

SFA

BILL ANALYSIS

Senate Fiscal Agency

• Lansing, Michigan 48909

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House Bill 5688 (as reported without amendment)

Sponsor: Representative Tom Alley

House Committee: Public Health

Senate Committee: Health Policy

Date Completed: 9-25-90

RATIONALE

Public Act 502 of 1988 amended the County Health Facilities Corporations Act, renaming it the "Municipal Health Facilities Corporations Act", to allow cities and villages to reorganize city or village hospitals into public nonprofit corporations. The Act requires a city or village council, upon incorporating a corporation or subsidiary corporation, to appoint for the corporation a board of trustees, who must be chosen from among the citizens of the city or village. A small city hospital located in northern lower Michigan reportedly has had difficulty with the residency requirement. Tollfree Memorial Hospital, a 92-bed acute care hospital in West Branch, Ogemaw County, had been established under city ordinance and had a seven-member board of trustees, of which two members were county residents who lived outside of West Branch. When the hospital incorporated under the Municipal Health Facilities Corporations Act, the two board members who resided outside the city no longer were qualified to serve on the board because of the Act's residency requirements. Tollfree Memorial Hospital, like many hospitals in rural areas, serves an area that is larger than the municipality in which it is located. Some people believe that this hospital, and many similar hospitals in the State, should not be restricted to selecting board members only from the city or village in which the hospital is located.

CONTENT

The bill would amend the Municipal Health Facilities Corporations Act to permit the articles of incorporation of a health facility corporation or subsidiary corporation to require that the trustees be citizens of the city or village. The bill would delete the requirement that trustees be residents of the city or village.

MCL 331.1258

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

A number of city and village hospitals, which reorganized into public nonprofit corporations under the Municipal Health Facilities Corporations Act, have service areas that extend beyond a municipality's corporate limits. The hospitals, however, are restricted from selecting board members to represent the outlying areas. Furthermore, some cities and villages have such small populations that their hospitals have difficulty filling seats on the boards of trustees because they can draw members only from residents of the city or village. The bill would help such hospitals by allowing them to select board members from a wider geographic area.

Opposing Argument

Some people fear that the bill, by deleting the requirement that trustees be residents of the city or village, could signal an erosion of residency requirements for other municipal employees.

Response: A hospital's articles of incorporation could still require trustees to be city or village residents.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

H.B. 5688 (9-25-90)