MINNESOTA · REVENUE

MINNESOTACARE TAX
Eating Disorder Treatment

March 29, 2012

	Yes	No
DOR Administrative Costs/Savings		x

Department of Revenue
Analysis of H.F. 2916 (Mack) As Amended in the House Tax Committee, March 27, 2012.

	Fund Impact			
	F.Y. 2012	F.Y. 2013	F.Y. 2014	F.Y. 2015
		(000's)		
Health Care Access Fund	$0	$0	($2,100)	($3,000)

As amended, effective July 1, 2013.

EXPLANATION OF THE BILL

Current Law: Health care providers, hospitals, and surgical centers located in Minnesota are subject to a tax of 2% of gross revenue from patient services. Proceeds from the tax are deposited in the Health Care Access Fund, which is used primarily to fund the MinnesotaCare program.

A hospital or provider may claim a research credit of up to 2.5% of revenue from patient services used to fund qualifying research. To qualify for the credit, the research must be a formal program of medical or health care research conducted by an entity which is exempt under Section 501(c)(3) of the Internal Revenue Code or an entity owned and operated under the authority of a governmental unit. If the total amount of MinnesotaCare research credits is expected to exceed $2.5 million in a calendar year, the rate must be adjusted to the nearest one-half percent so that the total amount of credits will most closely equal $2.5 million. The rate has been 1.5% since 2010.

Proposed Law: Payments received for inpatient or outpatient treatment of eating disorders in a non-hospital setting would be exempt from the MinnesotaCare Tax.

The bill also would extend the research credit to include research conducted in coordination with a public or private higher education institution for the purposes of treating eating disorders.

Note: The exemption would apply to all eating disorder treatments, not just to facilities that specialize in eating disorders. This could include a large number of practitioners across a wide range of provider types. Treatment for eating disorders may overlap with treatment of other related issues, making it difficult to precisely define what would constitute treatment exempt under the bill. In some cases an office visit could include treatment for eating disorders and other unrelated treatments. The provider would have to apportion the cost of the treatment accordingly and maintain records of which treatment payments were eligible for the exemption.

REVENUE ANALYSIS DETAIL

- The bill does not define treatment of eating disorders. It is assumed that the term could include a wide range of treatments and services, including residential facilities that specialize in eating disorders and psychological counseling or therapy, among others.
- MinnesotaCare returns do not identify the type of patient services provided. A small number of treatment facilities were identified that specialize in treatment of eating disorders or that offer that treatment among other services.
- Other types of providers may be eligible for the exemption, including physicians, psychologists, and dietitians. It is not known what portion of these practices deal with eating disorder treatment.
- The annual cost of treating eating disorders nationally was about $5.5 billion in 2005, according to the National Eating Disorder Association.
- Based on population data, Minnesota's portion of that cost was about $95 million. At 2%, the tax on that amount was about $1.9 million in 2005.
- Historical and projected growth rates from the February 2012 MinnesotaCare forecast were applied to the estimate.
- The fiscal year 2014 impact was adjusted to reflect the effective date. Health care providers make quarterly estimated payments in April, July, October, and January. The first quarterly payment affected would be in October 2013.
- The bill would have no impact on the total amount of MinnesotaCare research credits. The research credit rate is adjusted annually so that refunds will generally not exceed $2.5 million per calendar year. If additional entities applied for the credit, the rate would be reduced and each claimant would receive a proportionately smaller credit.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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