Preserving the provider tax, stabilizing health care funding

Issues:

- The Health Care Access Fund supports essential health care services, including MinnesotaCare and Medical Assistance (Minnesota’s Medicaid program), as well as public health initiatives. More than 80 percent of the fund’s revenue comes from a tax on health care providers.
- Established in 1992, the provider tax is a 2 percent tax on revenue from patient services at hospitals, surgical centers and health care providers. For providers serving Medical Assistance or MinnesotaCare enrollees, the cost of the tax is offset by higher payment rates.
- Under current state law, the provider tax will end Dec. 31, 2019.
- The sunset of the provider tax threatens the financial stability of health care coverage for more than 1 million Minnesotans served by Medical Assistance and MinnesotaCare. Requiring these programs to compete with other programs for general fund dollars will create uncertainty and instability.

Proposal:

- Governor Tim Walz proposes to continue the provider tax by repealing the tax’s sunset in state law. His proposal also would preserve higher payment rates for providers serving Medical Assistance and MinnesotaCare enrollees, offsetting the cost of the tax.

Benefits:

- Maintains revenue from a longstanding source to support health care for more than 1 million Minnesotans.
- Stabilizes funding for health care initiatives to increase access, improve quality and contain costs.
- Supports state-based consumer subsidies, tax credits and one-time startup costs for ONECare MN, a proposal to stabilize the individual health insurance market and offer more comprehensive coverage.

Fiscal impact:

- $970 million in revenue to the Health Care Access Fund in FY 2020-21

Related information:

FY Revised Governor’s Budget Recommendations for FY 2020-21
• Revised Governor’s Budget Recommendations for FY 2020-21, Pages 29 to 30:

  

  **DHS Communications: March 2019**