Ensuring fair financing of health care

MMA POSITION:

Thanks to bipartisan support, Minnesota’s provider tax is scheduled to be repealed in 2019. Legislators need to keep their promise to Minnesotans and maintain the repeal. The provider tax adds to the cost of health care and falls disproportionately on the sick.

BACKGROUND:

Passed into law in 1992, the provider tax is a 2 percent gross revenues tax on medical services provided by physicians, hospitals, dentists, chiropractors and other health care providers. Funds from the tax are deposited in the Health Care Access Fund (HCAF), along with revenues from a 1 percent gross premium tax, premiums from enrollees and federal matching dollars. These funds were intended to be used primarily for the MinnesotaCare subsidized insurance program.

Legislators and Gov. Mark Dayton took the right steps by phasing-out and eventually repealing the tax as part of the 2011 budget agreement. Under current law, the provider tax will be permanently repealed on Dec. 31, 2019. Minnesota’s physicians are pleased that the tax is scheduled to be repealed.

With the passage of the Affordable Care Act (ACA), many believe it is time to move away from dependence on the provider tax. Through the Medical Assistance (MA) expansion and the Basic Health Program, Minnesota receives federal subsidies for those earning up to 400 percent of the federal poverty level, which reduces our need for provider tax revenues.

Over the last few years, legislators have found new uses for provider tax dollars. Even though the provider tax money is supposedly “dedicated” to the HCAF, since 2004, more than $1 billion collected by the tax has been transferred out of the HCAF and into the General Fund. And in 2014, half of the HCAF expenditures were used to fund the MA program, even though MA has always been a General Fund obligation.

The provider tax has always been a regressive way to fund the MinnesotaCare program. But now that Minnesota is receiving federal dollars to help cover many of the people who received insurance coverage through MinnesotaCare, it makes even less sense for it to continue, especially if it will be used to pay for General Fund programs. Now is the time to allow the scheduled provider tax repeal move forward. The provider community has waited too long to see this burdensome tax eliminated, and any delay in its repeal is unacceptable.

TALKING POINTS:

➡ Physicians and other providers are pleased that the provider tax has been repealed. This tax has always been a regressive tax on health care that falls most heavily on the sick and adds to the overall cost of care.

➡ The total repeal doesn’t take place until after Dec. 31, 2019. Do not support plans to use the tax to support new programs, delaying the legislated phase-out.

➡ We must find broad-based funding for programs that expand access to but do not add to the cost of health care.

➡ We oppose any effort to reinstate the provider tax or to find other new uses for the funds it generates.