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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE NO. **1658**

March 5, 2007

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The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to taxation; health care providers gross receipts tax; providing for responsibilities of third-party purchasers; authorizing itemization of tax on certain billings; amending Minnesota Statutes 2006, section 295.582, subdivision 1.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 295.582, subdivision 1, is amended to read:

Subdivision 1. **Tax expense transfer.** (a) A hospital, surgical center, or health care provider that is subject to a tax under section 295.52, or a pharmacy that has paid additional expense transferred under this section by a wholesale drug distributor, may transfer additional expense generated by section 295.52 obligations on to all third-party contracts for the purchase of health care services on behalf of a patient or consumer. Nothing shall prohibit a pharmacy from transferring the additional expense generated under section 295.52 to a pharmacy benefits manager. The additional expense transferred to the third-party purchaser or a pharmacy benefits manager must not exceed the tax percentage specified in section 295.52 multiplied against the gross revenues received under the third-party contract, and the tax percentage specified in section 295.52 multiplied against co-payments and deductibles paid by the individual patient or consumer. A health care provider who chooses to transfer the tax specified in section 295.52 may itemize the tax on patient billings. The expense must not be generated on revenues derived from payments that are excluded from the tax under section 295.53. All third-party purchasers of health care services including, but not limited to, third-party purchasers regulated under chapter 60A, 62A, 62C, 62D, 62H, 62N, 64B, 65A, 65B, 79, or 79A, or under section 471.61 or 471.617, and pharmacy benefits managers must pay the transferred expense in addition to any payments due under existing contracts with the hospital, surgical center, pharmacy, or

2.1 health care provider, to the extent allowed under federal law. A third-party purchaser of  
2.2 health care services includes, but is not limited to, a health carrier or community integrated  
2.3 service network that pays for health care services on behalf of patients or that reimburses,  
2.4 indemnifies, compensates, or otherwise insures patients for health care services. For  
2.5 purposes of this section, a pharmacy benefits manager means an entity that performs  
2.6 pharmacy benefits management. A third-party purchaser or pharmacy benefits manager  
2.7 shall comply with this section regardless of whether the third-party purchaser or pharmacy  
2.8 benefits manager is a for-profit, not-for-profit, or nonprofit entity or whether the health care  
2.9 provider has chosen to itemize the tax on patient billings. If the third-party purchaser's  
2.10 contract limits provider payment to a specified amount, such as an usual and customary  
2.11 fee schedule, the third-party purchaser must still pay the tax transferred or itemized by a  
2.12 health care provider. A third-party purchaser is also responsible for reimbursing providers  
2.13 for the percentage tax levied on co-payments or deductibles paid by the insured. A  
2.14 wholesale drug distributor may transfer additional expense generated by section 295.52  
2.15 obligations to entities that purchase from the wholesaler, and the entities must pay the  
2.16 additional expense. Nothing in this section limits the ability of a hospital, surgical center,  
2.17 pharmacy, wholesale drug distributor, or health care provider to recover all or part of the  
2.18 section 295.52 obligation by other methods, including increasing fees or charges.

2.19 (b) Any hospital, surgical center, or health care provider subject to a tax under  
2.20 section 295.52 or a pharmacy that has paid additional expense transferred under this  
2.21 section by a wholesale drug distributor may file a complaint with the commissioner  
2.22 responsible for regulating the third-party purchaser if at any time the third-party purchaser  
2.23 fails to comply with paragraph (a). The documentation shall include information relating  
2.24 to a third-party purchaser's means for compliance with paragraph (a) for health care  
2.25 providers who itemize the tax on patient billings.

2.26 (c) If the commissioner responsible for regulating the third-party purchaser finds  
2.27 at any time that the third-party purchaser has not complied with paragraph (a), the  
2.28 commissioner may take enforcement action against a third-party purchaser which is  
2.29 subject to the commissioner's regulatory jurisdiction and which does not allow a hospital,  
2.30 surgical center, pharmacy, or provider to pass-through the tax. The commissioner may  
2.31 by order fine or censure the third-party purchaser or revoke or suspend the certificate  
2.32 of authority or license of the third-party purchaser to do business in this state if the  
2.33 commissioner finds that the third-party purchaser has not complied with this section.  
2.34 The third-party purchaser may appeal the commissioner's order through a contested case  
2.35 hearing in accordance with chapter 14. If it is found that a third-party purchaser has  
2.36 violated this section, the third-party purchaser is subject to a civil action by a health care

- 3.1 provider for actual damages incurred because of the failure of the third-party purchaser to
- 3.2 comply with paragraph (a).