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Senate Bill 1055 (as reported without amendment)  
Sponsor: Senator Wayne Schmidt  
Committee: Health Policy and Human Services

### **CONTENT**

The bill would amend Section 305a of the Municipal Health Facilities Corporations Act to allow the board of trustees of a municipal health facilities corporation or a subsidiary board to restructure the corporation or subsidiary corporation as a nonprofit corporation subject to the Nonprofit Corporation Act if both of the following conditions were met:

- The corporation or subsidiary corporation was located in a county with a population of more than 5,000 and less than 7,500 as of the most recent Federal decennial census.
- The restructuring was completed before June 30, 2024.

(The Municipal Health Facilities Corporations Act authorizes a county, city, or village to incorporate a public hospital or other health facility, whose property and income are exempt from State and local taxation. Under Section 305a, a municipal health facilities corporation or subsidiary corporation may be restructured as a nonprofit corporation, subject to requirements for a plan of restructuring, articles of incorporation, and prior approval of the local legislative body.)

MCL 331.1305a

Legislative Analyst: Stephen P. Jackson

### **FISCAL IMPACT**

The State, through its Medicaid program, achieves General Fund/General Purpose (GF/GP) savings through a program involving publicly owned hospitals, known as "certified public expenditures". These expenditures reflect uncompensated care provided by public hospitals. The State then receives reimbursement from the Federal government that equates to the Medicaid match that the State would have received had the uncompensated care been covered by Medicaid. The program leads to State savings of roughly \$54.0 million GF/GP each year. Conversion of a publicly owned hospital to nonprofit status would reduce the State's GF/GP savings from this program, proportional to the ratio of uncompensated care performed by the given hospital to uncompensated care performed by all public hospitals. Small public hospitals, such as those eligible for restructuring under the bill, represent only a few hundred thousand dollars of these savings.

The bill could have a positive fiscal impact on the affected local government. Conversion of a public hospital owned by a city, county, or other local entity to nonprofit status would lead to local savings if the local government is subsidizing the hospital's operation or if the new owner paid off costs incurred by the local government.

Date Completed: 6-22-22

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