

Legislative Analysis



MUNICIPAL HEALTH FACILITIES CORPORATION

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Senate Bill 1055 as reported from House committee

Sponsor: Sen. Wayne Schmidt

House Committee: Health Policy

Senate Committee: Health Policy and Human Services

Complete to 12-4-22

Analysis available at
<http://www.legislature.mi.gov>

BRIEF SUMMARY: Senate Bill 1055 would amend the Municipal Health Facilities Corporations Act (MHFCA) to change population requirements and extend a deadline for a municipal health facilities corporation to be restructured as a nonprofit corporation.

FISCAL IMPACT: Senate Bill 1055 would have an indeterminate fiscal impact on the Department of Health and Human Services (DHHS) resulting from uncompensated care cost offset payments related to the state's traditional and expanded Medicaid programs (Healthy Michigan Plan). The enactment of 2017 PA 148 allowed the Branch County Community Health Center to restructure as a nonprofit, which, at the time, was estimated¹ to increase state costs by \$1.5 million GF/GP. Publicly owned and operated hospitals submit uncompensated care reports to DHHS, which allows the department to draw federal disproportionate share hospital funds to offset the costs of uncompensated care. This reduction in available funding would vary from year to year, but would be entirely dependent upon the number of public hospitals that choose to restructure as a nonprofit under the MHFCA.

THE APPARENT PROBLEM:

Under the MHFCA, a county, city, or village may incorporate a hospital. As a public facility, the hospital is exempt from property and income taxes. However, structuring as a public hospital under the MHFCA, as opposed to structuring as a nonprofit hospital under a different act, apparently presents less flexibility to affiliate with larger health systems, impacts a hospital's ability to seek certain forms of grant funding, and creates hurdles if the hospital wishes to expand services outside of the traditional hospital setting.

The Helen Newberry Joy Hospital & Healthcare Center, a critical access hospital located in Luce County in the Upper Peninsula, has expressed interest in converting from a public hospital to a nonprofit hospital under the Nonprofit Corporation Act. However, statutory language authorizing such a conversion currently applies only to a public hospital located in a county with a population greater than the population of Luce County as of the 2020 census.

THE CONTENT OF THE BILL:

Senate Bill 1055 would amend the Municipal Health Facilities Corporations Act to revise provisions pertaining to a municipal health facilities corporation's restructuring as a nonprofit corporation.

¹ House Fiscal Agency analysis of SB 450: <http://legislature.mi.gov/documents/2017-2018/billanalysis/House/pdf/2017-HLA-0450-41F2A83D.pdf>

Currently, section 305a of the MHFCA allows the board of trustees, or a subsidiary board, of a municipal health facilities corporation to restructure the corporation or subsidiary corporation as a nonprofit corporation if both of the following conditions are met:

- The corporation or subsidiary corporation is located in a county that had a population of more than 45,000 and less than 60,000 as of the most recent decennial census.
- The restructuring is completed before June 30, 2018.

This ability to restructure is also subject to any applicable licensing and regulatory requirements, the requirements of the Nonprofit Corporation Act, and the requirements listed elsewhere in section 305a of the MHFCA.

The current population requirements reflect changes made to the act by 2017 PA 148, which allowed the Branch County Community Health Center to restructure as a nonprofit corporation so that it could be purchased by ProMedica Health Systems of Toledo.

The bill would revise the population numbers to apply to corporations and subsidiary corporations in counties with a population between 5,000 and 7,500 as of the most recent decennial census. Additionally, under the bill, the restructuring would need to be completed by June 30, 2024.

MCL 331.1305a

HOUSE COMMITTEE ACTION:

The House Health Policy committee reported the Senate-passed version of SB 1055 without amendment.

BACKGROUND:

2017 PA 148 amended the MHFCA to facilitate a partnership between the Branch County Community Health Center and ProMedica Health Systems of Toledo. CHC was a municipal health corporation and ProMedica was a nonprofit corporation. In order to merge, both had to be on the same corporate plane, which the legislation allowed.

ARGUMENTS:

For:

The bill would allow the Helen Newberry Joy Hospital & Healthcare Center (HNJH), which currently is organized as a county hospital, to restructure as a nonprofit corporation. The HNJH is a rural health care facility located in the village of Newberry. It has 25 beds, offers an array of outpatient services, and operates four rural health clinics and attached long-term care facility. The hospital is 65 miles from the nearest hospital and is one of the few hospitals still organized under the MHFCA.

The delivery of health care services has changed greatly in recent years. What made sense in the past may not serve the needs of current and future consumers. The bill would provide Luce County the flexibility to restructure the HNJH as a nonprofit hospital if that business model would better serve its residents and others needing care. According to committee testimony,

any conversion under the bill would have to be approved by the county board of commissioners and the HNJH board of trustees.

Against:

No concerns or opposition to the proposal was raised during committee testimony.

POSITIONS:

A representative of the Helen Newberry Joy Hospital & Healthcare Center testified in support of the bill. (11-10-22)

The Michigan Hospital Association indicated support for the bill. (11-10-22)

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