



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 644 (as introduced 12-8-15)
Sponsor: Senator Jim Stamas
Committee: Health Policy

Date Completed: 1-28-16

CONTENT

The bill would amend the Municipal Health Facilities Corporations Act to authorize the restructuring of a municipal health facilities corporation or subsidiary municipal health facilities corporation as a nonprofit corporation, under certain circumstances.

Specifically, subject to the requirements of Section 305a of the Act (described below), as well as applicable licensing and other regulatory requirements and the requirements of the Nonprofit Corporation Act, the board of trustees of a municipal health facilities corporation or a subsidiary board could 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 26,000 and less than 30,000 as of the 2010 decennial census.
- The restructuring was completed before June 30, 2017.

(Alpena, Cheboygan, and Dickinson Counties meet the population criteria.)

Section 305a (the section that the bill would amend) allowed the type of restructuring proposed by the bill for a corporation or subsidiary corporation located in a county with a population of more than 40,000 and less than 44,000 as of the 2010 decennial census (Mecosta County), if the restructuring was completed before July 1, 2012. The section requires the board of trustees or subsidiary board proposing the restructuring to adopt a plan that includes the terms and conditions of the restructuring, and the proposed articles of incorporation and bylaws that are to govern the restructured corporation or subsidiary corporation. The articles and bylaws must comply with the requirements of the Nonprofit Corporation Act. Section 305a requires prior approval of a parent company's board of trustees for the restructuring of a subsidiary corporation, and the prior majority approval of the applicable local legislative body for the restructuring of either a corporation or subsidiary a corporation.

If the restructuring plan is approved, the corporation or subsidiary corporation must file the articles of incorporation with the Department of Licensing and Regulatory Affairs. The restructuring is effective on the effective date of the articles of incorporation under the Nonprofit Corporation Act.

Section 305a contains a number of provisions, applicable when a restructuring takes effect, concerning the continuation of liabilities, property ownership, and the termination and replacement of the original articles of incorporation. Additionally, Section 305a prohibits a

restructuring that impairs the obligation of the corporation or subsidiary corporation with respect to any outstanding obligation, bond, note, or contract.

MCL 331.1305a

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The State, through its Medicaid program, achieves 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.

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.

Fiscal Analyst: Steve Angelotti
Elizabeth Pratt

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