MinnesotaCare Provider Tax

Five Reasons to Let it Expire

The provider tax is a 2% gross revenues tax on services provided by physicians, dentists, chiropractors, and other practitioners as well as on hospitals, surgical centers and wholesale drug distributors. The tax was signed into law in 1992 for the sole purpose of funding the MinnesotaCare program.

1. The 2019 sunset of the provider tax was agreed to in 2011 as part of negotiations. Its expiration will significantly reduce Health Care Access Fund (HCAF) revenue, which has become a slush fund sustained by taxes on the sick and injured.

2. In FY 2018, the MNcare program was funded by the Federal Basic Health Program Funding (89%), Enrollee Premiums and Cost Sharing (8.8%) and the State of Minnesota (2.1%). Of the $414 million spent on MinnesotaCare in FY2018, a minor amount—roughly $9 million—came from the HCAF.

3. FY 2016 HCAF revenues were $717.7 million including $598.5 million from the 2% provider tax. General Fund and Special Revenue Fund programs received roughly $682 million and State Agencies received nearly $66 million from the HCAF.

4. According to the 1992 MinnesotaCare and Provider Tax law:

   Sec. 21. [FEDERAL WAIVER; HEALTH CARE RELATED TAX.]
   The legislature finds that taxes imposed by this article are not subject to or in violation of the restrictions contained in the Social Security Act or other federal law. The tax is imposed solely to fund a state program and is not used to pay the state share of medical assistance.

5. With the majority of MinnesotaCare funding coming from other sources, the sunset of the provider tax should be retained, not repealed. The sunset of this tax will lead to a 2% reduction in costs, reduced administrative burden for practitioners and facilities—and an end to the unfair taxation of patients.

Diagrams: (see other side)
Graph 1 – FY 2018 HCAF Revenue
Graph 2 – FY 2018 HCAF Expenditures
Graph 3 – FY 2018 MinnesotaCare Costs
Provider Tax Used for Slush Fund, Not MNCare

FY 2018

FY 18 HCAF Revenues
- 2% Provider Tax: $658.4
- 1% Gross Premium Tax: $101.2
- Misc: $33.8

FY 18 HCAF Expenditures
- General Fund: $507.2
- Special Revenue Fund: $214.0
- State Agencies: $70.3
- MNCare: $9.0
- Misc: $2.4

FY 18 MNCare Costs
- Federal: 89%
- Enrollee Premiums: 8.8%
- State: 2.1%

(Revenues and Expenditures shown in millions)

*Graphs do not include tax refunds or pass-through funds (BHP + Enrollee Premiums)
Source: Health Care Access Fund, February 2018 Update, MMB
Graphic Created by Citizens’ Council for Health Freedom