

SB 7 FAQ's

Q: *How does an employer decide and designate their plan?*

A All public employers default to the hard cap plan. The hard cap plan is \$5,500 for single coverage, \$11,000 for couple coverage, and \$15,000 for family coverage.

With a simple majority vote, they may **OPT-IN** to the 80/20 plan.

Cities, villages, townships, counties, municipal electric utilities, airport authorities and metro parks may elect to **OPT-OUT** – without penalty -- with a 2/3 vote each medical plan year. Entities with a strong mayor or county executive must concur.

Q: *Are elected officials covered by this act?*

A Elected officials – including legislators – are covered by the act.

Q: *Are state or university employees covered by this act?*

A The act does not impact state (civil service) or university employees unless SJR C is passed by 2/3 vote of the House and approved by the voters. Community Colleges ARE impacted by this act.

Q: *How does this act impact VEBA participants?*

A Public employers who provide funding for a VEBA can calculate their maximum legal contribution based on the hard cap aggregate formula. Dearborn Public Schools has reviewed and does not object to the language in the conference report.

Q: *Is there a relief mechanism for lower paid employees' contributions?*

A Under either method, the public employer may choose to aggregate the employer costs and distribute the employee share as they see fit. The employer may consider the employees ability to pay if they choose.

Q: *How will the hard cap be adjusted?*

A The hard cap is adjusted annually by the State Treasurer based on the change in the medical care component of the U.S. CPI. The unadjusted 12-months ending July 2011 is an increase of 3.2%. For the past decade, the medical care component of the U.S. CPI has increased about 2-5% annually.

Q: *Who is the decision making authority?*

A The bill clarifies who the decision-making authority is for each type of public employer.

Q: *How does this affect HSA and other high-deductible plans?*

A Under the hard-cap plan, an employer may elect to spend up to the hard cap amount a combination of premium, HSA contributions, Rx reimbursements, etc. up to the amount of the hard cap.

Under the 80-20 plan, employees will be expected to reimburse or contribute costs no less than 20% of what the employer has paid.

Q: *How does this bill affect existing contracts?*

A The bill **does not** take effect on existing contracts until that contract is modified or expires.

Q: *When does this law take place?*

A The act applies to medical benefit plan coverage years beginning on or after January 1, 2012. However, contracts settled between Sept. 1, 2011 and January 1, 2012 must not contain terms that are contrary to the act, and will go into effect upon the expiration of the medical benefit plan year.

Q: *Is there a penalty associated with this act?*

A This act penalizes public employers that do not comply with the Act either 10% of school aid payments or 10% of economic vitality payments that were included in statutory revenue sharing in 2011 (\$200 million). Public employers that operate under the hard-cap, operate under the 80/20 or who OPT-OUT legally are **NOT** subject to penalty.