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Minnesota Department of
Human Services

Health Care

Our Mission

The Minnesota Department of Human Services, working with many others, helps people meet their basic needs so they can live in dignity and achieve their highest potential.

Our Values

- We focus on people, not programs.
- We provide ladders up and safety nets for the people we serve.
- We work in partnership with others; we cannot do it alone.
- We are accountable for results, first to the people we serve, and ultimately to all Minnesotans.

We practice these shared values in an ethical environment where integrity, trustworthiness, responsibility, respect, justice, fairness and caring are of paramount importance.

Medical Care Surcharge Fund

Minnesota Statutes
Chapter 256, section 256.9657, subdivision 8

Report to the Legislature
February 2007

DHS-4357-ENG (1/05)

Medical Care Surcharge Fund

Cost of completing this report:

Minnesota Statutes, section 3.197, requires the disclosure of the cost of preparing this report.

Report preparation $1,000

Alternative formats or Additional copies

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MEDICAL CARE SURCHARGE (MCS)
APPENDIX I

History, procedures and descriptions

The MCS was created by the 1991 Minnesota Legislature. (1991 Minn. Laws, Chapter 292, Article 4, sections 20, 21 and 67). The 1991 MCS was a surcharge that raised revenue from: a bed tax on MA licensed nursing facilities, a percentage tax on Medical Assistance (MA) revenue paid to MA enrolled inpatient and outpatient hospitals and MA enrolled prepaid health plans.

The MCS was established pursuant to the assumption that federal law did not control the methods used by a state to raise revenues. Late in 1991, Congress changed the federal law in such a manner as to govern taxes related to health care providers and services. Then change required that states use a broad-based and uniform method of surcharging/taxing providers, without a direct payback of the surcharge.

In 1992, the Minnesota Legislature, responding to the federal law change, significantly changed the MCS. (1992 Minn. Laws, Chapter 513, Article 7, Section 16-19, 123-124, and Section 9 relating to physicians). As a result of the change, the 1992 MCS collects surcharge revenues from: a license fee for physicians; a bed tax for licensed nursing home beds (exempts board and care homes); a tax on the net patient revenue of hospitals, excluding Medicare; a tax on the total premium revenues of health homes, all hospitals, all health maintenance organizations and all licensed physicians, and requires the assessment of penalties and interest to be applied to overdue payments. The amendments were effective October 1, 1992.

The legislation also required specific waivers from the broad-based and uniform requirement of the federal law exempting certain providers and physicians from the surcharge. Original waivers were requested from HCFA by DHS on June 11, 1992, and were acknowledged as received by HCFA. Interim Final Federal Regulations, published on November 25, 1992, specified that states had 90 days from publication to submit waiver requests. The Department re-submitted the waiver requests for the hospital and nursing home surcharge within the given time period. The Department has received notification from HCFA that all waiver requests have been approved.

After the Federal Regulations were published requesting comments, the Clinton Administration and the National Governors Association (NGA) began meeting to reconcile the hardship that the regulations and law caused to many states. These negotiations have produced some changes and were reflected in the final regulations published August 13, 1993. This final rule allows additional classes that can be taxed, and eased to a small degree the test for uniformity. The regulations did not change substantially.

The 1997 Minnesota Legislature repealed the surcharge on physicians effective July 1, 1997.

MCS Appendix

A. Procedure

The total tax assessed to each provider is divided into monthly payments, with invoices generated each month, except for physicians. Physicians received an invoice for the annual license fee following the same notice requirement as stated below. The original physician invoice was generated by the Board of Medical Practice.

The law requires that the invoice of the monthly surcharge amount be sent to providers 30 days prior to due date. The due date is the 15th day of the next month. A provider, with the exception of physicians, can appeal the MCS within 30 days of receiving the invoice. The provider must pay the MCS during an appeal, and must appeal each invoice. A settle-up will occur at the time the appeal is resolved.

Prior to October 1, 1002, providers could pay the Medical Care Surcharge at any time without penalty or interest. Late notices and overdue letters were generated on a monthly basis. Payments 60 days overdue were submitted to the Minnesota Attorney General's Office for collection action. After October 1, 1992, penalties and interest will apply. The penalty amount is three (3) percent of the amount due, and is assessed the day after the due date and each thirty days thereafter. The full amount of the penalty is due the day assessed, regardless of when payment is made. The interest amount was nine (9) percent annually until January 1, 1993, when the interest rate dropped to six (6) percent. Interst accrues on the surcharge and penalty. The interest rate is equal to the adjusted prime rate charged by banks, and as published in the State Register by the Minnesota Department of Revenue.

Collection for all providers will be done in conjunction with the Minnesota Attorney General's Office, with the exception of physicians. The Department will utilize revenue recapture for Minnesota physicians, and referral to collection agencies for out-of-state physicians.

For an appeal, the provider must specify: the basis for the dispute, the computation and the amount that the appealing party believes to be correct, an estimate of the dollar amount involved, the authority upon which the appealing party is relying in the dispute, and, the name and address of the person or firm with whom contacts may be made regarding the appeal. Appeals must be submitted to the Commissioner of Human Services. Physicians do not have the right to appeal the physician license surcharge.

DHS was required to implement the surcharge, and to adopt permanent rules. The MCS was implemented July 1, 1991, and was modified per the legislative amendments, effective October 1, 1992. Proposed permanent rules were published for comment in the Minnesota State Register, August 31, 1992. The comment period ended September 30, 1992. A request was made for an administrative hearing, and the hearing was held on January 7, 1993. The permanent rule became effective on May 24, 1993.

B. Specific Taxes

1. Nursing Homes

Effective July 1, 1991, each MA enrolled nursing facility subject to reimbursement under Minn. Rules, parts 9549.0010 to 9549.0080 (Rule 50), paid an annual surcharge of $500 for each bed licenses by the Minnesota Department of Health on the previous April 1. The MCS applied to nursing home and board and care beds. Payments were due in monthly installments on the 15th of each month, beginning August 15, 1991. The last surcharge payment under this formula was due October 15, 1992.

Beginning with the surcharge payment due on November 15, 1992, the surcharge applied to licensed nursing home beds in non-state-operated nursing homes licensed under chapter 144A. Each nursing home was assessed an annual surcharge of $535 per bed licensed by the Minnesota Department of Health on the previous August 5. Beginning July 1993, the surcharge was based on the number of licensed beds each July 1. Payments are to be due in monthly installments.

Beginning with the surcharge payment due July 1, 1993, the surcharge was increased to $620 per bed per year. The rate changed to $625 per bed per year beginning with the surcharge due on July 15, 1994. In addition, downsizing will be reflected in the bed count in the second month after verification is received from the Minnesota Department of Health.

2. Hospitals

From July 1, 1991 to September 15, 1992, each Minnesota and local trade area hospital, except facilities of the federal Indian Health Service and regional treatment centers, paid a surcharge equal to 10% of MA payments made for inpatient services, and 5% of MA payments for outpatient services, for the month beginning six months prior to the month payment was due. Calculation of the surcharge excluded Medicare crossovers and indigent care payments. The first payment was a quarterly payment, due on September 15, 1991, for the quarter ending on March 31, 1991, with monthly payments due beginning October 15, 1991.

Beginning with the surcharge payment due on October 15, 1992, the surcharge applied only to Minnesota hospitals, excluding the federal Indian Health Service facilities and regional treatment centers. Each hospital was assessed a surcharge equal to 1.4% of net patient revenues, excluding net Medicare revenues and bad debt, as reported to Health Care Cost Information System for fiscal year 1990 revenues. Effective July 1, 1994 and July 1, 1995, the surcharge was be based on revenues reported for the second previous fiscal year, and each hospital will be assessed a surcharge equal to 1.56% of net patient revenue, excluding net Medicare revenue.

Beginning with the surcharge payment due on October 15, 1995, the surcharge is be based on revenues reported for the most previous fiscal year. The percentage remains at 1.56%. Each October 1, the surcharge will be based on the most previous fiscal year. Payment will be due in monthly installments.

3. Health Maintenance Organizations

From July 1, 1991 to September 15, 1991, each health plan under contract with DHS to provide Medical Assistance services paid a surcharge equivalent to the value of the inpatient and outpatient hospital surcharge for each rate cell payment. The surcharge for each quarter or month of a fiscal year was calculated based on the payments due in the same fiscal year for inpatient and outpatient hospitals. The first payment was a quarterly payment, with subsequent payments due on the fifteenth of each month, beginning October 15, 1991.

Effective October 1, 1992, each health maintenance organization with a certificate of authority issued by the Commissioner of Health under Minnesota Statutes, Chapter 62D, was assessed a surcharge equal to six-tenths of one percent of the total premium revenues, excluding the Federal Employee Health Benefits Plans (FEHBP), of the health maintenance organization as reported to the Commissioner of Health for fiscal year 1990 revenues. Effective July 1, of 1193, 1994 and 1995, the surcharge is based on revenues reported for the second previous fiscal year.

Beginning with the surcharge payment due October 15, 1995, and each October 1, thereafter, the surcharge will be based on revenues reported for the most previous fiscal year. Payments will be due in monthly installments. Additionally, Medicare revenues are excluded from the total premium revenue calculation.

4. Physician License Fee

From October 1, 1992 to July 1, 1997, the Minnesota Board of Medical Practice assessed a $400 annual license fee for each medical license issued by the Board, for physicians living in Minnesota or the contiguous states. The physicians were billed as follows: Group 1) A physician whose license was issued or renewed between April 1 and September 30 was billed on or before November 15, with a due date of December 15; and, Group 2) A physician whose license was issued on or renewed between October 1 and March 31 was billed on or before May 15, with a due date of June 15.

Beginning with the billing due December 15, 1993, physicians could apply for an exemption to the surcharge based on charity work, retirement, disability, terminal illness, leave of absence, and unemployment. The exemption was for the consecutive 12 month period beginning with the surcharge due date, and required that the physician not be compensated for services performed using the license. If a physician did not maintain the exemption, then the full surcharge had to be paid. The payment was submitted to the Commissioner of Human Services, and no license could be renewed for a physician who had not paid the tax. DHS applied interest and penalties to overdue amounts. DHS generates overdue notices.

C. Collection

1. 1991 MCS

The procedure followed for collection of the billed amounts of the 1991 MCS is as follows:

The original invoice program is created by the computer system each month on the first day of the month. The program is then downloaded to a Personal Computer and invoices are printed at the Department. The invoices are printed on the first working day after the first of the month. Printed invoices are the mailed on or before the ninth of the month, to ensure delivery to the providers by the 15th of the month. The due date for the invoices is the 15th of the next month. The provider must receive the invoice 30 days prior to the due date. This acts as the first notice.

On the 26th of the month in which the invoice was due, the computer system creates the overdue program. Overdue notices are generated at the Department and mailed to providers, requesting payment by the 15th of the following month. This is the second notice.

The third notice is generated from the aging report, run on the 26th of each month. Notice that the payment is overdue is sent to the providers with a letter requesting payment by the 15th of the following month. If payment is not received by the next aging period, a letter is sent to the provider stating that the account has been submitted to the Attorney General's Office for collection action.

2. 1992 MCS

The collection procedure for the 1992 MCS is a follows:

The invoices are created from the computer program at Inter-Tech on the first day of the month. These invoices are delivered to the Department the first working day after the first. The invoices are checked and then mailed to the providers by the ninth. As ninth the 1991 MCS, the providers must receive the invoice 30 days prior to the due date. Because of the imposition of interest and penalties, the invoices state the amounts due if a provider does not pay by the due date. Also, the invoice reminds providers of the previous months amount due, if not paid. This is the first notice.

Also, on the first day of the month, overdue notices are generated and printed like invoices. This overdue notice states the amount due with interest and penalties, and states the amount due if not paid by the 15th of the month. Overdue notices will be generated each month until the amount is paid.

Letters are sent on accounts 60 days or more past due, requesting communication with the MCS as to why payment is not being made. If no communication after 60 days, a request for payment letter will be sent. If not response the case will be referred to the Attorney General's Office for civil collection action.

3. Physician License Fee

The collection procedure for the Physician License Fee was as follows:

The invoices were generated and mailed by the Minnesota Board of Medical Practice to be received by the physician 30 days prior to the due date. The Department of Human Services received a listing of the invoices mailed and created a collection record. The Department received payment and generated overdue notices each month, adding the penalty and interest amounts. Unpaid physician license fees resulted in the physician being ineligible to renew the medical license. After three months from the surcharge due date the Department pursued revenue recapture on Minnesota physicians and utilized the State's contract with collection agencies for out of state physicians. District court action is not cost effective for these cases.

D. Intergovernmental Transfers

Intergovernmental transfer (IGT) is a method used by states to raise funds for Medicaid programs from other governmental entities. IGTs are allowed under Federal Law, but are not part of the Federal Law and Regulation governing provider taxes. States are free to use IGTs in any manner that the local governmental entity does not use a provider specific tax to raise the funds for transfer. The state uses the transfer to obtain FFP.

Since Minnesota passed new IGTs in the 1993 session, Congress has begun to carefully review and question states using this transfer method to raise state funds for the purpose of obtaining increased federal funding.

Minnesota currently has three IGTs:

IGT 1 – A 2% assessment on the net patient revenue of St. Paul Ramsey Medical Center and Hennepin County Medical Center (HCMC), transferred in monthly payments.
Beginning July 1, 1994, the assessment applies to both HCMC and the University of Minnesota Hospitals (UHM)
Beginning January 1, 1997, the assessment applies only to HCMC.

Beginning with the transfer due October 15 1995, the assessment is 1.8% of net revenue as described for the hospital surcharge above.

IGT 2 – Beginning July 1, 1993, a $1 million a month assessment of HCMC and the UMH. Beginning July 1, 1995, the assessment is $1,500,000 for HCMC and $500,000 for the UMH. The governmental units must make the transfer to the state by noon on the 15th of the month.

IGT 3 – Beginning May 31, 1994, an assessment of $5,723 per licensed bed in each nursing home owned and operated by a county. The county transfers the assessments to the state by noon on each May 31.

Medical Care Surcharge Fund Quarterly Report

September 2006

Prepared by the
Department of Human Services
Health Care Operations Division

I. INTRODUCTION

This report is prepared pursuant to 1992 Minn. Laws, Chapter 513, Article 7, Section 133, reporting on the total billings and collections for the Medical Care Surcharge (MCS) and Intergovernmental Transfers (IGT's).

This report contains a statistical summary of the billings and collections of the surcharges and intergovernmental transfers, and a brief summary of collection practices. A separate Appendix is available by request that includes a summary of the surcharge history and procedure and a more detailed explanation of the individual surcharges and intergovernmental transfers.

II. SUMMARY OF BILLINGS AND COLLECTIONS

1. 1992 MCS Total Billings and Collections for all surcharges and IGT's.

Total Billings: $2,138,677,965

Total Collection: $2,096,895,671

As of September 30, 2006, billings include amounts billed but not due as of October 15, 2006.

Billings for FY 2007: $52,864,772
Collection for FY 2007: $53,097,492
Write-off amounts for FY 2007: $ 0

As of September 30, 2006, billings include amounts billed but not due as of October 15, 2006.

1992 MCS - Hospitals, nursing homes, health maintenance organizations & ICF/MR

Figures include interest and penalties, billings for September 2006 which are not yet due, and any prepayment for the October 2006 billing.

Total Billings: $51,166,772

Total Collections: $51,399,492

2. Intergovernmental Transfers (IGT's)

IGT #2 - Hennepin County Medical Center

Billing: $ 1,698,000

As of September 30, 2006 and includes billing of the transfer due October 15, 2006.

B. IGT #3 – Fifteen County Transfer.
This transfer occurs on May 31 of each year.

Billing Total	Collection Total	Fiscal Year
$10,186,940.00	$10,186,940.00	1994
$9,912,236.00	$9,912,236.00	1995
$9,151,077.00	$9,151,077.00	1996
$9,151,077.00	$9,151,077.00	1997
$9,151,077.00	$9,151,077.00	1998
$9,151,077.00	$9,151,077.00	1999
$9,151,077.00	$9,151,077.00	2000
$9,151,077.00	$9,151,077.00	2001
$25,255,710.00	$25,255,710.00	2002
$25,688,427.00	$25,688,427.00	2003
$21,659,972.00	$21,659,972.00	2004
$29,545,342.00	$29,545,342.00	2005
$21,435,128.00	$21,435,128.00	2006

III. COLLECTION EFFORTS

1. 1992 MCS

The 1992 MCS currently has a 97 percent collection rate. Of the outstanding overdue accounts, 3 providers are on payment plans and staff are working with other providers that have fallen behind in making payments and need to become current.

2. Intergovernmental Transfer

The collection rate for all IGT's is 100 percent.

A. **IGT 2:** is billed to the Hennepin County Medical Center each month, with payment due by noon on the 15th of the month. The billing and collection of the IGT is done by the MCS system which generates an invoice and account record for each month of the transfer.

University of Minnesota was discontinued August 1, 2005.

B. **IGT 3:** is billed to fifteen counties as identified by statute, with payment due by noon on May 31. The billing and collection of this IGT was done by the MCS system which generates an invoice and account record for each county.

IV. GENERAL INFORMATION

For additional information contact Beth Donahue, Department of Human Services, Health Care Operations Division at (651) 431-3146.

Medical Care Surcharge Fund Quarterly Report

December 2006

Prepared by the
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II. SUMMARY OF BILLINGS AND COLLECTIONS

1. 1992 MCS Total Billings and Collections for all surcharges and IGT's.

Total Billings: $2,192,995,775

Total Collection: $2,148,353,308

As of December 31, 2006, billings include amounts billed but not due as of January 15, 2007.

Billings for FY 2007: $107,182,582
Collection for FY 2007: $104,555,129
Write-off amounts for FY 2007: $ 0

As of December 31, 2006, billings include amounts billed but not due as of Januaryt 15, 2007.

1992 MCS - Hospitals, nursing homes, health maintenance organizations & ICF/MR

Figures include interest and penalties, billings for December 2006 which are not yet due, and any prepayment for the January 2007 billing.

Total Billings: $52,619,810

Total Collections: $49,759,637

2. Intergovernmental Transfers (IGT's)

IGT #2 - Hennepin County Medical Center

Billing: $ 1,698,000

As of December 31, 2006 and includes billing of the transfer due January 15, 2007.

B. IGT #3 – Fifteen County Transfer.
This transfer occurs on May 31 of each year.

Billing Total	Collection Total	Fiscal Year
$10,186,940.00	$10,186,940.00	1994
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$9,151,077.00	$9,151,077.00	1997
$9,151,077.00	$9,151,077.00	1998
$9,151,077.00	$9,151,077.00	1999
$9,151,077.00	$9,151,077.00	2000
$9,151,077.00	$9,151,077.00	2001
$25,255,710.00	$25,255,710.00	2002
$25,688,427.00	$25,688,427.00	2003
$21,659,972.00	$21,659,972.00	2004
$29,545,342.00	$29,545,342.00	2005
$21,435,128.00	$21,435,128.00	2006

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1. 1992 MCS

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University of Minnesota was discontinued August 1, 2005.

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