

DRAFT A

A bill to provide for consolidation of health benefits for public employees; to create a board to adopt a uniform public employee health benefits program; to provide for duties for certain state departments, agencies, boards, and officers; to require public employers who provide health benefits to employees to participate in the health benefits program; to provide for exceptions; to provide for optional participation by private entities; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "Michigan health benefits program act".

3 Sec. 2. As used in this act:

4 (a) "Board" means the Michigan health benefits program board
5 created in section 3.



1 (b) "MI health benefits program" means the Michigan health
2 benefits program adopted by the board under this act.

3 (c) "Public employee" means an employee, officer, or elected
4 official of a public employer. Public employee includes an employee
5 retired from employment with a public employer as provided in
6 section 21.

7 (d) "Public employer" means this state; a city, village,
8 township, county, or other political subdivision of this state; any
9 intergovernmental, metropolitan, or local department, agency, or
10 authority, or other local political subdivision; a school district,
11 a public school academy, or an intermediate school district, as
12 those terms are defined in the revised school code, 1976 PA 451,
13 MCL 380.1 to 380.1852; a community college or junior college
14 described in section 7 of article VIII of the state constitution of
15 1963; or a public university described in section 4, 5, or 6 of
16 article VIII of the state constitution of 1963.

17 Sec. 3. (1) The Michigan health benefits program board is
18 created as an autonomous entity in the department of management and
19 budget and shall exercise its powers independent of the director of
20 the department of management and budget.

21 (2) The board shall consist of 13 regular members, as follows:

22 (a) The following members appointed by the governor:

23 (i) 4 members representing interests of state, municipal,
24 public education, and public safety employees.

25 (ii) 1 member representing interests of public employee
26 retirees.

27 (iii) 3 members representing interests of county, municipal, and



1 public education employers.

2 (b) 3 independent members with expertise in areas such as
3 employee benefit design, value-based insurance design, or health
4 care actuarial science, 1 of whom shall be appointed by the
5 governor, 1 by the senate majority leader, and 1 by the speaker of
6 the house.

7 (c) The following members serving by virtue of their position:

8 (i) The state employer or his or her designee.

9 (ii) The state budget director or his or her designee.

10 Sec. 4. (1) The members first appointed to the board shall be
11 appointed within 30 days after the effective date of this act.

12 (2) Appointed members of the board shall serve for terms of 4
13 years or until a successor is appointed, whichever is later, except
14 that of the members first appointed, 1 representative of labor, 1
15 representative of public employers, and 1 of the independent
16 experts shall serve 2-year terms and 1 representative of labor, 1
17 representative of public employers, the representative of public
18 employee retirees, and 1 of the independent members shall serve 3-
19 year terms.

20 (3) If a vacancy occurs on the board, an appointment for the
21 unexpired term of an appointed member shall be made in the same
22 manner as the original appointment.

23 (4) The governor may remove an appointed member of the board
24 for incompetence, dereliction of duty, malfeasance, misfeasance, or
25 nonfeasance in office, or any other good cause.

26 Sec. 5. (1) The first meeting of the board shall be called by
27 the state employer who shall serve as chairperson. After the first



1 meeting, the board shall meet at least monthly. The board may meet
2 more frequently, as needed, at the call of the chairperson or if
3 requested by a majority of the board's members.

4 (2) A majority of the members of the board constitute a quorum
5 for the transaction of business at a meeting of the board. A
6 majority of the members present and serving are required for
7 official action of the board.

8 Sec. 6. Members of the board shall serve without compensation
9 for their service on the board. However, members of the board may
10 be reimbursed for their actual and necessary expenses incurred in
11 the performance of their official duties as members of the board.

12 Sec. 7. The board shall have the following duties:

13 (a) Review recommendations of the office of state employer as
14 to health benefit plans and total premium cost for each plan to be
15 adopted as the MI health benefits program to be offered for public
16 employees.

17 (b) Adopt or reject the recommendations of the office of state
18 employer.

19 (c) Issue directions to the office of state employer as to
20 changes to be researched, developed, included, and resubmitted for
21 any rejected recommendation.

22 (d) Assess the financial stability of the benefit plans
23 proposed for adoption as the MI health benefits program.

24 (e) Assess the financial stability of the MI health benefits
25 program not less than annually after adoption and implementation.

26 (f) Determine whether the purchase of reinsurance for the MI
27 health benefits program is in the state's best interest.



1 (g) Include in its evaluation of the contract recommendations
2 of the office of state employer, the additional value of
3 contracting with Michigan-based businesses.

4 (h) Develop methods to extend the option to participate in the
5 MI health benefits program to the private sector.

6 Sec. 8. The board shall accept or reject the health benefit
7 plans recommended by the office of state employer using the
8 following criteria:

9 (a) Quality, efficiency, and effectiveness in improving the
10 health of public employees.

11 (b) Financial stability.

12 Sec. 9. The board shall consider the cost of health benefit
13 plans provided to public sector employees in similar states using
14 available data, such as the medical expenditure panel survey
15 published by the agency for health care research and quality, and
16 other sources of data when approving the total premium cost of each
17 plan and the expected average premium cost for all plans that are
18 offered.

19 Sec. 10. The office of state employer shall have the following
20 general powers, duties, and responsibilities:

21 (a) Administration of the MI health benefits program.

22 (b) Communicating with and educating public employees
23 concerning the MI health benefits program.

24 (c) Managing relationships with health care plans and
25 providers.

26 (d) Supporting and participating in public forums focused on
27 health care reform.



1 (e) Other duties granted by law.

2 Sec. 11. The office of state employer shall have the following
3 duties in developing MI health benefits program recommendations:

4 (a) Analyze current public employee health coverage plans in
5 this state to determine the types and levels of health coverage
6 provided.

7 (b) Review data on state health coverage plans in other
8 states.

9 (c) Develop a selection of plans of health benefits coverage
10 with different levels of coverage and benefits adapted to the
11 interests of various classes of public employees. Plans shall
12 comply with applicable federal standards and may include a variety
13 of structures and benefits, including, but not limited to, offering
14 benefits through preferred provider organizations, health
15 maintenance organizations, high-deductible plans combined with
16 health savings accounts, self-insurance, and plans that are
17 tailored to address groupings of geographic needs or categories of
18 employee risk or need.

19 (d) Negotiate with appropriate parties to develop plan
20 recommendations.

21 (e) Set standards and issue requests for proposals to develop
22 plan recommendations.

23 (f) Periodically review and update recommended plans as
24 necessary.

25 Sec. 12. The office of state employer shall consider all of
26 the following in developing health benefit plans to recommend to
27 the board:



1 (a) Maximizing cost containment while ensuring access to
2 quality health care.

3 (b) Wellness and prevention incentives, such as smoking
4 cessation, injury and accident prevention, reduction of alcohol
5 misuse, weight reduction, exercise, automobile and motorcycle
6 safety, blood cholesterol reduction, and nutrition education, that
7 focus on strategies to improve health and meet the needs of the
8 covered populations.

9 (c) Utilization review procedures.

10 (d) Evidence-based care and best practices.

11 (e) Use of clinical advocates to review diagnosis and care for
12 correct treatment.

13 (f) Coordination of benefits.

14 (g) Minimum standards for insuring entities.

15 (h) Minimum scope and content of plans offered to
16 participating employers.

17 (i) Incentives to engage in value-based health care
18 utilization.

19 (j) Methods of chronic care management that improve
20 coordination of care and identify employees best served through use
21 of a chronic care model that uses predictive modeling based on
22 claims or other health risk information.

23 (k) Cost considerations set forth in section 9.

24 (l) Any other factors the office of state employer considers
25 appropriate.

26 Sec. 13. The office of state employer shall have the following
27 powers in administering the MI health benefits program:



1 (a) Authority to negotiate and enter into contracts with
2 insurance carriers, health maintenance organizations, preferred
3 provider organizations, third party administrators, or any other
4 entity as necessary to implement the board-approved MI health
5 benefits program.

6 (b) Authority to contract externally for services related to
7 administration and operation of the MI health benefits program.

8 (c) Authority to hire an executive director and staff and to
9 incur expenses necessary to administer the program.

10 (d) Authority to include the additional value of contracting
11 with Michigan-based businesses in evaluating the best interests of
12 the state in the award of contracts.

13 Sec. 14. The board and the office of the state employer, using
14 evidence-based medical principles to develop common performance
15 measures, may include provisions for financial incentives in the MI
16 health benefits program that do the following:

17 (a) Reward improvements in health outcomes for individuals
18 with chronic diseases, increased utilization of appropriate
19 preventive health services, or reductions in medical errors.

20 (b) Increase the adoption of and use of information technology
21 that contributes to improved health outcomes, better coordination
22 of care, or decreased medical errors.

23 (c) Through purchasing, reimbursement, or pilot strategies,
24 promote and increase the adoption of health information technology
25 systems such as electronic medical records, electronic prescribing,
26 and integrated delivery systems, that do any of the following:

27 (i) Facilitate diagnosis or treatment.



- 1 (ii) Reduce unnecessary duplication of medical tests.
- 2 (iii) Promote efficient electronic physician order entry.
- 3 (iv) Increase access to health information for consumers and
4 their providers.
- 5 (v) Improve health outcomes.
- 6 (vi) Reward or encourage review of diagnosis and care by
7 clinical advocates to ensure appropriate treatment.
- 8 (vii) Reward employee participation in wellness or disease
9 management programs and regular preventive care.

10 Sec. 15. The office of state employer shall have the following
11 continuing duties:

- 12 (a) Periodically conduct an internal review of plan efficiency
13 and effectiveness.
- 14 (b) Perform audits of any participating employer, as needed.
- 15 (c) Report annually to the board and make the report available
16 to the public on the internet.
- 17 (d) Maintain a website with information concerning meetings
18 and other information useful to the public concerning the
19 activities of the office of state employer in developing and
20 implementing the MI health benefits program.
- 21 (e) Employ other techniques to ensure that the program is
22 administered efficiently and cost-effectively, such as coordination
23 of benefits and dependent eligibility audits.

24 Sec. 16. The board shall make the MI health benefits program
25 available to public employers. Except as provided in section 17, a
26 public employer that offers health benefits to its employees shall
27 offer benefits through participation in the MI health benefits

1 program. The MI health benefits program shall not restrict the
2 right of the public employer to select, subject to collective
3 bargaining, any of the following aspects of the MI health benefits
4 program:

5 (a) Which of the recommended plans the public employer will
6 offer.

7 (b) The share of the cost of the benefits that will be
8 allocated to the employer and the employee.

9 (c) Which of the employer's employees are eligible for MI
10 health benefits.

11 Sec. 17. A public employer may offer its employees a health
12 benefit plan that is not 1 of the recommended plans under this act
13 in any of the following circumstances:

14 (a) The health benefits are required under a contract in
15 effect on January 1, 2010. This exception expires with the
16 expiration of the contract and does not apply to a contract entered
17 into, revised, or renewed after January 1, 2010.

18 (b) If the public employer presents sufficient evidence to the
19 board that it can provide comparable benefits to its employees at a
20 lower cost, as determined under guidelines established by the board
21 under section 19. The public employer shall apply to the board for
22 approval to opt out at least 9 months before the expiration of the
23 current health benefits contract. The board shall apply the
24 guidelines and notify the public employer within 90 days as to the
25 approval or denial of the application.

26 Sec. 18. (1) The MI health benefits fund is created in the
27 state treasury and is held in trust to support the contractual



1 obligation for health benefits for the employees of the
2 participants in the MI health benefits program under this act.

3 (2) The state treasurer may receive money or other assets from
4 any source for deposit into the fund. The state treasurer shall
5 direct the investment of the fund. The state treasurer shall credit
6 to the fund interest and earnings from fund investments.

7 (3) Money collected for expenses of the MI health benefits
8 program shall be deposited in the fund.

9 (4) Money in the fund is continuously appropriated and may be
10 expended upon authorization of the office of the state employer
11 only for purposes of the MI health benefits program.

12 (5) Money in the fund at the close of the fiscal year shall
13 remain in the fund and shall not lapse to the general fund.

14 (6) The office of the state employer shall be the
15 administrator of the fund for auditing purposes.

16 Sec. 19. (1) The board shall establish standards to assess
17 whether a public employer who seeks to opt out of participation in
18 the MI health benefits program is able to offer benefits comparable
19 to those available under the MI health benefits program at a cost
20 that is at least 5% lower, so as to be eligible to opt out of
21 participation in the MI health benefits program. The standards
22 shall include factors such as the total premium, weighted averages
23 for multiple plan options, and out-of-pocket expenses, and
24 additional costs such as administrative fees in making the
25 comparison of benefits and costs and shall make the comparison over
26 a minimum of 3 years.

27 (2) The board shall require that a public employer provide an



1 actuarial study to support the request to opt out of the program.

2 (3) The board may require minimum participation periods and
3 minimum opt-out periods as necessary to the financial stability of
4 the MI health benefits program.

5 (4) The board may authorize exceptions to the minimum
6 participation or opt-out periods only in exigent circumstances.

7 Sec. 20. The costs of the MI health benefits program benefits
8 and administration shall be fully supported by assessments on the
9 participating employers and retirement systems, and those entities
10 shall be responsible for remitting any employee share of the costs.

11 Sec. 21. (1) Beginning January 1, 2010 and subject to section
12 17 and subsections (3) and (4), the board of a public employee or
13 officer retirement system shall offer only a health benefit plan
14 recommended under this act to public employees eligible for
15 retirement health care benefits under the following acts:

16 (a) The state employees retirement act, 1943 PA 240, MCL 38.1
17 to 38.68.

18 (b) The public school employees act of 1979, 1980 PA 300, MCL
19 38.1301 to 38.1408.

20 (c) The legislative retirement act, 1957 PA 261, MCL 38.1001
21 to 38.1080.

22 (d) The judges retirement act of 1992, 1992 PA 234, MCL
23 38.2101 to 38.2670.

24 (e) The state police retirement act of 1986, 1986 PA 182, MCL
25 38.1601 to 38.1648.

26 (f) The firefighters and police officers retirement act, 1937
27 PA 345, MCL 38.551 to 38.562.



1 (g) The municipal employees retirement act of 1984, 1984 PA
2 427, MCL 38.1501 to 38.1555.

3 (h) 1851 PA 156, MCL 46.1 to 46.32.

4 (i) The Michigan military act, 1967 PA 150, MCL 32.501 to
5 32.851.

6 (j) 1927 PA 339, MCL 38.701 to 38.706.

7 (2) Beginning January 1, 2010 and subject to section 17 and
8 subsections (3) and (4), the administrator of a public employee or
9 officer retirement system shall offer only a health benefit plan
10 recommended under this act to any other public employee or officer
11 who receives retirement health care benefits from a public
12 employer.

13 (3) If a collective bargaining agreement or other binding
14 agreement, such as an agreement specifying a vesting schedule, that
15 affects a health benefit plan is in effect on January 1, 2010, the
16 retirement health care benefits shall be administered in accordance
17 with the terms of the collective bargaining agreement or other
18 binding agreement until the agreement expires.

19 (4) This act does not modify terms relating to retiree health
20 benefits in contractual agreements under which a public employee
21 retired before the effective date of this act.

22 Enacting section 1. (1) The public employees health benefit
23 act, 2007 PA 106, MCL 124.71 to 124.85, is repealed.

24 (2) Sections 506a, 527a, 633, 1255, and 1311m of the revised
25 school code, 1976 PA 451, MCL 380.506a, 380.527a, 380.633,
26 380.1255, and 380.1311m, are repealed.

