

**MNCARE TAXES  
Out-of-Pocket Expenses**

April 9, 2001

	<b>Yes</b>	<b>No</b>
Separate Official Fiscal Note Requested	<b>X</b>	
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings		<b>X</b>

Department of Revenue  
Analysis of S.F. 384 (Berglin)/H.F. 1787 (Walker)

	<b>Revenue Gain or (Loss)</b>			
	<b><u>F.Y. 2002</u></b>	<b><u>F.Y. 2003</u></b>	<b><u>F.Y. 2004</u></b>	<b><u>FY2005</u></b>
		(000's)		
Health Care Access Fund	(\$3,100)	(\$7,860)	(\$8,280)	(\$8,740)

Effective for payments received for patient services provided on or after January 1, 2002.

**EXPLANATION OF THE BILL**

**Current Law:** MNCare taxes are imposed on hospitals and health care providers at the rate of 1.5% (2% starting January 1, 2002) on gross receipts for patient services. Currently there is no distinction based on whether or not the patient has health insurance.

**Proposed Law:** MNCare taxes would no longer be imposed on the gross receipts of hospitals and health care providers for patient services where there is no reimbursement from a third-party purchaser. However, the exemption would not apply to co-payments, deductibles, or coinsurance paid by the patient or consumer. Also, the exemption would not apply to premiums paid by an enrollee to a staff model health plan company.

**REVENUE ANALYSIS DETAIL**

- The Minnesota Department of Health provided out-of-pocket health care expense information for calendar year 1998 (the latest year for which detailed information is available) and the three previous years.
- The out-of-pocket expense items for 1998 impacted by the bill were selected to provide a base for the calculation. The total for calendar year 1998 was \$309,084,000.
- A three-year average increase factor of 5.46% was calculated and used to extrapolate to 2005.
- The fiscal year 2002 figure was adjusted to reflect the impact of the effective date on collections.

**Number of Taxpayers Affected:** Current data indicates that there are approximately 7,600 providers and 165 hospitals and surgical centers. It is not known how many individuals would be affected.

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**ADMINISTRATIVE/OPERATIONAL IMPACT**

See fiscal note.

Source: Minnesota Department of Revenue  
Tax Research Division  
<http://www.taxes.state.mn.us/polic.html#analyses>

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