

HISTORY NOTE: Controversy over Minnesota's provider tax is nothing new



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Continuing a health care provider tax that was to sunset at year's end was a flash point for the 2019 Minnesota Legislature. The tax will continue, but at a rate of 1.8 percent rather than 2 percent.

Retaining the tax provoked a long and colorful fight at the capitol this session. But as history shows, debate over the health care provider tax is nothing new.

The health care provider tax was controversial when it was proposed in the 1990s as a means to fund MinnesotaCare. MinnesotaCare was created to provide health care for the state's poorest residents, including many people with disabilities.

The tax was implemented starting on January 1, 1993, with hospitals costs targeted first. Doctors and others began paying the tax a year later.

A 1992 Pioneer Press article noted that patients wouldn't see the 2 percent cost separated out on their bills. "The price increase 'will be pretty transparent to patients' because the legislation that created the state-subsidized program prohibits hospitals from itemizing the tax on patients' bills," said David Lee, a spokesman for the Minnesota Hospital Association.

The law required hospitals either to pass on the 2 percent tax to insurance companies or to absorb it themselves. The tax was opposed by many hospital officials, who contended that it was an improper way to pay for MinnesotaCare. But most agreed that once state lawmakers acted to implement the tax, they'd go along with it. Then-Gov. Arne Carlson signed the tax into law.

Health maintenance organizations, which represented a major share of the health insurance market in Minnesota in the 1990s, agreed to add the tax automatically to the payment plans they had negotiated with various hospitals. HMOs built the additional costs into their premium structures, he said.

The tax was the subject of numerous legal challenges during its first few years. Various employee trusts filed lawsuits against the state, to try to get the tax dropped. One major legal challenge was dismissed before the tax took effect in. Another filed that year by a dozen employee trusts was also dismissed.

Yet another legal action was resolved in December 1993 when U.S. District Court Judge David Doty told state officials that they couldn't prevent doctors and other health care providers from itemizing the tax on patients' bills.

The tax was blamed in some news accounts as driving doctors out of Minnesota. Some doctors were all too happy to air their complaints in the media. One news account stated, "At the drop of a job offer elsewhere, some doctors have happily tacked up a shingle in another state. They're gambling on a few good years before managed care catches up with them. The word is out that there's friction in Minnesota, say clinic managers who recruit new doctors, and right now attracting them is a dismal task."

The tax and MinnesotaCare in its first years provided needed care for about 300,000 of the state's neediest residents.

Access Press is interested in reader submissions for the monthly History Note column, to complement the articles written by Luther Granquist and other contributors. Submissions must center on events, people and places in the history of Minnesota's disability community. We are interested in history that focuses on all types of disability topics, so long as the history has a tie to Minnesota. We are especially interested in stories from Greater Minnesota. Please submit ideas prior to submitting full stories, as we may have covered the topic before. Contact us at access@accesspress.org or 651-644-2133 if you have questions. The History Note is a monthly column sponsored by the Minnesota Governor's Council on Developmental Disabilities.