

**2013 HOUSE FINANCE AND TAXATION**

**HB 1271**

# 2013 HOUSE STANDING COMMITTEE MINUTES

## House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1271  
January 23, 2013  
Job #17602

Conference Committee

Committee Clerk Signature

*Mary Bruckey*

### Explanation or reason for introduction of bill/resolution:

A Bill relating to a sales tax exemption for certain health centers.

### Minutes:

*Attached testimony #1, #2, #3, #4, #5, #6, #7*

**Chairman Belter:** Opened hearing on HB 1271.

**Representative Trottier:** Introduced bill. It's relating to gross receipts from sales to a federally qualified health center located in the state and certified by the center for Medicare and Medicaid services as a federally qualified health center. This is nonprofit hospitals and healthcare. We have one in our area with a dental and health clinic and the majority of their people are on Medicare or Medicaid and it is for sales tax.

**Representative Marie Strinden:** What's the difference between a health center, hospital, and clinic?

**Representative Trottier:** I believe this is restricted to Medicare and Medicaid providers.

**Representative Marie Strinden:** The one in Grand Forks?

**Representative Trottier:** I believe it's the Valley Community Health.

**Chairman Belter:** Further testimony in support of 1271?

**Larry Shireley, Director of Policy and Community Planning for the Community HealthCare Association of the Dakotas:** Refer to attached testimony #1.

**Representative Trottier:** Do the doctors and dentists medical staff receive equal pay as to their counterparts in other medical centers?

**Larry Shireley:** Not quite sure if they receive equal pay. The service they provide is a bit different and we see many of the providers that are oriented different in a manner of care than many of the other private facilities. Just because this is a clinic that serves a different population the care they receive is high quality care and often times better than you receive at private clinics.

**Representative Mock:** Re-introduced bill. See attached testimony #2. In Grand Forks County we have a community health center that operates in Northwood and Larimore. They have a primary care facility that serves those residents for principle services and primary care. They also have a dental clinic located in downtown Grand Forks. I'm also working with the Alliance for Healthcare Access. I run and operate a safety net organization that provides access to care for low income. It is something that's unique to Grand Forks because it is something only Grand Forks has and many other communities could benefit from an organization of it. We use private investors and private donors and volunteers to provide a medical safety net. The next best thing to what we've seen is a community health center. If I'm not mistaken I believe there are 23 access points across the state of North Dakota operated by five or six individual clinics. It wasn't until the George W. Bush administration that we had a rapid expansion of these community health centers because of the immediate access to services that are provided to both rural and urban residents. It provided quality care to those insured, uninsured, and somewhere in between. It is a tremendous model. A little over a year ago the city of Grand Forks with our coalition received a federal planning grant in the amount of \$80,000 to create a new health care center for primary care in the city of Grand Forks. Two other planning grants were awarded in North Dakota; one for the Three Affiliated Tribes and another one in Bismarck with the United Tribes Technical College. Those three entities received \$80,000 to plan for a grant to receive a new site providing primary care to all residents in that community being insured, uninsured, or somewhere in between. These clinics are what help residents who don't have insurance or the means to pay for medical care out of the emergency room after hours because they cannot be denied. If you live in western North Dakota the amount of people going to the emergency room for non-urgent care needs is astronomical. I hope that communities that have that need will look to the community health center care model and try to create a center in their community or work with their providers to provide a safety net that help alleviate the strain and uncollected debt that is created. HB 1271 will make federally qualified health centers sales tax exempt for purchases used for medical purposes. It's a sales tax exemption in law for other health care industries. We wanted to bring this forward because we have multiple new centers and significant need to provide access to care all across our state. Providing this sales tax exemption will make these health centers significantly more competitive and able to put more of their contributions and their patient revenue back into direct patient services.

**Vice Chairman Headland:** Further testimony in support of HB 1271?

**Cheryl Underhill, interim Chief Executive Officer for Community Healthcare Association of North Dakota:** See attached testimonies on behalf of two of our chief executive officers #3, #4, #5, #6.

**Representative Marie Strinden:** Is it possible to quantify how much these health centers save the for profit hospitals that can't recoup the money for the services that people can't pay?

**Cheryl Underhill:** I don't have the figures on how much is saved in North Dakota hospitals. Nationally over \$90 billion is saved in un-needed emergency visits and specialty care visits.

**Representative Trottier:** What will be the effects of the affordable health care acts to services like this?

**Cheryl Underhill:** The health centers will have an expansion in the number of patients they see and currently are creating plans for patient recruitment and retention. The need for care is increasing every year and this is going to continue to increase due to the affordable care act.

**Representative Trottier:** Will not everyone be covered with insurance after it's implemented?

**Cheryl Underhill:** I believe some of that is dependent on where we're at with some of the other bills that are occurring right now in the state.

**Representative Zaiser:** I am in support of HB 1271. It really is a very important bill because it provides the link and the opportunity for everybody to have health care for all those people who can't afford it. In Fargo recently they had to expand by purchasing a new building and did a fund drive because their old facilities were not adequate because of the demand for the services. Providing an exemption on sales tax to this is vital to try and keep the costs low, not only in pharmacy but in the services themselves. I'm very much in support of this. I would urge your support.

**Vice Chairman Headland:** Further testimony in support of 1271? Any opposition to 1271?

**Representative Klein:** I have an amendment from the hospital association and they want to be included in the bill. Will this require a new fiscal note?

**Vice Chairman Headland:** Is there anybody from the tax department that could answer that?

**Blane Braunberger, Compliance Supervisor for Sales Tax:** That is correct.

**Vice Chairman Headland:** It appears this fiscal note will impact the state aid distribution. It doesn't distinguish between the amount of the general fund and state aid. Is that something you could clear up for us?

**Blane Braunberger:** The difference between the state aid and the general fund portion of the fiscal note?

**Vice Chairman Headland:** Yes if that's possible.

**Blane Braunberger:** Based on my information it shows that the general fund will have a reduction of the \$230,000 and the state aid would be the \$20,000.

**Representative Marie Strinden:** Are the health centers and what the North Dakota Hospital Association is asking for both 501 (c) (3) status? The crowd says yes.

**Vice Chairman Headland:** Any other questions? Any neutral testimony? If not we will close the hearing on HB 1271.

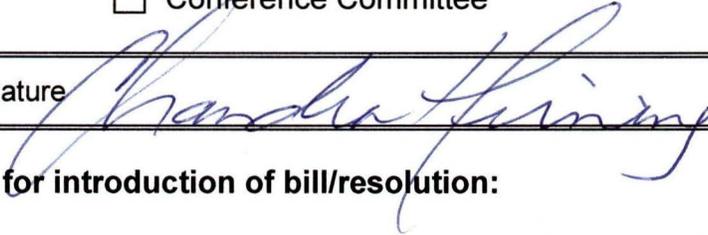
# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

HB 1271  
February 6, 2013  
Job 18435

Conference Committee

Committee Clerk Signature



## Explanation or reason for introduction of bill/resolution:

A Bill relating to a sales tax exemption for certain health care centers

## Minutes:

**Representative Dockter:** Made a motion for a Do Not Pass.

**Representative Klein:** Seconded the motion.

**Representative Klein:** Part of the problem is that many of these are smaller community centers, and there are a number of other bills out there to help them out. I do not think this bill would be a major help to them.

**Vice Chairman Headland:** I'm going to support the Do Not Pass. With the federal healthcare legislation that is coming, everyone should have insurance and the ability to pay, so there should be no reason for further subsidy on some of these nonprofit healthcare clinics.

**Representative Trottier:** I am a sponsor on the bill, and I will vote yes on the bill. I am affected by three in my district, and I do know the services they offer. We've kept some local individuals who are now physicians or physician assistants in the area, and they are somewhat being subsidized, but they do work for a smaller salary than normal by staying in the area and working at these units. I will vote no on the motion for a do not pass.

**Roll call vote on the motion for a do not pass. Motion carries.**

**Yes = 9**  
**No = 5**  
**Absent = 0**

**Carrier:** Representative Headland

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/15/2013**

Bill/Resolution No.: HB 1271

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>			\$(230,000)	\$(20,000)		
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1271 creates a sales and use tax exemption for federally qualified health centers.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, HB 1271 is expected to reduce state general fund and state aid distribution fund revenues by an estimated \$250,000 in the 2013-15 biennium.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 01/22/2013

Date: 2-6-13  
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1271**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Dockter Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh		✓
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser		✓
Rep. Matthew Klein	✓		Rep. Jessica Haak		✓
Rep. David Drovdal	✓		Rep. Marie Strinden		✓
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier		✓			
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment Rep. Headland

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1271: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **DO NOT PASS** (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1271 was placed on the Eleventh order on the calendar.

**2013 TESTIMONY**

**HB 1271**



**Testimony  
House Bill 1271  
House Finance and Taxation Committee  
Representative Belter – Chairman  
January 23, 2013**

Chairman Belter, members of the House Finance and Taxation Committee, I am Larry Shireley, Director of Policy and Community Planning for the Community HealthCare Association of the Dakotas (CHAD). CHAD is the primary care association for federally qualified health centers (FQHCs), for both North and South Dakota.

FQHCs, commonly referred to as community health centers (CHCs), began almost 50 years ago. There are now more than 1,200 health centers that operate more than 8,500 service delivery sites in the United States and territories. In 2011, more than 20 million patients were provided care by CHCs. The first CHC in North Dakota began in 1993. There are now four CHCs with 10 clinic sites providing primary medical care services. In addition, Migrant Health provides primary health care services for migrant workers and their families in multiple sites including Grafton and Moorhead, MN. Currently there are three North Dakota communities which have CHC planning grants; Three Affiliated Tribes in New Town, United Tribes Technical College in Bismarck, and Alliance for Health Care Access in Grand Forks. Alliance is currently in the process of submitting a grant to the Health Resource Services Administration (HRSA) to initiate a new clinic.

CHCs are unique in the way they operate and the services they provide. They are required to provide comprehensive primary care in medically underserved areas

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(MUAs) or medically underserved populations (MUPs) which are defined by having a shortage of personal health services or are areas in which groups of persons face economic, cultural or linguistic barriers to health care. Unlike most health facilities, CHCs provide special enabling services for their patient populations such as translators, transportation and outreach.

Although all CHC patients are provided the same quality of care regardless of their ability to pay, they are often erroneously referred to as free clinics. North Dakota CHCs rely on reimbursement as appropriate from Medicaid, Medicare, private insurance, and self pay. CHCs also offer a sliding fee scale for individuals and families with an annual income at or below 200 percent of the poverty rate. As their name implies, CHCs are truly community-initiated and based and patient-directed by the requirement that their Board of Directors be composed of a majority of the patients they serve.

In 2011, CHCs in North Dakota provided care to more than 32,000 patients of which almost one-third were children. The clinics provided nearly 75,000 medical visits and 20,000 visits for dental care in 2011. More than one-fourth of the patients provided care at North Dakota CHCs had no insurance while the payment source for another 27% were Medicaid and 11% were Medicare. In addition, patients seen at North Dakota's CHCs were from a higher proportion of racial and ethnic groups than the general North Dakota population. In Fargo, the CHC provides specialized services for the homeless. This information demonstrates the vulnerable populations in North Dakota that are provided care by the CHCs.

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In addition to the services CHCs provide, they are also an important source of revenue in the communities they serve. In 2009, the economic impact of North Dakota's CHCs was estimated at almost 22 million dollars and in 2015 it is estimated to be more than 59 million dollars.

Although CHCs receive base funding from HRSA, that funding accounts for only approximately 25% of each center's total budget and is therefore insufficient to provide the complete operational costs for the clinics. In addition to sources of patient reimbursement, other outside funding sources are often required. Therefore, CHCs experience a constant battle to obtain the necessary financial resources to provide the "safety-net" of primary and preventive care services for the vulnerable populations they serve. This provision to provide state tax exempt status will be of significant financial assistance for CHCs in North Dakota.

Mr. Chairman and Members of the Committee, this concludes my testimony in support of House Bill 1271. I will be happy to answer any questions.

# Community Health Centers in North Dakota

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## Community Health Centers are a Proven Model of Care

### Access for All

Community health centers provide access to care for everyone regardless of their insurance coverage or financial status in areas of the Dakotas that face provider shortages.

### Quality Primary and Preventive Cost-Effective Care

Community health centers put patients at the center of high-quality primary and preventive health care services which lowers costs by reducing the frequency of expensive specialty and emergency room visits.

### Multi-disciplinary Network of Services

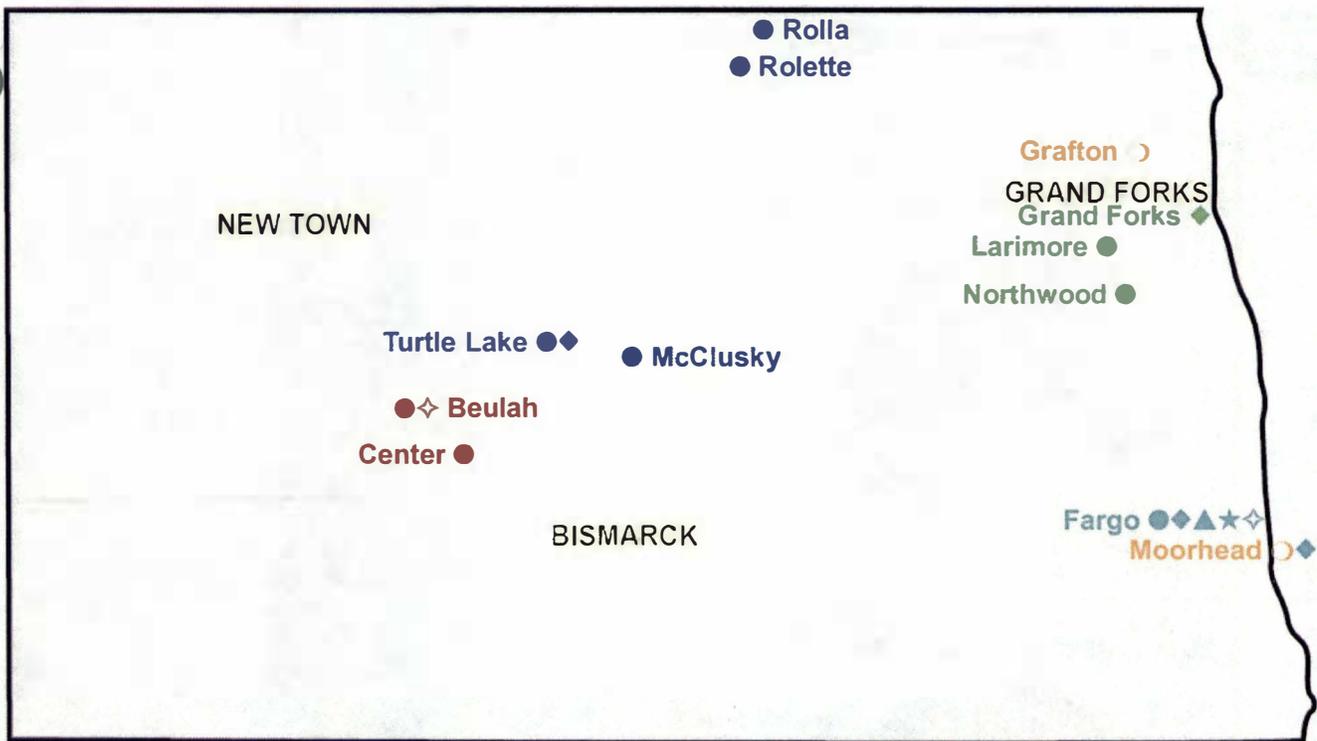
Community health centers strive to meet not only the physical, behavioral, and dental health needs, but also the transportation, language, eligibility assistance, and case management needs of each patient.

### Community Engagement and Impact

Community health centers provide an economic impact to their communities by creating jobs and supporting the local economy. Community members make up the governing Board of Directors composed of at least 51% of patients who represent the population being served.

## Community Health Center Service Sites in North Dakota

There are currently **three planning grant** communities and **five organizations** operating a total of **16 service sites**.



### Legend

- Medical and Behavioral Health
- ◆ Oral Health
- ▲ Healthcare for the Homeless
- ★ Pharmacy
- Migrant Health
- ◇ Contracted Health Services

PLANNING GRANTS

## NORTH DAKOTA

Coal Country Community Health Centers  
 Family HealthCare Center  
 Migrant Health Service, Inc.

Northland Community Health Center  
 Valley Community Health Centers



# CHAD

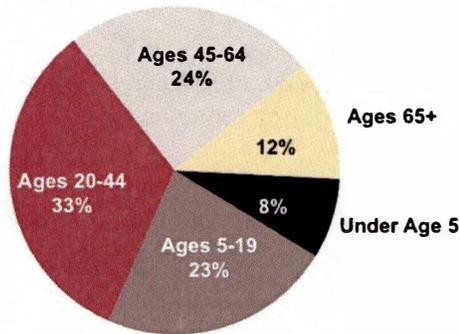
Community HealthCare  
 Association of the Dakotas

[www.communityhealthcare.net](http://www.communityhealthcare.net)

Patients served by CHCs in rural and urban communities in 2011:

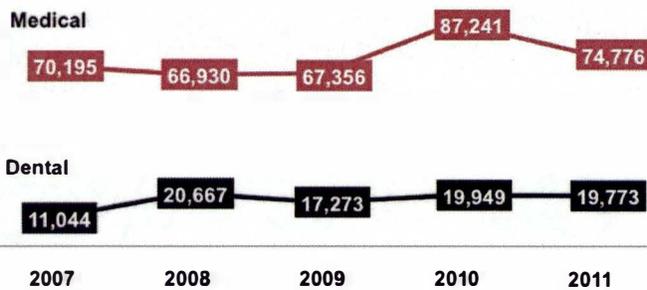
32,404 patients

### 2011 Patients by Age



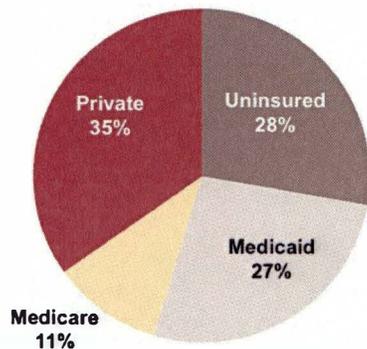
9,957 patients (31%) served by CHCs in North Dakota were 19 or younger.

### 2007-2011 Medical & Dental Visits



There are currently 4 oral health sites providing North Dakotans with dental health services.

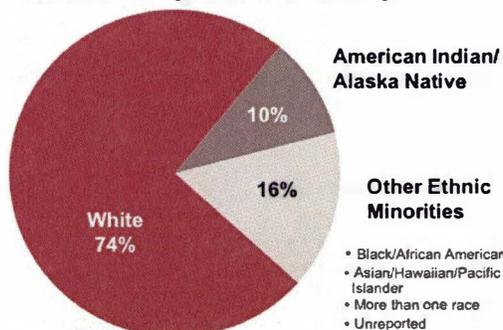
### 2011 Patients by Payment Source



Coverage for CHC patients in North Dakota can be summarized as follows:

- 1 in 4 are uninsured
- 1 in 4 has Medicaid
- 1 in 10 has Medicare
- 1 in 3 has private insurance

### 2011 Patients by Race/Ethnicity



- Black/African American
- Asian/Hawaiian/Pacific Islander
- More than one race
- Unreported

CHCs provide culturally-competent health care including enabling services such as eligibility enrollment, transportation and translation.

## Providing Health Care

Community health centers (CHCs) are the primary medical and health care home for more than 20 million people in every state and territory of the United States.

The first CHC in the Dakotas began providing patient care in 1973. Since then CHCs have expanded to:

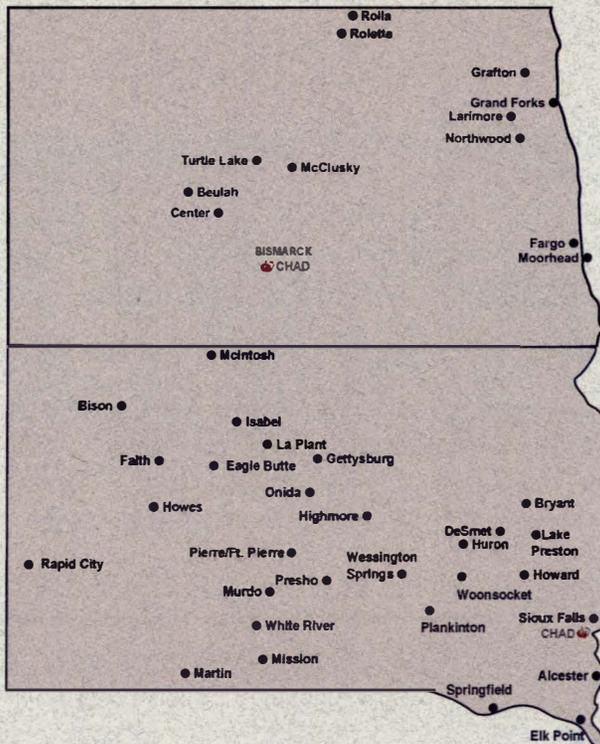
- **11** community health center organizations
- **42** communities in ND, SD, and MN\*
- **90,000+** patients served in 2011

## Interested in Starting a CHC?

There are 5 main steps for developing a CHC:

- Community involvement
- Secure designations
- Conduct needs assessment
- Facilitate readiness assessment
- Develop a grant application

## Community Health Center Sites in the Dakotas



**CHAD**  
Community HealthCare  
Association of the Dakotas

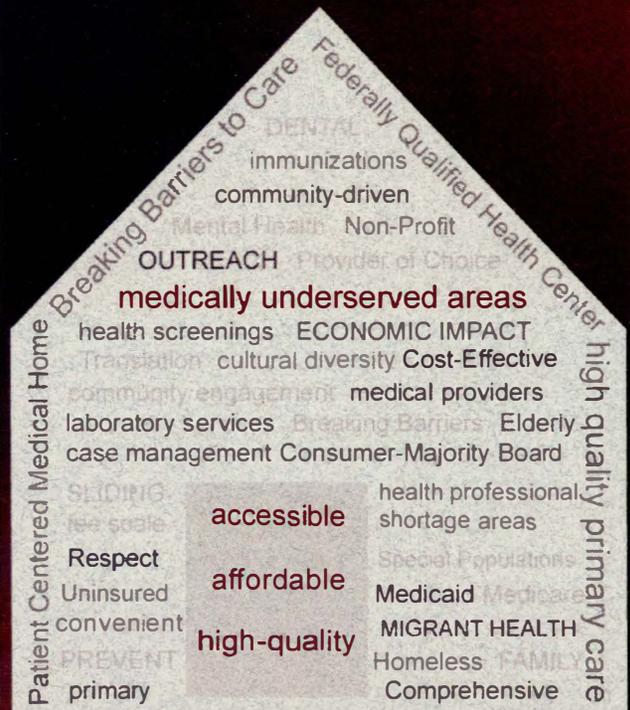
[www.communityhealthcare.net](http://www.communityhealthcare.net)

Bismarck Office:  
(701) 221-9824

Sioux Falls Office:  
(605) 357-1515

\* Includes Migrant Health Service, Inc. in Moorhead, MN

# Community Health Centers of the Dakotas



## What is a CHC?

Community health centers (CHCs) are **non-profit community-driven clinics providing high quality primary and preventive care to all individuals**, with or without insurance regardless of their ability to pay.

CHCs **provide critical primary care in medically underserved areas** of the Dakotas.

## Key CHC Features

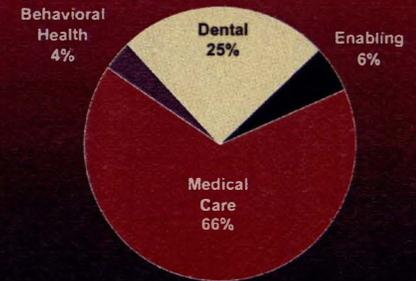
- Governed by a consumer-majority board
- Enhanced access to care in high need areas
- Open to all residents regardless of ability to pay
- Comprehensive primary health care services
- Customized services for the community served

## Patient Services

CHCs focus on primary care since staying healthy costs less than getting healthy. Patients receive local access to a health care home that provides a broad range of primary and preventive services including:

- Medical and behavioral/mental health services by every CHC
- Dental services in 13 clinic locations
- Transportation, translation, case management, and health education enabling services
- Services customized to the communities' needs

## Services Provided by Community Health Centers in the Dakotas



Source: 2011 UDS Report

*"I like how the whole family can go to one doctor for all our health care. My provider isn't judgmental and listens when I tell her what is hurting. She helps me understand what the problem is and how it can be treated. She will adjust medication or change the treatment so it works for me."*

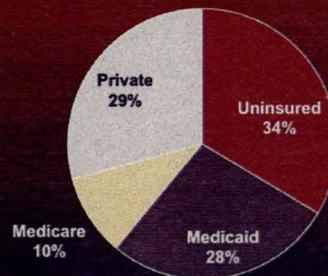
- Community Health Center Patient

## Patients Served

CHCs are community-based and patient-directed organizations that serve all populations in areas with limited access to health care including:

- Rural and frontier area patients
- Limited English proficiency patients
- Insured patients
- Uninsured patients
- Medicare and Medicaid patients
- Low-income patients

## Patients by Payment Source Community Health Centers in the Dakotas



Source: 2011 UDS Report

## Patient Benefits

CHCs provide many benefits to the patients they serve including:

- Reduced barriers to care
- Cost effective care by reducing the need for emergency room and specialty clinic services
- Affordable care through patient discounts such as sliding fee schedules
- Reduced transportation and other travel-related costs through services provided in medically underserved areas
- Tailored services based on the patient's needs

# Alliance for Healthcare Access

## Who are we?

The **Alliance for Healthcare Access** is an active (and growing!) group of dedicated community members who are committed to working together to find meaningful solutions to address the widening gap in accessible primary healthcare in the Upper Red River Valley.

## What do we strive to achieve?

- Improve collaborations between healthcare agencies
- Fill in the gaps of healthcare access
- Develop a single access point for referrals

The Alliance has over **30 active volunteer** community members that represent **20 agencies** in both Grand Forks and Polk Counties.

## *Spotlight Project of the Alliance for Healthcare Access:* Community Health Center

### ***What is a Community Health Center?***

A Community Health Center offers many different services ranging from:

**primary care / mental & behavioral health services / dental care**

A Community Health Center acts as the medical “home” from which a majority of a patient’s health needs are coordinated.

### ***Who is a Community Health Center for?***

Everyone! A Community Health Center cares for the medically insured, uninsured, and everybody in between. Worried about how to pay for your medical visit? A Community Health Center provides sliding fee discounts for low-income patients — making quality healthcare services accessible for everyone.

### ***Why does Grand Forks need a Community Health Center?***

While it is true that the Upper Red River Valley has a low unemployment rate, a growing number of individuals and families are finding themselves uninsured or underinsured. A Community Health Center, working closely with our community’s hospital and non-profit organizations, strives to fill in the existing gaps of our healthcare system.

Interested in learning more?  
Would you like to get involved?  
Please visit us at our website!

[www.allianceforhealthcare.org](http://www.allianceforhealthcare.org)



*"To provide local solutions for affordable and quality healthcare services to all people in the Upper Red River Valley."*



**Testimony**  
**House Bill 1271 – Finance and Taxation Committee**  
**Representative Belter, Chairman**  
**January 22, 2013**

Good morning Chairman Belter and Committee members. Thank you for the opportunity to submit this written testimony. Unfortunately I had scheduling conflicts and was not able to attend in person. My name is Darrold Bertsch, and I am the Interim CEO of Coal Country Community Health Center in Beulah. I am providing this written testimony in support of House Bill 1271 relating to sales tax exemption for community health centers.

Coal Country Community Health Center (CCCHC) is designated as a Federally Qualified Health Center and currently provides services through its clinic locations in Beulah and Center to the residents of Mercer, Dunn and Oliver counties, regardless of their ability to pay. CCCHC is a nonprofit corporation providing access to primary health care and mental health services under the direction of a volunteer Board of Directors.

CCCHC is experiencing an increase each year in the number of patients we are seeing at our clinic locations, and feel that the \$25,000 - \$30,000 that we could save each year if we were tax exempt could be better utilized to purchase additional supplies, equipment pharmaceuticals or used to hire additional staff to provide care to our patients.

The current law as it exists is in need of change and should include community health centers as an eligible tax exempt organization. I appreciate the efforts of those who have sponsored this bill and hope that the committee will support this bill with a do pass recommendation. Thank you for the opportunity to provide this written testimony.

Darrold Bertsch, Interim CEO  
Coal Country Community Health Center  
Beulah, North Dakota  
Email address: [dbertsch@sakmedcenter.org](mailto:dbertsch@sakmedcenter.org),  
Telephone 701-748-7240, Cell phone 701-880-1440

#11

Testimony  
HB 1271  
Finance and Taxation Committee  
Rep. Wes Belter, Chairman  
January 23, 2013

Mister Chair and Members of the Finance and Taxation Committee, my name is Patricia Patron, Chief Executive Officer of Family HealthCare (FHC) in Fargo.

Family HealthCare supports HB 1271, which provides for sales tax exemption to Federally Qualified Health Centers in the state. FHC has operated as a private nonprofit health center for twenty years, providing access to primary health care services for the uninsured, underinsured, those on medical assistance, and those who have health insurance coverage but are unable to afford the high price of health care. FHC is also a provider of Homeless Health Services in the state. Our services are provided to patients regardless of their ability to pay, often times individuals and families that would otherwise go without healthcare. FHC is the only health care facility in our community that completely removes the financial barriers to patient care through a sliding fee scale program.

In 2012, FHC provided care to 11,500 unduplicated patients. Of patients receiving care, 87% had incomes at or below 200% of Federal Poverty Guidelines and 37.7% were uninsured. In addition, 38% of patients received Medicaid or other public assistance. FHC provided 25,000 medical and 9,000 dental visits in 2012. Most of our patients report that lack of insurance or financial resources impedes their access to prompt

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p. 2

healthcare services at other facilities. FHC is committed to serving the most vulnerable populations in the state including young children, individuals living in homelessness and under poverty, New Americans, and the elderly.

The need for services in our community is growing every day. FHC dedicates all revenue to programs that directly serve our patients. Currently, our uninsured patients, on average, are only able to contribute \$15 to their care per visit. The committee is probably aware that it is impossible to access health care, dental services, and medications anywhere for that small, nominal fee.

FHC is committed to significantly improving the wellbeing of the patients we serve and the community as a whole. Every time we provide timely access to care for a patient, we decrease the risk of the patient being unproductive, missing work or school, or being forced to access expensive services and/or complex medical procedures at an emergency room. The services we provide are enhancing the health of individuals and families and keeping our community healthy.

The economic impact of our services in the community is significant. We calculate that our in-house pharmacy program saves the community over \$2 million dollars on an annual basis. This figure represents how much it would cost to provide access to medications to the uninsured and underinsured if our program didn't exist.

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Sales tax exemption will represent a savings to FHC of an additional \$50,000 annually that we would invest in patient services. These savings are calculated based on the regular supply and equipment replacement cost expected for the current fiscal year. FHC employs over 120 staff members who collectively earn more than \$200,000 per month, and in turn, this money is returned back into the local economy through the purchases of goods and services. Our employees and vendors pay property and sales taxes.

Savings to FHC provided by HB 1271 will assist our efforts to provide access to affordable health care to the most vulnerable patients we serve and strengthen the health of the community. I urge you to recommend a Do Pass for HB 1271 to support and assure access and continuity of care for our patients. Your support will represent a significant investment in your communities and their citizens.

Thank you for allowing me to present this testimony before you.

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Testimony

HB 1271

Finance and Taxation Committee

Rep. Wes Belter, Chairman

January 23, 2013

Good morning Chairman Belter and members of the House Finance and Taxation Committee. My name is Sharon Ericson; I am the CEO of Valley Community Health Centers. We have medical clinics in Northwood and Larimore and a dental clinic in Grand Forks. In 2012 we served 3357 people in our medical clinic and 3198 people in our dental clinic. Many of these people have incomes at or below the federal poverty level.

Valley Community Health Centers serves people without regard to their ability to pay through a Sliding Fee Schedule which is supported by Federal funding through the Health Resources and Services Administration. Valley Community Health Centers is a 501 c 3 organization with a board of directors comprised of people who are patients of the clinic.

Under current state law, Valley Community Health Centers is ineligible for sales tax exemption. That is, we must pay sales tax on every item we purchase. In the last legislative session, when a similar bill to support Community Health Centers to obtain North Dakota sales tax exemption was introduced, the legislature determined to study the issue. In part this decision was reached because of concern that all clinics in the state would not be offered sales tax exemption. Another concern was the much greater cost to the state of offering sales tax exemption to all clinics.

If only Community Health Centers or Federally Qualified Health Centers are offered sales tax exemption, it is my understanding that the cost to the state is roughly \$250,000. If all clinics receive that exemption the cost is estimated at \$5 million. That study was not completed and there are other bills related to sales tax exemption which will come before you. I would specifically like to make a case for Community Health Centers and specifically Valley Community Health Centers.

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Forty-three percent of all our services are provided to people who are low income and without insurance. We continue to serve people who don't pay their bills as a requirement of the Community Health Center program.

As I compare our operation with that of Northwood Deaconess Health Center, the Critical Access Hospital located in Northwood, or Good Samaritan in Larimore, I see no difference in our non-profit status, but a great deal of difference related to exemption from sales tax. The current law is based on licensure and thus far, the state of North Dakota has no licensure process for clinics. It is noteworthy that Valley Community Health Centers was granted sales tax exemption from October 29, 2009 until June 29, 2010. We are requesting that we be returned to the sales tax exemption which the Tax Department awarded in June, 2009.

We estimate that our current sales tax liability is \$30,000 per year for routine and regular purchases for dental and medical equipment and supplies. Those are funds that could be used to provide more access to healthcare services for our patients.

Community Health Centers across North Dakota meet the federal and IRS requirements for non-profit status. We will appreciate this body's addition of Community Health Centers to the list of health related nonprofit entities that are granted sales tax exemption.

Thank you.

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Migrant Health Service, Inc. (MHSI) is a private, non-profit 501(c)(3) organization that provides access to primary health care services to individuals and families working in agriculture in North Dakota and Minnesota. MHSI operates a total of four year-round and four seasonal clinics. Nearly 1100 North Dakota patients were seen at MHSI clinics in 2011. Two-thirds of those patients were from Walsh and Pembina counties and were served by MHSI's year-round clinic in Grafton, ND. Patients are also served by MHSI's Northern Mobile Unit, an RV that travels within approximately a 100-mile radius of the Fargo-Moorhead area and takes healthcare to where patients live and work. The mobile unit makes regular stops in Oakes, Tappen/Dawson, Hillsboro, Larimore, and the Wahpeton area during the summer months.

Roughly 95% of MHSI's patients are uninsured and receive services on a sliding fee scale. Limited patient revenue makes MHSI that much more dependent on federal, state, and foundation grants to provide services. Funds spent on sales tax are dollars that MHSI would much rather allocate to providing direct services, helping those who help put food on our table. I strongly urge a Do Pass on HB 1271.

Kristi Halvarson, MHA  
Executive Director

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North Dakota Hospital Association

**Vision**

*The North Dakota Hospital Association will take an active leadership role in major Healthcare issues.*

**Mission**

*The North Dakota Hospital Association exists to advance the health status of persons served by the membership.*

**Testimony: House Bill 1271  
House Finance & Taxation  
January 23, 2013**

Chairman Belter and Members of the House Finance & Taxation Committee, I am Jerry Jurena, President of the North Dakota Hospital Association (NDHA). I am presenting my testimony in support of HB 1271 with the following amendment:

“That all non-profit health clinics in North Dakota be included in the language.”

Many of our Hospitals are operating clinics across the state and many of our Hospitals our operating with negative margins, which the communities must offset. I believe it is only fair that all non-profit clinics be treated equally.

I am in DC this week discussing Medicare and the “Fiscal Cliff” ramification on hospitals. If you have questions I would be glad to answer them upon my return next week.

*Jerry E. Jurena, President  
North Dakota Hospital Association*