

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 372 (as enrolled)

Senate Bill 374 (as enrolled)

Sponsor: Senator Frederick Dillingham

Senate Committee: Human Resources and Senior Citizens

House Committee: Senior Citizens and Retirement

Date Completed: 8-29-90

PUBLIC ACT 171 of 1990PUBLIC ACT 172 of 1990

RECEIVED

OCT 24 1990

RATIONALE

According to estimates, there are more than 1 million Michigan residents aged 60 or older, 5% of whom eventually will require long-term care. Although it is expected that many of these individuals will become disabled and may have to be placed in nursing homes, there seems to be a growing consensus among health care professionals that it is important to try to keep disabled senior citizens out of institutions, if at all possible. Those seniors who remain in their own homes, or with relatives, reportedly live longer and remain more active. It also is generally agreed that taking care of a disabled elderly relative places considerable stress on families, and that these caregivers need relief from time to time. As a result, local community services agencies across the State have worked toward developing programs to provide day care services on a day-to-day basis, and respite care services for a patient who may need care for several days and nights while his or her primary caregiver is on vacation. The process of generating funds for such programs, however, has been slow; while a few areas of the State provide some type of services, most have waiting lists, or can provide only limited services, due to a shortage of funds or a lack of volunteers. It has been pointed out that money that currently reverts to the General Fund from uncashed health benefit checks could be redirected into a special respite care fund to help alleviate the funding problem for these elder care programs. Currently, benefits paid by a nonprofit health care corporation (Blue Cross and Blue Shield of Michigan) to Michigan subscribers or providers escheat to the State's General Fund if they are not cashed within the seven-year "period of

dormancy" that is specified in the Michigan Code of Escheats. In the last several years, these escheats reportedly have ranged from \$371,000 to \$788,000 annually.

CONTENT

The bills would create a Senior Care Respite Fund to provide day care to older citizens, and require that uncashed benefit checks paid by a nonprofit health care corporation escheat to the State.

The bills are tie-barred to each other and to House Bill 5067 (Public Act 173 of 1990), which amended the Michigan Code of Escheats to include under its definition of "property" uncashed checks or other similar written instruments as described in the Nonprofit Health Care Corporation Reform Act, that are written for benefits paid by a health care corporation to a subscriber or provider, and that escheat to the State; and to dedicate 90% of that property to the proposed Senior Care Respite Fund.

Senate Bill 372

The bill would amend the Older Michiganians Act to establish in the Department of Treasury a Senior Care Respite Fund that could be used only by designated Area Agencies on Aging to provide day care for older persons or other types of respite services for persons providing care to older persons. An agency could develop new programs or fund existing programs, and design respite programs to meet the needs of its

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constituents. Unless the agency were granted a waiver to provide direct delivery of services, however, the agency would have to award funds from the Senior Care Respite Fund by grant or contract to community agencies and organizations for the provision of respite services.

The Fund would be administered by the Office on Services to the Aging, which annually would distribute the money in the Fund to the area agencies. Each agency would have to receive a minimum of \$25,000 or a proportionate part of that amount if there were insufficient funds available. If any money remained, it would have to be distributed according to a formula developed by the Office pursuant to administrative rules or the terms and conditions of the donor. Up to 1% of the money in the Fund could be used for the Office's costs of administering the Fund.

The State Treasurer would have to credit to the Fund any money received as a gift or donation to the Fund, that descended to the State as an escheat under the Nonprofit Health Care Corporation Reform Act, or that came from any other source as provided by law.

Any balances in the Fund at the end of any fiscal year would have to be carried over and would not revert to the General Fund.

Senate Bill 374

The bill would amend the Nonprofit Health Care Corporation Reform Act to specify that benefits paid by a health care corporation to a subscriber or provider by check or other similar written instrument for the transmission or payment of money, that was not cashed within the "period of dormancy" as specified in the Michigan Code of Escheats (generally seven years) would escheat to the State.

MCL 400.589 et al. (S.B. 372)
Proposed MCL 550.1403a (S.B. 374)

FISCAL IMPACT

Since 1983, escheats to the General Fund from uncashed health care benefit checks have averaged \$371,000, with a high of \$788,000 in fiscal year 1984. Although certain factors, such as litigation, can affect the level of escheats in a

given year, the proposed Senior Care Respite Fund could be expected to receive approximately \$300,000 in the next fiscal year. This amount, plus any other contributions to the Fund, would be distributed in equal shares (approximately \$21,000) to each of the State's 14 Area Agencies on Aging.

The redirection of escheats from health care benefit checks from the State General Fund to a Senior Care Respite Fund would result in a reduction to the State General Fund of approximately \$300,000 per year, depending upon the level of funds escheated to the State in a given year from this source.

ARGUMENTS

Supporting Argument

Individuals who are allowed to spend their later years in their homes, or with family members, often are more active and alert than those who are confined to nursing homes. Further, it is more economical to provide one month of respite care in a senior care respite and day care center than to provide one month of care in a nursing home. Yet caregivers for the elderly are under considerable stress, and need the type of respite services that the bills would provide in order to be able to continue caring for senior citizens in home environments.

Opposing Argument

The money that escheats to the State from uncashed health care benefit checks varies too much (\$371,000 to \$788,000) from one year to another to provide a consistent level of funding. Programs that were initiated in one year could have to be cancelled or curtailed in fiscally lean years much to the distress of the clients. Senior citizens might be better off if the money were returned to the health care corporation and used to lower the premium rates.

Opposing Argument

Dividing the funds equally among the Area Agencies on Aging actually could be inequitable, depending on the type and extent of the services needed by each agency's client group.

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SFA BILL ANALYSIS

Senate Bill 373

Analysis Summary

See SB 372

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Senate Bill 374

Analysis Summary

See SB 372

HOUSE LEGISLATIVE ANALYSIS SECTION

Senate Bill S.B. 374

Analysis 1st Analysis

See S.B. 372

HOUSE LEGISLATIVE ANALYSIS SECTION

Senate Bill 374

Analysis Second

See SB372