following:

11 (a) A contribution to an employee's or elected official's
12 health savings account as permitted in section 223 of the internal
13 revenue code of 1986, 26 USC 223.

14 (b) A contribution to a health reimbursement arrangement that
15 complies with all relevant statutory provisions, regulatory
16 provisions, and internal revenue service rulings governing health
17 reimbursement arrangements, including, but not limited to, section
18 105(b) of the internal revenue code, 26 USC 105, internal revenue
19 notice 2002-45, and internal revenue rulings 2005-24 and 2006-36.

20 Sec. 9. A public employer may deduct the covered employee's or
21 elected public officer's portion of the cost of a medical benefit
22 plan from compensation due to the covered employee or elected
23 officer. The employer may condition eligibility for the medical
24 benefit plan on the employee's or elected official's authorizing
25 the public employer to make the deduction.

26 Sec. 11. If a collective bargaining agreement or other
27 contract that is inconsistent with section 5 is in effect for a

1 group of employees of a public employer on the effective date of
2 this act, the requirements of section 5 do not apply to that group
3 of employees until the collective bargaining agreement or other
4 contract expires or is amended, extended, or renewed.

5 Sec. 13. The requirements of section 5 apply to medical
6 benefit plans of all public employees to the greatest extent
7 consistent with constitutionally allocated powers, whether or not a
8 public employee is a member of a collective bargaining unit.

9 Sec. 15. (1) By a 2/3 vote of its governing body, a local unit
10 of government may exempt itself from the requirements of this act
11 for the next succeeding contract period.

12 (2) Another 2/3 vote of the governing body of the local unit
13 of government is required to extend an exemption under this section
14 to a new contract period after a contract for a medical benefit
15 plan expires or terminates or is amended, extended, or renewed.