

# Ensuring Fair Financing of Health Care

## Provider Tax

### ***Background:***

Minnesota imposes a series of gross revenue taxes on various types of providers of health care goods and services. Revenues collected under these taxes are used to pay for the MinnesotaCare program, which provides state-subsidized health care coverage for low-income individuals.

Recent reports that MinnesotaCare will face a deficit in the near future have turned attention back to the provider tax, as it is a major source of funding for MinnesotaCare.

### **The provider tax applies to the following:**

“Health care providers,” including licensed health care professionals such as physicians, dentists, nurses, psychologists, physical therapists, and chiropractors; unlicensed individuals providing services reimbursed under Minnesota’s Medicaid program; staff model health plan companies (an HMO where services are provided by employees); ambulance services; opticians; and sellers of hearing aids. Also subject to the tax are hospitals, surgical centers, and wholesale drug distributors.

Currently, the provider tax is 2%, which is applied to gross revenues derived from services provided to patients.

### ***MDA Position:***

The MDA would like to thank legislators for passing a bipartisan agreement in 2011 to repeal the provider tax in 2019. The MDA considers this to be a “sick tax” which punishes those who go to see a care provider. Essentially, this tax increases the cost of health care to every man, woman, and child in Minnesota. The MDA would reject any attempt to increase the tax rate (from the current 2%) or repeal the sunset which will occur on December 31, 2019.