

Department of Revenue

Modification of Revenue Notice # 94-14: MinnesotaCare – Health Care Providers/Patient Services – Who/What is Taxable

This revenue notice:

- Further explains the definitions of "health care provider" and "patient services" (for further information on these terms, refer to Revenue Notice # 93-13 and # 94-03); and
- Explains the difference between custodial services and medical services as related to the taxability of bed and board.

This revenue notice does not provide an inclusive list of all the facilities and programs that are subject to the MinnesotaCare tax. Also, facilities that are listed as subject to tax may have no taxable receipts due to other exemptions in the MinnesotaCare law. For an inclusive list of facilities that are excluded from the definition of health care provider, see *Minnesota Statutes*, section 295.50 subdivision 4(b). These facilities are not subject to the MinnesotaCare tax. For an inclusive list of services that are excluded from the definition of patient services, see *Minnesota Statutes*, section 295.50 subdivision 9b(b). These services are not subject to the MinnesotaCare tax.

The MinnesotaCare tax is imposed on services that meet the definition of patient services and are provided by a health care provider or by an organization that employs health care providers.

1. A health care provider is defined as a person whose health care occupation is regulated by the state of Minnesota and who furnishes any of the goods or services listed in *Minnesota Statutes*, section 295.50, subdivision 4 (e.g., medical, optical, dental) or any other goods or services that qualify for reimbursement under the medical assistance program as provided in *Minnesota Statutes*, chapter 256B. Under *Minnesota Statutes*, section 295.50 subdivision 4, a health care provider also includes staff model health plan companies, licensed ambulances, and sellers of hearing aids and prescription eyewear.

2. Patient services are defined under *Minnesota Statutes*, section 295.50, subdivision 9b, to include health care goods and services provided to a patient or consumer. The list includes various services such as bed and board, use of facilities, and diagnostic or therapeutic services.

Following is an explanation of some of the terms used in the definition of patient services:

Bed and Board. Bed and board is included in patient services when it is part of the medical services given to a patient. Bed and board is not considered patient services when it is part of residential, custodial, habilitative or training services that are not reimbursable by medical assistance under *Minnesota Statutes*, section 256B.0625.

Nursing Services. Nursing services are those services normally provided by nurses within the scope of their license, including administration of drugs and medications, health teaching, counseling, personal care, treatment and assessment of patients' needs and care requirements, and preparation of care plans for individual patients. All services provided by a nurse in a health care facility are patient services.

Medical Social Services. Medical social services are services that contribute to the treatment of a patient's condition such as assessment of the social and emotional factors related to a patient's condition and assessment of the patient's medical and nursing requirement as applied to his/her home situation, financial resources, and the community resources available to the patient. They include treatment of psychological dysfunctions caused by environmental and interpersonal factors.

Medical or Surgical Services. Medical or surgical services include all services that are provided within the scope of medical practice of a health care provider whose occupation is regulated by the state of Minnesota.

Diagnostic Services. Diagnostic services are services that determine the existence, nature, or extent of a disease, illness, interruption or disorder of body functions or organs, and services that enable a health care provider to identify a mental condition through critical scrutiny.

Therapeutic Services. Therapeutic services include services of a healing, curing, rehabilitative or remedial nature (*e.g.*, massage therapy).

Custodial vs. Medical Services

Under the general test, services that do not qualify as patient services and are not provided by health care providers, as defined in *Minnesota Statutes*, section 295.50, subdivision 4 (or an entity that employs health care providers), are not taxable. This section deals with facilities that employ the services of a health care provider. When the facility is deemed to provide custodial services, these services are not taxable. This section does not deal with payments for services that are specifically exempt by the MinnesotaCare law.

Custodial services mean training services, supervision, and other support activities designed to help a person maintain the highest possible level of independence and integration into the community where the person lives and works.

Medical services mean rehabilitative services or other treatment given to a patient (*e.g.*, services provided by a hospital, a medical clinic, a physical therapist or a drug/alcohol rehabilitation program).

When the primary goal of the facility is to serve as a residence or provide custodial care rather than provide rehabilitative services or medical treatment, the amounts received for bed and board are not taxable (they are not deemed to be part of the health care services); only the portion of the receipts used for patient services other than bed and board is taxable. This includes patient services that are provided by individuals whose health care occupation is regulated by the state of Minnesota, as well as by other employees of the facility. When the primary goal of the facility is to provide medical services, all services, including bed and board, are taxable.

All receipts that are allocated to the services of a health care provider, as defined in *Minnesota Statutes*, section 295.50, subdivision 4, are taxable.

A. Examples of Custodial Care Facilities/Programs

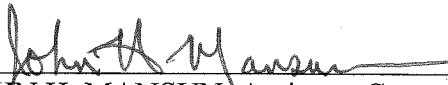
These facilities/programs are not subject to tax unless they employ health care providers whose occupation is regulated by the state of Minnesota. If they employ health care providers, only receipts for patient services, excluding bed and board, are taxable.

- Adult day care;
- Chemical dependency halfway house as defined under *Minnesota Rules*, part 9530.6605, subpart 17;
- Chemical dependency extended care, as defined under *Minnesota Rules*, part 9530.6605, subpart 15.

B. Examples of Medical Care Facilities

All services, including bed and board, provided by these programs are taxable if the facility employs health care providers whose occupation is regulated by the state of Minnesota.

- Chemical dependency combination inpatient/outpatient treatment, as defined under *Minnesota Rules*, part 9530.6605, subpart 10a;
- Chemical dependency primary rehabilitation, as defined under *Minnesota Rules*, part 9530.6605, subpart 22;
- Detoxification programs, as defined under *Minnesota Rules*, part 9530.6510, subpart 7; (Rule 32);
- Free standing treatment programs and residential free standing care facilities;
- Mental health clinics (Rule 29) other than mental health centers defined in *Minnesota Statutes*, section 245.62 subdivision 2.



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