

## Cap on Health Care Benefits Paid by Public Employers Takes Effect January 1

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August 26, 2011

Health care payments by public employers in Michigan will be limited by either a “hard cap” or a maximum percentage under a new law passed by the State Legislature Wednesday, August 24, 2011. The “Publicly Funded Health Insurance Contribution Act” imposes limits on the portion of employee and elected official medical benefit plan coverage paid for by public employers. The measure contains two means of limiting public employer contributions: a hard cap on the amount a public employer can pay towards premiums, or an optional 80/20 contribution split between the public employer and employee.

Under the hard cap option, public employers are limited to contributing \$5,500 annually for single person coverage, \$11,000 for employee and spouse coverage, and \$15,000 for family coverage. By majority vote a public body may opt out of the hard cap and choose the alternative 80/20 option.

The law takes effect January 1, 2012. While it does not apply to existing collective bargaining agreements until the agreements expire or are extended, any collective bargaining agreement executed after September 15, 2011, must be consistent with the hard cap or the 80/20 provision. Public employers are authorized to deduct the covered employee’s portion of the health costs from the employee’s salary without express consent from the employee.

Public employers may opt out of the limitations altogether with a 2/3 vote of the governing body taken annually. If a public employer fails to comply with the law, the statute imposes a penalty of a 10% reduction of Economic Vitality Incentive Payments or School Aid Payments for the period that the public employer is not in compliance.

The legislative fiscal analysis estimates that the bill would provide an initial annual savings to the state of \$42.5 million under the hard cap provision or \$59.1 million under the 80/20 split. Cost savings to individual municipality or school district will vary based on the type of medical insurance plans and number of participants in the programs. Governor Snyder is expected to sign the bill.

For more information, contact your Miller Canfield Employment + Labor attorney or the author:

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