

Bay County Department of Water and Sewer

Tom Paige, Director

November 14, 2014

Senate Bills 541 – 545 as approved by the Senate and assigned to this House committee propose changes to PA 152 of 2011, the Publicly Funded Health Insurance Contribution Act.

I am here today to express my concern regarding amendments made by this committee last week to SB 541 and SB 542; in particular the amendments that require Medical Benefits Plan Costs to include the following:

- Any amount that the public employer pays directly or indirectly for the assessment levied pursuant to the Health Insurance Claims Assessment Act, 2011 PA 142.
- Insurance Agent or Company Commissions.
- Any additional amount the public employer is required to pay as a fee or tax under The Patient Protection and Affordable Care Act.

Since last Friday, my staff has identified 6 different assessments, fees, and/or taxes that would be included as “Medical Benefit Plan Costs” per the committee amendments. They include:

- The Health Care Claims Assessment per 2011 PA142.
- Michigan’s Health Insurance Tax
- Federal Health Insurance Tax (HIT)
- Patient-Centered Outcomes Research Fee (PCOR)
- Transitional Reinsurance Program Fee (TRP)
- Agent Commissions

Requiring assessments, fees, and taxes to be included to determine compliance with PA152 will require a public employer to make assumptions and estimate the extent of these costs at the beginning of a plan year, and to track and recalculate compliance throughout the year. In the end, PA152 requires that a public employer be in compliance with the Act at the very end of any one plan year. Including these assessments, fees, taxes, and other miscellaneous costs will tremendously complicate administration of a health care program and creates a risk that a public employer will not be in compliance with the Act at the end of a plan year.

As the bills stand in this committee, the new definition of Medical Benefits Plan Costs applies to section 3, the hard cap section, of PA152. Section 3 (Hard Cap) of PA152 is the default option for public employers and is arguably the most effective option within the act to limit health care contribution costs by public employers. Including additional assessments, fees, and taxes when calculating compliance with section 3 will make this option a challenging option to administer.

As the bills stand today, the new definition of Medical Benefits Plan Costs does not apply to section 4, the 80/20 option of PA152. This seems very inconsistent. However, were the new definition to apply to section 4, that section would become just as difficult to administer.

Interestingly, the Michigan Claims Assessment was approved by the Governor in September 2011, 4 days prior the Governor's approval of PA 152. Since PA142 and PA152 of 2011 were essentially adopted at the same time, one might conclude that the claims assessment was intentionally excluded by the legislature from the cap limit in PA152. Of further note, the claims assessment was originally set to sunset on January 1, 2014. However, since the claims assessment has not raised the required revenue as projected to date, PA 58 of 2013 has extended the sunset date to January 1, 2018.

In addition, since most of the assessments, fees, and taxes have been instituted after the Publicly Funded Health Insurance Contribution Act became law in 2011, one might easily conclude that the section 3 hard cap limits were not set at a level with these additional costs in mind. Should the hard cap limits be adjusted due to a new definition of Medical Care Costs?

I need to take a moment to explain how the Department of Water and Sewer is governed in Bay County. In 1978, the electors of Bay County voted to implement the Optional Unified Form of County Government under Public Act 139 of 1973. Therefore, in 1980, the Bay County Board of Public Works (1957 PA 185) was dissolved and the Department of Water and Sewer was created and placed under the Bay County Road Commission as designated county agency pursuant to PA 342 of 1939. Bay County Department of Water and Sewer employees, including me, are Road Commission employees.

Road Commissions are not included in the definition of a Local Unit of Government as defined in PA152 of 2011. Therefore the Opt-Out provisions in section 8 of Act 152 that are available to a city, village, township, or county, are not available to the Bay County Department of Water and Sewer.

The DWS has two employee groups, hourly employees represented by a labor agreement, and Supervisory and Administrative employees that are not subject to a labor agreement or employment contract. A change to PA152 in the middle of a plan year could affect the Supervisory and Administrative group, but not the hourly group subject to the labor agreement. This potential disparity is troubling to me as the Director.

So I ask the committee to consider the process and timeline required for a public employer to implement changes to medical benefit plans. The DWS' plan year begins on January 1 of each year. Our insurance carrier requires 45 days to process changes to our health care plan. That means our carrier should be notified by tomorrow of plan changes for January 1, 2014.

Therefore, I am asking this committee to consider that any changes to PA152 that negatively impact employees not take immediate effect, rather that changes take effect at the beginning of a plan year beginning not earlier than 120 days after the effective date of the change to PA152 to provide time for consistent implementation.

On another topic, the employee and spouse cap limit as amended in this Committee to \$12,250 for 2014, while better than the current limit, still appears to set that limit at a level that remains disproportionately low based upon 2014 renewal rates that I have received for the DWS health insurance plans. To be in balance with the single and family caps, it appears the employee and spouse cap ought to be at or near \$13,000 for 2014.

Let me finish by stating that SB541 through SB545 as passed by the Senate, in my opinion, are great clarifications to 2011 PA 152, and I support those bills as passed by the Senate. The main issue at this time for my group is the new definition of "Medical Benefit Plan Costs" to include assessments, fees, and taxes, and the administrative challenges involved with the inclusion of these costs.

I sincerely thank you for your understanding and further considering the impact the various components of these bills will have on the Bay County Department of Water and Sewer. Thank you.

