

PA 152—Caps on Medical Benefit Contributions

Introduction

PA 152, Publicly Funded Health Insurance Contribution Act, creates a “hard cap” on the amount a public employer may contribute to a medical benefit plan. It provides an option to elect an 80 percent contribution cap rather than the hard cap, or for a local unit to opt out entirely.

Hard Cap

A public employer may allocate its payments among its employees and elected officials as it sees fit. These caps will be adjusted by October 1 each year, to apply to the following calendar year, based on the change in the medical care component of the U.S. consumer price index (CPI) for the most recent 12-month period available from the Department of Labor, Bureau of Labor Statistics.

80/20

By a majority vote, a public employer may opt out of the hard cap and into an 80 percent cap option wherein the public employer may not pay more than 80 percent of the total annual costs of all the medical benefit plans it offers or contributes to for its employees and elected officials.

The public employer may allocate employees’ share of the total annual costs of a medical benefit plan as the employer sees fit. However, *elected* public officials must pay 20 percent or more of the total annual costs of the medical benefit plan.

Complete Opt-Out

By a 2/3 vote each year, a local unit of government may exempt itself from the requirements of this Act for the next year. An exemption is not effective for a city with a mayor who is both the chief executive and chief administrator, unless the mayor also approves the exemption.

Total Annual Costs

Both the hard cap and the 80 percent cap pertain to total annual costs of the medical benefit plan. These include the premium and all employer reimbursement of co-pays, deductibles, and payments into health savings accounts, flexible spending accounts, or related accounts.

Collective Bargaining Agreements or Other Contracts

Any collective bargaining agreement executed on or after September 15, 2011, must comply. A public employer’s expenditures for medical benefit plans under a collective bargaining agreement or other contract are to be excluded from the maximum payment formula under the hard cap provision.

Deductions

A public employer may deduct an employee’s or elected official’s portion of the costs of medical benefit plans from compensation due, and the employer may condition eligibility for the plan on the employee/elected official providing authorization to make such a deduction.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

March 19, 2024

**PUBLIC EMPLOYER CONTRIBUTIONS TO MEDICAL BENEFIT PLANS
ANNUAL COST LIMITATIONS – CALENDAR YEAR 2025**

For a medical benefit plan coverage year beginning on or after January 1, 2012, MCL 15.563, as last amended by 2018 Public Act 477, sets a limit on the amount that a public employer may contribute to a medical benefit plan.

For medical benefit plan coverage years beginning on or after January 1, 2013, MCL 15.563 provides that the dollar amounts that are multiplied by the number of employees with each coverage type be adjusted annually. Specifically, the dollar amounts shall be adjusted, by October 1 of each year after 2011 and before 2019, by the change in the medical care component of the United States consumer price index for the most recent 12-month period for which data are available. By April 1 of each year after 2018, the dollar amounts shall be adjusted by the change in the medical care component of the U.S. consumer price index for the most recent 12-month period for which data are available. For calendar year 2024, the limit on the amount that a public employer may contribute to a medical benefit plan was set to the sum of the following:

- \$7,702.85 times the number of employees and elected public officials with single-person coverage
- \$16,109.06 times the number of employees and elected public officials with individual-and-spouse coverage or individual-plus-1-nonspouse-dependent coverage
- \$21,007.83 times the number of employees and elected public officials with family coverage.

The limits for 2025 equal the 2024 limits increased by **0.2 percent**. The 0.2 percent is the percentage change in the medical care component from the period March 2022-February 2023 to the period March 2023-February 2024.

Thus, for medical benefit plan coverage years beginning on or after January 1, 2025, the limit on the amount that a public employer may contribute to a medical benefit plan equals the sum of the following:

- \$7,718.26 times the number of employees and elected public officials with single-person coverage
- \$16,141.28 times the number of employees and elected public officials with individual -and-spouse coverage or individual-plus-1-nonspouse-dependent coverage
- \$21,049.85 times the number of employees and elected public officials with family coverage.

Rachael Eubanks

Rachael Eubanks
State Treasurer

March 19, 2024