

# MINNESOTA

## Community Benefit Requirement

Although Minnesota law does not expressly require nonprofit hospitals to provide community benefits, the state's nonprofit hospitals have voluntarily entered into legal agreements with the Attorney General that set forth legally binding requirements for financial assistance policies and charges, billing, and debt collection practices.

In 2012, Minnesota's Attorney General executed voluntary agreements (2012 Agreement) with each of Minnesota's nonprofit hospitals. (Virtually all Minnesota hospitals are nonprofit corporations.) Under the 2012 Agreement (the third in a series of five-year agreements between the Attorney General and Minnesota hospitals), a nonprofit hospital's Board of Directors must adopt a charity care policy that takes into consideration a patient's financial ability to pay a medical bill. [2012 Agreement](#), ¶136e. Before pursuing or authorizing a third party to pursue garnishment of a patient's wages or accounts, a hospital must first 1) offer a reasonable payment plan to a patient who has indicated (subject to hospital verification) an inability to pay the entire bill at once and 2) if the circumstances suggest that a patient may be eligible, afford the patient a reasonable opportunity to apply for charity care. [2012 Agreement](#), ¶19d.

Hospitals are required by regulation to file publicly available financial reports annually; as a condition of claiming a "charity care adjustment," a hospital must 1) provide charity care; 2) have a charity care policy that is communicated or made available to patients; 3) make reasonable efforts to identify third-party payers; 4) as appropriate, assist patients to apply for public programs; and 5) ensure that a patient to whom charity care is provided meets the hospital's eligibility criteria for charity care. [Minn. R. 4650.0115](#).

## Minimum Community Benefit Requirement

Neither Minnesota law nor the terms of the 2012 Agreement specify a minimum level of community benefits that hospitals must provide.

## Community Benefit Reporting Requirement

Minnesota law requires hospitals to annually report community benefits provided.

Minnesota hospitals must annually submit a publicly available financial report that details 1) services provided at no cost or for a reduced fee to patients unable to pay; 2) teaching and research activities; and 3) other community or charitable activities [Minn. Stat. §144.698.1\(5\)](#), along with a copy of the hospital's charity care policies. [Minn. R. §4650.0112.3 \(K\)](#); [Minn. R. 4650.0115](#). The financial report may be filed with the commissioner of health or with a voluntary, nonprofit, reporting organization. [Minn.](#)



[Stat. §144.698.1](#); [Minn. Stat. §144.702.1](#). The Minnesota Hospital Association is the designated voluntary, nonprofit reporting organization. [Minnesota Hospital Association](#).

When reporting charity care, the hospital must report the total dollar amount and the number of service contacts between a patient and a provider, in three categories: 1) patients with family income at or below 275 percent of the federal poverty level (FPL); 2) patients with family income above 275 percent of the FPL; and 3) patients for which the facility, with reasonable effort, has been unable to determine family income. [Minn. R. 4650.0115.3](#).

Minnesota's Commissioner for Public Health is required to compile financial information reported by each hospital into a combined annual report reflecting the costs of each hospital's community benefit activities. [Minn. Stat. §144.699.5](#).

## Community Health Needs Assessment

Minnesota does not require nonprofit hospitals to conduct community health needs assessments.

## Community Benefit Plan/Implementation Strategy

Minnesota does not require nonprofit hospitals to develop community benefit plans or implementation strategies.

## Financial Assistance Policy

Although Minnesota law does not require hospitals to adopt and implement financial assistance policies, they are required to do so pursuant to a voluntary agreement with the Attorney General.

Under the 2012 Agreement, essentially an extension of two earlier agreements, each hospital's Board of Directors must adopt a financial assistance policy that considers a patient's financial ability to pay a medical bill. [2012 Agreement](#), ¶136e. That policy must also include specific eligibility criteria. [Minn. R. 4650.0115](#). If a patient cannot pay his or her entire bill at once, then the hospital must attempt to negotiate a reasonable payment plan. [2012 Agreement](#), ¶19d.

## Financial Assistance Policy Dissemination

Minnesota hospitals must communicate their financial assistance policies to patients or otherwise make them available.

A hospital may claim a "charity care adjustment" on the mandatory, publicly available financial report it submits each year only if (among other requirements) the hospital has a charity care policy that is communicated or otherwise made available to patients. [Minn. R. 4650.0115](#).



## Limitations on Charges, Billing, and Collections

Although Minnesota law does not limit nonprofit hospital charges, billing, or collection practices, a voluntary agreement with the Attorney General imposes such limitations.

The 2012 Agreement includes the following requirements:

For any uninsured service provided, a patient with annual income of less than \$125,000 may not be charged more than the amount the hospital would be reimbursed for the service from its largest nongovernment insurer during the previous year. [2012 Agreement](#), ¶32.

Before taking legal action or garnishing a patient's wages, the hospital—or any debt collection agency or attorney it may employ—must: 1) verify that the patient owes the debt; 2) confirm that all appropriate insurance companies have been billed; 3) offer the patient a payment plan if he/she cannot pay the bill all at once; and 4) if the circumstances suggest that the patient may be eligible, afford the patient a reasonable opportunity to apply for charity care. [2012 Agreement](#), ¶1b-d; ¶9b-d.

The Hospital Board will adopt and maintain policies to: 1) establish a “zero tolerance” policy for abusive or harassing debt collection practices; 2) monitor hospitals' relationships with outside debt collectors and attorneys to ensure that their actions conform to the law and to the hospital's mission; and 3) ensure that no default judgment is obtained against a patient until that patient has been given a fair opportunity to respond. [2012 Agreement](#), ¶36.

## Income Tax Exemption

Minnesota exempts nonprofit hospitals from state corporate income tax.

Article X of the Minnesota Constitution exempts from taxation all “institutions of purely public charity.” [Minn. Const. art. X](#). In addition, Minnesota law exempts federally tax-exempt organizations from state income tax. [Minn. Stat. §290.05\(2\)](#).

## Property Tax Exemption

Minnesota law exempts from taxation the property of “institutions of public charity” under specified circumstances.

Minnesota law exempts from state property tax the property of “institutions of public charity” that are exempt from federal income tax under Internal Revenue Code §501(c)(3), but only if these institutions also satisfy additional factors identified for consideration by Minnesota law. [Minn. Stat. §272.02.7](#); [Rainbow Child Care Ctr., Inc. v. County of Goodhue](#), 741 N.W.2d 880 (Minn. 2007).



## Sales Tax Exemption

Minnesota law exempts nonprofit hospitals from state sales tax.

Minnesota law exempts from state sales tax sales to nonprofit hospitals organized for “charitable purposes” within the meaning of Internal Revenue Code §501(c)(3) if the purchased items are used in providing hospital services. [Minn. Stat. §297A.70\(7\)\(a\)](#).

