2011 HOUSE HUMAN SERVICES

HB 1417

2011 HOUSE STANDING COMMITTEE MINUTES

House Human Services Committee
Fort Union Room, State Capitol

HB 1417
January 25, 2011
Job #13338

☐ Conference Committee

Committee Clerk Signature Vicky Craktree

Explanation or reason for introduction of bill/resolution:

To exempt sales tax for certain health centers.

Minutes: *See attached Testimonies #1-4*

Chairman Weisz: Opened the hearing on HB 1417.

Rep. Cory Mock: From District 42 which includes north Grand Forks sponsored and testified in support of the bill. Was introduced at the request of constituents and members of the Grand Forks community related to the federally qualified health centers. I am not the expert on this. The reason the bill was introduced was because as it currently stands, federally qualified health centers are not state certified. They are institutions that are federally funded. The sales tax exemptions for clinics and hospitals as it is written are for those institutions that are state certified. Because of this loop hole, thoroughly qualified health centers which provide health services to low income residence that are on many cases a sliding fee based scale still have to pay sales tax. I'm honored to see one of my co-sponsors here. There are other that can answer the technical questions.

Karen Larson: Deputy Director of the Community HealthCare Association of the Dakotas (CHAD) testified in support. (See Testimony #1.) Handed in testimony from those listed below.

Handed in Testimony

Sharon Ericson: CEO of Valley Community Health Centers. (See Testimony #2.)

Joan Altenbernd: Executive Director for Migrant Health Services Inc. (See Testimony #3.)

Patricia Patron: Executive Director of Family HealthCare Center in Fargo. (See Testimony #4.)

Larson: Northland Community Health Center with sites Turtle Lake, McClusky, Rolla and Rollete were unable to be present today and not able to provide testimony, but want me to speak to you in support of the bill and Coal Country Community Health Center with sites in Beulah, Center and Towner also wish me to offer their support for this legislation.

NO OPPOSITION

Chairman Weisz: Closed the hearing on HB 1417

2011 HOUSE STANDING COMMITTEE MINUTES

House Human Services Committee
Fort Union Room, State Capitol

HB 1417
January 25, 2011
Job #13383

☐ Conference Committee

Committee Clerk Signature Vicky Crabtree

Minutes:

Chairman Weisz: Opened the meeting on HB 1417. That is the one that had the sales tax exemption for federally qualified healthcare providers. Currently your hospitals and EMS and everything else is currently exempt from paying sales tax. With would just put them in as another medical provider that also would be exempt from sales tax. We don't know the fiscal affect for the cities because they can't determine that. Obviously there will be some fiscal affect, but if the cost to the state is $230,000 then you will have to assume that the maximum cost to city would be roughly $40,000 at the most. Every community they were in had a 1% sales tax. What are the committee's wishes?

Rep. Kilichowski: I will move a do pass.

Rep. Holman: Second.

Rep. Devlin: Along the lines of a conversation you and I had earlier, but I don't recall an indication for anyone where that $230,000 would be made up. Was there anything in testimony?

Chairman Weisz: Being that this is a tax cut, all it will do is lower the general fund balance. You will just show general fund revenue down to $230,000 instead of the $3 billion and whatever that current projection is.

Rep. Devlin: Does it have to go to Approp?

Chairman Weisz: No it does not. I already made sure of that. This isn't an appropriation it is a loss of revenue.

Rep. Holman: Speaking in favor of it, it seems to me that these clinics are providing a service to people who probably (drops sentence). Somebody is paying the tax, but probably not the people who are coming to those clinics? Is that right?

Chairman Weisz: I guess you could say that from the fact that most of them don't have the means to pay so the taxpayers are subsidizing them anyway. That is correct.

Rep. Hofstad: How many other entities do we have out there that would likely fall into this same bracket that aren't already exempt.

Chairman Weisz: I can only think of one and that would be the clinics. Clinics aren't exempt.

Rep. Hofstad: (Inaudible, didn't have microphone on.)

Chairman Weisz: I think that is the reason at the time that most of them were private for profit so they didn't exempt them. Now most of them are 501C3's. I'll read the exemption. "Gross receipts from all sales and made to eligible facility or emergency medical services provider for the use of benefit of patient or occupant. Eligible facility means any hospitals, skilled nursing facility, intermediate care or basic care facility licensed by the state department of health or any assisted living facility licensed by the department of human services. Emergency medical provider means an emergency medical services operation licensed by the state department of health". So that would appear to exclude clinics. Now will they come in? Possibly, but I think you can make the argument that they are non-profit. The best I can determine is that we don't exempt (drops sentence). We exempt all sorts of medical equipment. As far as facilities that is the language that is currently in law. This will just add them to that (drops sentence).

VOTE: FOR A DO PASS 13 y 0 n Motion Carried

Bill Carrier: Rep. Anderson

FISCAL NOTE

Requested by Legislative Council
04/08/2011

Amendment to: HB 1417

1A. **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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **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 1417 with Senate Amendments proposes a Legislative Management Study of a potential for a sales tax exemption for purchases by clinics. There is no fiscal impact.

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.*

   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
Phone Number:	328-3402	**Date Prepared:**	04/08/2011

FISCAL NOTE

Requested by Legislative Council
01/19/2011

Bill/Resolution No.: HB 1417

1A. **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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			($230,000)	($20,000)		
Expenditures						
Appropriations						

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **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 1417 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.*

If enacted, HB 1417 is expected to reduce state general fund and state aid distribution fund revenues by an estimated $250,000 in the 2011-13 biennium.

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.*

   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
Phone Number:	328-3402	**Date Prepared:**	01/22/2011

Date: 1-26-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1417

House HUMAN SERVICES 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. Kilichowski Seconded By Rep. Holman

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN WEISZ	✓		REP. CONKLIN	✓	
VICE-CHAIR PIETSCH	✓		REP. HOLMAN	✓	
REP. ANDERSON	✓		REP. KILICHOWSKI	✓	
REP. DAMSCHEN	✓				
REP. DEVLIN	✓				
REP. HOFSTAD	✓				
REP. LOUSER	✓				
REP. PAUR	✓				
REP. PORTER	✓				
REP. SCHMIDT	✓				

Total (Yes) 13 No 0

Absent _____

Floor Assignment Rep. Anderson

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

REPORT OF STANDING COMMITTEE

HB 1417: Human Services Committee (Rep. Weisz, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1417 was placed on the Eleventh order on the calendar.

2011 SENATE FINANCE AND TAXATION

HB 1417

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1417
3/14/2011
Job Number 15351

☐ Conference Committee

A. Rittmiller

Explanation or reason for introduction of bill/resolution:

Relating to a sales tax exemption for certain health centers

Minutes: Written Testimony Attached

Chairman Cook opened the hearing on HB 1417.

Representative Mock – I'm here to support and introduce HB 1417. The purpose behind HB 1417, it was introduced at the recommendation of some federally qualified health centers in Grand Forks County. As it turned out in current law hospitals are currently sales tax exempt which is up to interpretation but all nonprofit clinics with the exception of federally qualified health centers are departments of hospitals in North Dakota. The federally qualified health centers across North Dakota were concerned. They came into existence after North Dakota's laws exempting nonprofit clinics from sales tax was already on the books. By that interpretation FQHC's were not sales tax exempt. FQHC's are entities that receive federal funds to provide services for low income residence at a sliding scale basis. They provide a safety net in many of our rural communities and address a lot of health care issues that many towns across North Dakota have seen. What this bill would do is extend that sales tax exemption to FQHC's.

Chairman Cook – Federally qualified health centers, are they for profit businesses?

Representative Mock – They are nonprofit.

Chairman Cook – Are they required to be nonprofit?

Representative Mock – It's my understanding that in order to be eligible for the federal funds they have to be a nonprofit.

Senator Dotzenrod – Are there any sales to these federally qualified health centers that would be taxable? Aren't there times when they need to buy lumber or furniture or office expenses? There must be things they are buying that you would think would be taxable.

Representative Mock – I imagine there are others that could speak to that issue. I believe the sales tax exemption is for services and tangible personal property that are provided by

retail. I can't speak to that specifically. We did have an amendment drafted to include nonprofit clinics, and the rational is that all clinics are currently departments of hospitals but there is interpretation as to whether or not that department is sales tax exempt or because it's a clinic it would have to pay sales tax and would not be exempt. We had an amendment drafted for review of the committee. (Attachment A)

Representative Mock also handed out testimony B on behalf of Daniel Kelly.

Tony Richards, Community HealthCare Association – (See attached testimony C in favor of HB 1417 and handed out testimony D on behalf of Sharon Ericson)

Chairman Cook – Is every community health center a federally qualified health center?

Tony Richards, Community HealthCare Association – Yes.

Vice Chairman Miller – Why are these areas picked for these centers? How do they determine need?

Tony Richards, Community HealthCare Association – There is a needs assessment that is done that we look at the different areas.

Patricia Patron, Family HealthCare Center in Fargo – (See attached testimony E in favor of HB 1417)

Dovie Borth, Coal County Community Health Centers – (See attached testimony F in favor of HB 1417)

Senator Hogue – Why do you pay property tax?

Dovie Borth, Coal County Community Health Centers – We do not pay property taxes in Beulah because they do provide us with an exemption and that is where the abundance or the largest facility is.

Senator Hogue – Do you lease that from someone?

Dovie Borth, Coal County Community Health Centers – Part of them we lease, part of them we own.

Senator Hogue – On the one that you lease do you pay property taxes on that?

Dovie Borth, Coal County Community Health Centers – I'm not sure if that's figured in as part of the lease agreement or not, but we do not pay separate property taxes.

Chairman Cook – Is that a permanent exemption or a 5 year exemption?

Dovie Borth, Coal County Community Health Centers – It's a yearly exemption.

Chairman Cook – They give it to you yearly?

Dovie Borth, Coal County Community Health Centers – Yes.

Jerry Jurena, North Dakota Hospital Association – I came this morning to ask for clarification on exemption process. As we read it through the Association, it is for federally qualified health centers. The Hospital Association is made up of 45 members, 36 of those members are critical access members. We are spread out across the state. We are in support of this bill.

Vice Chairman Miller – Everyone is exempt already from sales tax; I'm not following as far as your normal, what you represent.

Jerry Jurena, North Dakota Hospital Association – About 80% of the hospitals across the state employs physicians. This is something that has been growing over the past several years. Within the hospital we are exempt from paying sales tax, with exception of clinics. Clinics are carved out and we have to pay sales tax on the sales of supplies that we have through those departments. It's not like a lab, x-ray, physical therapy, those are all part of the hospital as is the clinics in most cases, those departments do not pay sales tax but the clinic for some reason is carved out under the tax codes and we do pay tax on them.

Chairman Cook – Part of your organization if for profits.

Jerry Jurena, North Dakota Hospital Association – We have 2 for profit facilities in the state and they are psychiatric hospitals.

Jaci Bugbee, St. Alexius Medical Center – We also stand in support of Representative Mock's amendment to include all clinics as sales tax exempt. Representative Mock also handed out additional testimony from Dan Kelly who is currently the President of the North Dakota Hospital Association as well as the CEO of McKenzie County Health Systems in Watford City. Currently our clinic is actually a department of our nonprofit hospital. We don't have a separate entity, our clinic is not separate, however we do pay sales tax on supplies and good that are used for our clinic only. What we are asking is for you to help us clarify that issue and hopefully support the amendment so that we have a clear and concise ruling in terms of the taxability of our clinics.

Chairman Cook asked for testimony opposed to HB 1417. No one came forward.

Chairman Cook asked for neutral testimony for HB 1417. No one came forward.

Chairman Cook asked the Tax Department to come forward to answer questions.

Chairman Cook – Can you give us some information regarding all of the medical providers in North Dakota, we have clinics, we have hospitals, we have federally qualified health centers, we have health centers, nonprofits, for profits, taxable status of each and every one of them regarding to what degree they are exempt.

Blaine Braunberger, Tax Department – I don't believe we can give you those specifics because of confidentiality.

Donnita Wald, Tax Department – We cannot give you the specifics on hospitals or clinics who pay tax because that information…

Chairman Cook – I'm not talking income tax.

Donnita Wald, Tax Department – Sales tax too, we have confidentiality provisions. Any information on the status would come from returns filed by the clinics or their sellers and could not give you that because that information is on those returns.

Chairman Cook – Their tax status is determined right here.

Donnita Wald, Tax Department – That's correct.

Chairman Cook – So how can we not know about it?

Donnita Wald, Tax Department – There is a lot of information that you as a committee are not privy to because of the confidentiality that this committee has passed. We will go back upstairs and see is there is something we can provide you.

Senator Dotzenrod – We are not asking for a listing of taxes paid or a dollar amount. I think we are just wondering does this group of institutions here, do they pay sales tax, or some they pay and some they don't. I would think that sort of thing would be public information.

Donnita Wald, Tax Department – We will go back and look.

Vice Chairman Miller – How about a fiscal note for this amendment?

Donnita Wald, Tax Department – We will get that.

Chairman Cook called on Jerry Jurena.

Chairman Cook – Can you give this committee a list of every place the citizens of North Dakota has to choose to get medical services?

Jerry Jurena, North Dakota Hospital Association – Yes.

Chairman Cook – And what their classification is, if they are for profit, if they are nonprofit, if they are a federally qualified health center, if they are not, if they are a clinic, etc.

Jerry Jurena, North Dakota Hospital Association – Yes I can.

Chairman Cook - Can you tell us the taxable status regarding sales tax of each and every one of them?

Jerry Jurena, North Dakota Hospital Association – Yes I can.

Senator Dotzenrod – Based on the testimony it seems to me that justification for the bill seems to fall into one of two categories. One is that most of the witnesses gave us sort of a list of charitable and needed work that sometimes goes to a group of people that need medical attention so that as a matter of fairness in trying to help them get the funds they need to do their work. The other one seems to be sort of a leveling of the playing field that is, if there is a group that's not taxable, and it appears that would be the clinics that are associated and are part of a hospital and they are not under current law paying those taxes, and then we have another clinic over here that isn't physically located with a hospital and they are paying. There is unevenness and unfairness in the application of the sales tax law for 2 clinics that are otherwise providing similar services so that was the argument if I understood it right. Is that right?

Jerry Jurena, North Dakota Hospital Association – I understand your question, and I think that is the premise of this. The clinics in the not for profit hospitals are paying taxes on goods that we supply.

Donnita Wald, Tax Department – I would like to clarify something about the need for these 2 bills and the 2 different exemptions we are talking about here and why the clinics do not qualify for the exemption and why the voluntary health associations did not qualify for the exemption and that is the need for HB 1417. We will start with the voluntary health associations, the reason that these entities did not qualify for the exemption is that they are not recognized by the National Health Council as providing charitable health care. It is that particular qualifier in the law right now that prevents them from getting the exemption thus we worked with the CHAD folks and we came up with HB 1417. With respect to the hospitals and the clinics, the clinics are not eligible for the exemption because they are not recognized by the State Department of Health under chapter 23-27. The hospitals fit within that chapter of the code, the clinics do not.

Chairman Cook – What's different?

Donnita Wald, Tax Department – It has to do with licensing of hospitals, qualifiers for their care, and those types of things. It is that particular provision that disqualifies the clinics. The amendment will change that, add another exemption.

Chairman Cook – I would like to see a list of every type of health care provider in the state. The different criteria that is used in code to separate or distinguish between these relative to tax policy.

Chairman Cook closed the hearing on HB 1417.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1417
3/28/2011
Job Number 16046

☐ Conference Committee

A. Bitthmiller

Explanation or reason for introduction of bill/resolution:

Relating to a sales tax exemption for certain health centers

Minutes: Committee Work

Chairman Cook opened discussion on HB 1417.

Senator Hogue explained how some clinics are owned by hospitals, others are privately owned, and some are owned by a combination of hospitals and physicians so that is why he thought there should be a study done.

Senator Triplett – Is this intended as a hog house amendment to replace it or just to add it?

Senator Hogue – Just an addition.

Senator Hogue – I will move amendment .01002 to HB 1417.

Seconded by **Senator Oehlke**.

Chairman Cook – All in favor say yea, opposed? (7-0-0)

Senator Dotzenrod – The people that would be included in the proposed amendment that inserts 'and the gross receipts from sales to a nonprofit clinic exempt from federal income tax', how are they different from the ones that are in the bill? The ones that are in the bill are federally qualified health centers and the one the amendments addresses are nonprofit clinics exempt from federal income tax. I understood it when we had the testimony on the bill that there were some health centers that were physically located separate from the hospital but if they were part of the hospital they were okay, they were exempt right now and that this bill would take care of those that are located at a separate location. Am I right about that?

Senator Triplett asked Donnita Wald, Tax Department to come forward and again explain who would and wouldn't qualify under the proposed amendment.

Donnita Wald, Tax Department gave a brief explanation.

Senator Triplett – I will offer amendment number .1001.

Seconded by **Senator Dotzenrod**.

Senator Hogue – The reason I offered the study is, I don't know what a nonprofit clinic is. For example the Bone and Joint Center here in Bismarck is a practice of orthopedic surgeons and physical therapists. The building is owned by St. Alexius Medical Center and they lease it and they have some space in there that they use for their own purposes. So is that a nonprofit clinic and is everyone inside that building exempt from sales tax? The bulk of the things that would be sold would be sold to the private Bone and Joint Center but I don't know if this amendment would include all sales to that facility or not. The reason I'm comfortable with the bill is because I know these federally qualified health centers, every one of them, there is no private ownership. The buildings might be privately owned, but there aren't private practitioners going on under the governance of these centers. So I think you've got some hybrids out there. I don't know what a nonprofit would be. Does that mean the building is owned and they have some staff in there or what? So that is the purpose of my amendment and that is the reason I would be reluctant to adopt .01001.

Senator Triplett – Can we ask Donnita Wald to come to the podium to explain the bill?

Donnita Wald, Tax Department – The bill as introduced exempts from sales tax federally qualified health centers. Currently under sales tax law all of the hospitals are exempt from sales tax.

Chairman Cook – Regardless of ownership?

Donnita Wald, Tax Department – Regardless of ownership.

Donnita Wald, Tax Department – The amendment .01001 would exempt all of the clinics that you see starting on page 2 to the top of page 3. I want to clarify that it was very difficult trying to get this list together so this is what we found, there may be more there may be less, but we think it's a pretty good list of what would be exempted under that amendment.

Chairman Cook – And the fiscal note was what?

Donnita Wald, Tax Department – In the $5 millions I believe.

Senator Triplett – Is that the fiscal note just for the .1001 amendment, not the fiscal note for the whole bill?

Donnita Wald, Tax Department – Yes

Senator Dotzenrod – The amendment refers to sales to a nonprofit clinic exempt from federal income tax under, and then it gives the IRS citation. Would the Tax Department have any difficulty separating out clinics that would qualify that would fit from those that would not? Is there going to be a thing where some may be partial ownership or a building

owned by someone and leased by a clinic? Is there going to be some difficulty finding some situations being able to separate out who qualifies?

Donnita Wald, Tax Department – The way the process works right now they have to make an application with the Sales Tax Division of the Tax Department. We look at the facts of that situation and issue a tax exempt certificate.

Chairman Cook – We have before us a motion to amend .01001. All in favor say yea, opposed? (2-5-0)

Chairman Cook – We have before us HB 1417 as amended.

Senator Hogue – I'll move a Do Pass and rerefer to Appropriations.

Seconded by **Senator Burckhard**.

Chairman Cook – Ask the clerk to take the roll. (7-0-0)

Carried by **Senator Hogue**.

11.0625.01002
Title.02000

Prepared by the Legislative Council staff for
Senator Hogue
March 24, 2011

3-28-11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1417

Page 1, line 2, after the semicolon insert "to provide for a legislative management study;"

Page 1, after line 9, insert:

"**SECTION 2. LEGISLATIVE MANAGEMENT STUDY - SALES TAX EXEMPTION FOR PURCHASES BY CLINICS.** The legislative management shall consider studying, during the 2011-12 interim, under what circumstances, if any, purchases by clinics should be exempt from sales and use taxes. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly

Date: 3-28-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1417

Senate 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 Senator Hogue Seconded By Senator Oehlke

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman			**Jim Dotzenrod**		
Joe Miller – Vice Chairman			**Connie Triplett**		
Randy Burckhard					
David Hogue					
Dave Oehlke					

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

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

Verbal vote - Amendment .01002

A.

11.0625.01001
Title.

Prepared by the Legislative Council staff for
Representative Mock
March 7, 2011

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1417

Page 1, line 2, after "centers" insert "and nonprofit clinics"

Page 1, line 9, after "center" insert "and gross receipts from sales to a nonprofit clinic exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code [26 U.S.C. 501(c)(3)]"

Renumber accordingly

Date: 3-28-11
Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1417

Senate 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 Senator Triplett Seconded By Senator Dotzenrod

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman			**Jim Dotzenrod**		
Joe Miller – Vice Chairman			**Connie Triplett**		
Randy Burckhard					
David Hogue					
Dave Oehlke					

Total (Yes) 2 No 5

Absent 0

Floor Assignment _____

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

Verbal vote - Amendment .1001

Date: 3-28-11
Roll Call Vote # 3

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1417

Senate 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 Senator Hogue Seconded By Senator Burckhard

Senators	Yes	No	Senators	Yes	No
Dwight Cook – Chairman	X		Jim Dotzenrod	X	
Joe Miller – Vice Chairman	X		Connie Triplett	X	
Randy Burckhard	X				
David Hogue	X				
Dave Oehlke	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Hogue

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

REPORT OF STANDING COMMITTEE

HB 1417: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1417 was placed on the Sixth order on the calendar.

Page 1, line 2, after the semicolon insert "to provide for a legislative management study;"

Page 1, after line 9, insert:

"**SECTION 2. LEGISLATIVE MANAGEMENT STUDY - SALES TAX EXEMPTION FOR PURCHASES BY CLINICS.** The legislative management shall consider studying, during the 2011-12 interim, under what circumstances, if any, purchases by clinics should be exempt from sales and use taxes. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly

2011 SENATE APPROPRIATIONS

HB 1417

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1417
03-31-2011
Job # 16228
☐ Conference Committee

Committee Clerk Signature Alice Dubzer

Explanation or reason for introduction of bill/resolution:

A BILL relating to a sales tax exemption for certain health centers; and to provide an effective date.

Minutes: "Attached Testimony."

Chairman Holmberg called the committee back to order in reference to HB 1417. Tammy R. Dolan, OMB and Becky J. Keller, Legislative Council were also present.

Representative Mock, District 42, North Grand Forks, introduced the HB 1417 for federally qualified health centers across ND. In 1979, a section of code was related to sales tax exemption for nonprofit hospitals were drafted. Since then, an entity was created at the federal level, federally health centers. They are 5 nonprofit clinics that run 23 facilities across ND. Since it is an entity that came into existence after the 1979 section of law was implemented in ND, they are not technically sales tax exempt. We have these 23 facilities all pay sales tax on the items that they purchase. We introduced the bill in the House and it passed there. The Senate Finance and Tax added an amendment to review all nonprofit clinics. As time has passed, the clinic structure in ND has changed. Most clinics have converted from "for profit entities" to "nonprofit entities". I do believe there is a representative from the Community Healthcare Association of the Dakotas, Mr. Richards, will be testifying I believe or at least available for some questions as needed. I am happy to carry this bill and I hope that this appropriations committee will carry the Senate Finance and Tax Committees recommendation forward, with a DO PASS.

Senator David Hogue, District 38, Minot, testified in favor of HB 1417. (Maps distributed). This was a good handout what we got in Finance & Tax and a good sketch of these community health centers located in rural areas. (Testimony attached # 1).Their mission is to serve "underserved rural areas" and to serve uninsured and low income patients. You see the demographic data. We in the Finance and Tax had a request to add an amendment to this bill to exempt "all" clinics in ND. We weren't prepared to do that. We invested that. That came with the fiscal note of a little over $5M. The reason we weren't sure of it is: 1) we wanted to avoid the wrath of this committee for a $5M impact 2) we discovered that there are a lot of different types of clinics out there. Some of them are privately owned. Some of them are nonprofit. Some of the nonprofits have a mixture of self employed physicians, who operate out of the nonprofit. We weren't sure so what we proposed to do was to study whether this exemption should apply to other "not for profit" clinics. This handout is a summary of the federal guidelines for these community health centers. This gives you an idea of what

populations that they have to serve, how they have to be composed, what types of services they have to offer and so I thought that would be a useful piece of information for your committee to consider as you ponder this and the fiscal note. The fiscal note is $250,000 and I think that is $230,000 of general fund and $20,000 of state aid distribution. This covers sales to these clinics that aren't otherwise exempted. We have broad exemptions in place for durable medical equipment, prescription drugs etc. This exemption would cover all of those nonmedical sales to these clinics whether it would exempt air conditioners to nonprofit hospitals. That air conditioner is not medical equipment but yet it is something that is sold to a nonprofit hospital. We did pass that bill. This is similar legislation to that. It would exempt these other sales to community health centers.

Senator Christmann asks, didn't the House kill the bill for air conditioners? Is it your thinking that most of these other business setup organizations for other clinics and then these would generally be paying sales tax on the kinds of supplies this would exempt? Or are they already exempt?

Senator Hogue states, no, they are not exempt. They are not your garden variety of nonprofit, medical clinic in ND because they have these restrictions on how they operate, that are imposed on them that are not imposed on other clinics.

V. Chair Grindberg asks, would you be opposed if we took section 1 out and just had a study?

Senator Hogue states, I support the bill in its present form and the committee does too.

V. Chair Grindberg states, if we do it in section 1 and then study it, we are then doing it for everybody when we come back in 2013.

Senator Kilzer states, I do have a problem with expansion of facilities able to use their privileged tax exempt status to do a lot of other things. In Bismarck, we have several medical clinics and at least two of them have about 30 doctors in each clinic. The one clinic has their own building and they pay property taxes and it amounts to $300,000 or so. The other clinic, about the same size, is housed within one of the hospitals and there is not a penny of property tax paid on the space they use. To me that is an extreme inequity in property taxes. I am troubled by expansion of the fact that we give tax breaks to organizations by name and then they can expand their activities and compete with private businesses. In my opinion, the hospitals should be tax exempt for inpatient services. I don't think they should be tax exempt for all these other activities. There are other tax exempt institutions that are into other activities that compete with private run businesses, such as daycares. There is space and the whole operational part is tax exempt which is in direct competition to privately owned daycare. I really don't look kindly upon expansion of institutions being able to use their tax exempt status in competing with other institutions or other entities that are paying taxes of various kinds, including sales tax. If a study would be a good thing of that problem, I would certainly support that.

Chairman Holmberg closes the hearing on HB 1417.

Senator Grindberg asks, I wonder if the Tax Dept. can get us a list of all sales tax exemptions?

Chairman Holmberg asks, could you include on the list the items still in circulation within the legislature to remove exemptions on other things. That would be helpful to give us an idea of what else is out there.

Myles Vosberg, Tax Dept. states, we can do that.

Senator Wardner states, it is listed in our red book, but it is general but it does list the amounts also.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1417
April 6, 2011
Job # 16405

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

A BILL relating to a sales tax exemption for certain health centers; and to provide an effective date.

Minutes: You may make reference to "attached testimony."

Chairman Holmberg called the committee hearing to order on HB 1417.

Senator Wardner moved to take section 1 and section 3 out of the bill and leave the study in.
Senator Bowman seconded.

Chairman Holmberg: You also have to take out section three.

Senator Wardner: Yes, the effective date that goes with it and leave the study in.

Senator Warner: My understanding of the study was that there is distinction to be made between the federally recognized clinics which are fairly well defined but there may be a larger subset of clinics which would also fit into the discussion. The intent of the sponsors, as my understanding, was that they would start with this first step of the ones that were clearly defined, and then see if it justified expansion to include other clinics. I'd resist, at least initially, removing that section from the bill, although I understand your intent.

Chairman Holmberg: If you recall, we did have testimony regarding the requirements of the programs where those community health centers sites are located in ND and the services they provide and the fact that they have had some increases in their clientele, if that's the right word to use. A "yes" is to remove it. A "no" is to keep it.
A Roll Call vote was taken to remove sections one and three: Yea: 8 Nay: 5 Absent: 0

Chairman Holmberg: Is there a motion on the bill which is now a study?
Senator Warner moved Do Pass as Amended.
Senator Wanzek seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0
Senator Warner will carry the bill on the floor.

Date: 4-6-11

Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1417

Senate APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Amend to remove sections 1 + 3 of the bill

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Wardner Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg		✓	Senator Warner		✓
Senator Bowman	✓		Senator O'Connell		✓
Senator Grindberg	✓		Senator Robinson		✓
Senator Christmann		✓			
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 8 No 5

Absent 0

Floor Assignment

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

Date: 4-6-11

Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1417

Senate APPROPRIATIONS 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 Warner Warner Seconded By Wanzek

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment John Warner

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

REPORT OF STANDING COMMITTEE

HB 1417, as amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1417, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the Senate as printed on page 924 of the Senate Journal, House Bill No. 1417 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide for a legislative management study.

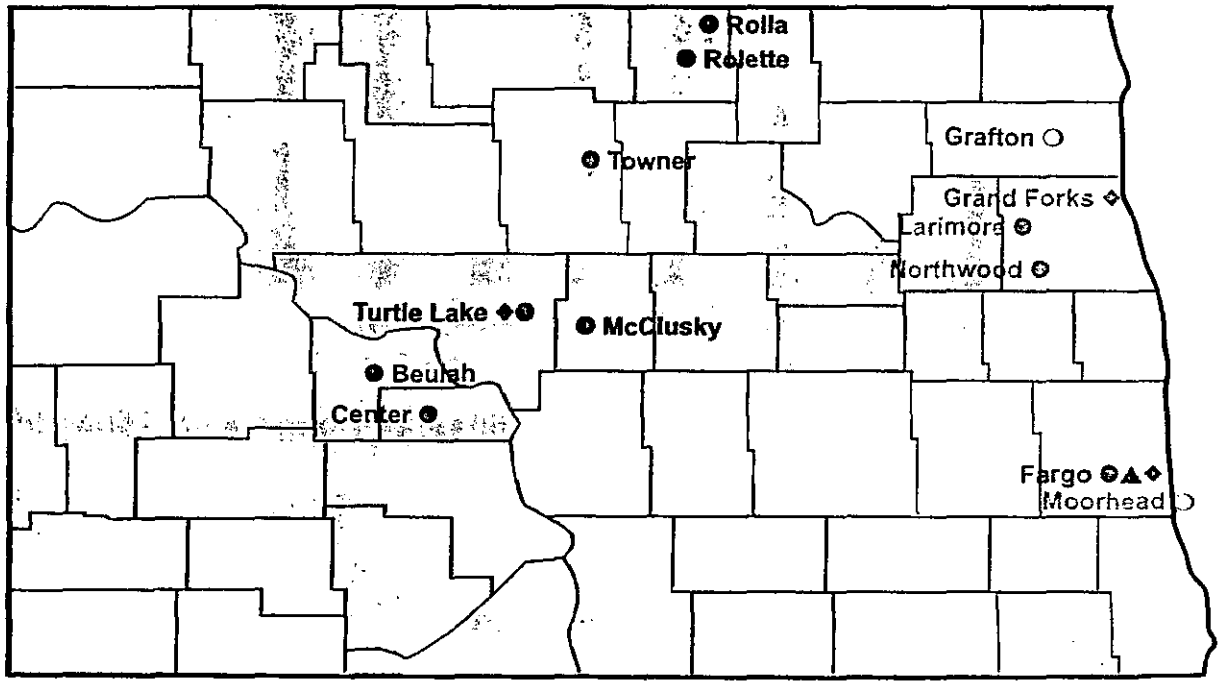
BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. LEGISLATIVE MANAGEMENT STUDY - SALES TAX EXEMPTION FOR PURCHASE BY CLINICS. The legislative management shall consider studying, during the 2011-12 interim, the feasibility and desirability of exempting purchases by health-related clinics from sales and use taxes. The study must address under what circumstances, if any, purchases by health-related clinics should be exempt from sales and use taxes. The legislative management shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-third legislative assembly."

Renumber accordingly

HB1417

Community Health Center Sites in North Dakota



☐ Medically Underserved Areas

NORTH DAKOTA
Coal Country Community Health Centers
Family HealthCare Center
Migrant Health Service, Inc.
Northland Community Health Center
Valley Community Health Centers

● Federally Qualified Health Centers
○ Migrant Health
◆ Dental Clinic
■ School-based Health Centers
▲ Healthcare for the Homeless

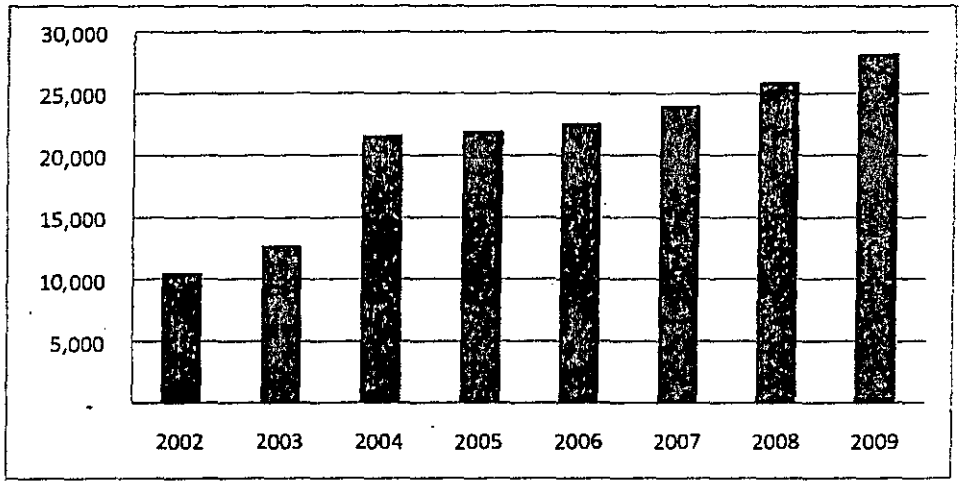
2009 Patient Demographics

Total Patients	**28,215**
Total Encounters	
Medical	67,356
Dental	17,273
Patients by Age	
Under Age 5	2,320
Age 5-19	6,484
Age 20-64	16,369
Ages 65+	3,042

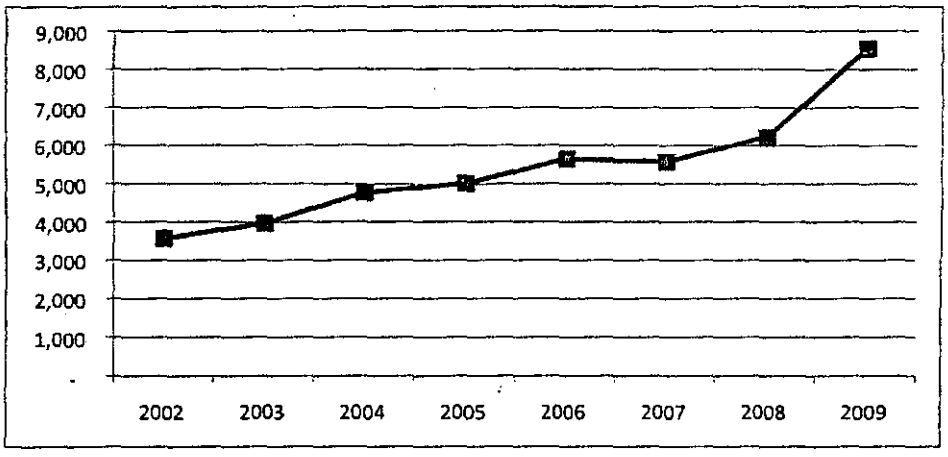
Patients by Race	
White	26,186
American Indian/Alaska Native	1,560
Black/African American	1,914
Asian/Pacific Islander	694
Native Hawaiaan	76
More than one race	226
Income as a percent of Poverty Level	
100% and Below	10,709
101-150%	2,347
151-200%	1,115
Over 200%	739
Unknown	13,305

Source: 2009 Uniform Data System

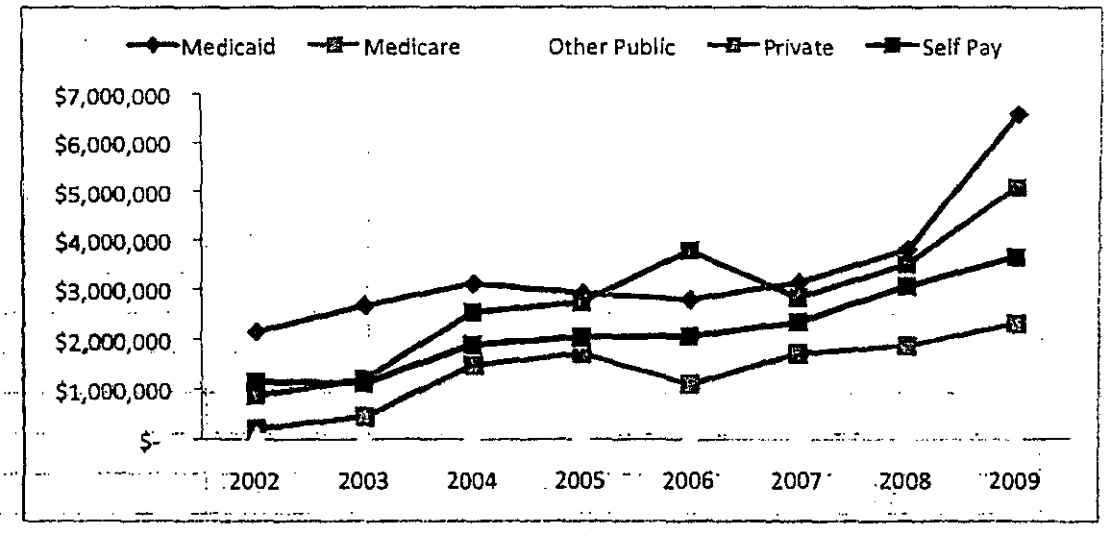
Patient Numbers for 2002-2009



Uninsured Patients for 2002-2009



Patient Revenue by Source for 2002-2009



Source for all graphs: 2009 Uniform Data System

NATIONAL ASSOCIATION OF Community Health Centers

North Dakota Health Center Fact Sheet

What are Community Health Centers?

Community, Migrant, and Homeless Health Centers are **non-profit, community-directed providers** that remove common barriers to care by serving communities who otherwise confront financial, geographic, language, cultural and other barriers. Also known as Federally-Qualified Health Centers (FQHCs), they:

- are **located in high-need areas** identified as having elevated poverty, higher than average infant mortality, and where few physicians practice;
- are **open to all residents**, regardless of insurance status or ability to pay;
- **tailor services** to fit the special needs and priorities of their communities, and provide services in a linguistically and culturally appropriate manner;
- provide **comprehensive primary and other health care services**, including services that help their patients access care, such as transportation, translation, and case management;
- **provide high quality care**, reducing health disparities and improving patient outcomes;[1] and
- are **cost effective**, reducing costly emergency, hospital, and specialty care, and **saving the health care system $24 billion a year nationally.**[2]

North Dakota Federally-Supported Health Centers, 2009

Number of Organizations	4
Number of Delivery Sites	23
Total Patients	28,215
Number Migrant/Seasonal Farmworker Patients	530
Number Homeless Patients	1,552

	Health Center Population	State Population[3]	US Population[3]
Percent at or Below 100% of Poverty	72%	14%	20%
Percent Under 200% of Poverty	95%	31%	39%
Percent Uninsured	30%	11%	17%
Percent Medicaid	23%	9%	16%
Percent Medicare	11%	13%	12%
Percent Hispanic/Latino	5%	2%	16%
Percent African American	8%	1%	12%
Percent Asian/Pacific Islander	3%	1%	5%
Percent American Indian/Alaska Native	5%	5%	1%
Percent White	83%	89%	65%
Percent Rural[4]	75%	51%	16%

Race/Ethnicity may not sum to 100% due to rounding and non-inclusion of two or more races. Race data is inclusive of Hispanic/Latino population. 0% may indicate <0.5%. Rural data from 2009.

Percent of Vulnerable North Dakota Residents Served by Federally-Supported Health Centers[5]

Percent of **Low Income, Uninsured**, 2009	21%
Percent of **Medicaid Beneficiaries**, 2007	7%
Percent of **Population at or Below 100% of Poverty**, 2009	2%

Economic Benefits of Federally-Supported Health Centers

Total Economic Benefits Generated for Local Communities 2009[6]	$21,923,285
Total Economic Benefits Projected for Local Communities, 2015[7]	$59,158,632

© National Association of Community Health Centers

North Dakota Health Center Fact Sheet, 2009

Data for federally-funded health centers only and may therefore underreport the true volume of care. See note below.

Health Center Staff and Related Patient Visits

	FTE*	Patient Visits
Physicians	6.6	26,020
NPs/PAs/CNMs	16.1	38,282
Nurses	28.6	3,054
Dentists	5.2	13,554
Dental Hygienists	3.7	3,719
Behavioral Health Specialists#	1.8	1,436
Pharmacy	3.5	N/A
Total Enabling Services†	22.8	5,698
Other Staff	88.7	N/A
Total	***177.0***	***92,047***

* Full-time equivalent.
# Includes psychiatrists, psychologists, licensed or credentialed behavioral health providers, & other mental health staff.
† Includes outreach workers, health educators, case managers, translators, transportation, eligibility assistance workers, and child care workers. Not all staff have related patient visits.

Patient Visits and Patients by Selected Primary Diagnoses and Services

	Patient Visits	Patients
Medical Conditions		
Hypertension	5,089	2,204
Diabetes mellitus	4,342	1,396
Heart Disease (Selected)	1,604	639
Asthma	831	535
Depression & Other Mood Disorders	1,837	1,133
All Mental Health & Substance Abuse	4,439	N/A
Preventive Services		
Health Supervision Ages 0-11*	1,434	1,018
Selected Immunizations#	3,853	2,533
Oral Dental Exams	9,215	6,919
Pap Test	2,381	2,256
Mammogram	856	831
HIV Test	1,012	1,012

* Well child visits. # Includes DPT, MMR, polio, influenza, hepatitis A & B, HiB, etc.

Health Centers Providing Select Services Onsite*

Professional Services	
General Primary Medical Care	100%
Prenatal Care	80%
Preventive Dental Care	40%
Mental Health Treatment/Counseling	80%
Substance Abuse Treatment & Counseling	80%
Hearing Screening	80%
Vision Screening	80%
Pharmacy	60%
Preventive Services	
Smoking Cessation Program	60%
HIV Testing And Counseling	20%
Glycosylated Hemoglobin Measurement, Diabetes	60%
Blood Pressure Monitoring	100%
Blood Cholesterol Screening	60%
Weight Reduction Program	60%
Enabling Services	
Case Management	100%
Eligibility Assistance	100%
Health Education	100%
Interpretation/Translation Services	80%
Transportation	60%
Out stationed Eligibility Workers	0%

* "Onsite" includes services rendered by employees, contracted providers, volunteers and others who render services in the health center's name. Health centers may also provide services through formal referral arrangements. Data based on 2007 UDS.

Health Center Costs of Care

Average Cost per Patient	Cost
Medical Costs per Medical Patient*	$377
Dental Costs per Dental Patient	$345
Total Cost per Total Patient#	$506
Average Cost per Patient Visit	
Medical Cost per Medical Patient Visit†	$128
Dental Costs per Dental Patient Visit	$150

*Excludes lab and x-ray
Includes the total cost of all services over total users
†Excludes lab, x-ray, and nurse visits

Sources and Notes

Unless otherwise specified, this fact sheet is based on Bureau of Primary Health Care, HRSA, DHHS, 2009 Uniform Data System (UDS). It includes data from Federally-Qualified Health Centers (FQHCs) that receive federal health center grants and are therefore required to report administrative, clinical and other information. Data do not account for a category of FQHCs that does not receive these funds, known as FQHC Look-Alikes. There are approximately 100 FQHC Look-Alikes across the United States. Consequently, data reflected in this fact sheet may underreport the true volume of care delivered by health centers.

[1] See Summaries of Literature on Health Centers, Quality of Care, www.nachc.com/research.
[2] GWU, *Using Primary Care to Bend the Curve: Estimating the Impact of a Health Center Expansion on Health Care Costs*, September 2009, www.gwhealthpolicy.org.
[3] Kaiser Family Foundation, State Health Facts Online, www.statehealthfacts.org. U.S. Census Bureau, Table 4: Annual Estimates of the Population by Race Alone and Hispanic or Latino Origin for the United States and States: July 2009. Released June 2010. www.census.gov/popest/states/.
[4] Kaiser Family Foundation, State Health Facts Online. www.statehealthfacts.org. Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2009 and 2010 Current Population Survey (CPS: Annual Social and Economic Supplements).
[5] Compares health center UDS data to state population data respectively. State population data come from Kaiser Family Foundation, State Health Facts Online. www.statehealthfacts.kff.org. The assumption that the uninsured are low-income is based on the 2009 UDS.
[6] NACHC and Capital Link, *Community Health Centers Lead the Primary Care Revolution*, August 2010, www.nachc.com/research.
[7] Center for American Progress, *The Importance of Community Health Centers*, August 2009, http://www.americanprogress.org.

For more information, email research@nachc.com or visit www.communityhealthcare.net.

This publication was supported by Grant/Cooperative Agreement Number U30CS16089 from the Health Resources and Services Administration, Bureau of Primary Health Care (HRSA/BPHC). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of HRSA/BPHC.

© National Association of Community Health Centers

2011 TESTIMONY

HB 1417

#1

Testimony

HB 1417

House Human Services Committee

Representative Robin Weisz, Chairman

January 25, 2011

Mr. Chairman and Members of the Committee: My name is Karen Larson, deputy director of the Community HealthCare Association of the Dakotas, also referred to as CHAD. Our organization is the primary care association for both North and South Dakota serving the community health centers (CHC's) in both states.

While community health centers are a relatively new presence in North Dakota, the community health center model actually began forty-five years ago. The health center model has experienced broad-based bi-partisan support in Washington over the years. Indeed, former President George W. Bush was a strong proponent of CHC's, and was committed to doubling the number of health centers throughout the country, which he did. Today there are more than 1,150 CHC's throughout the country providing care to more than 17 million patients. The centers are required to be located in high-need areas, to be open to all residents regardless of ability to pay or insurance status, and to provide access to cost-effective, high-quality primary health care. Each organization applies through a rigorous process for funding from the Health Resource Services Administration's (HRSA) Bureau of Primary Health Care (BPHC). Those centers approved for funding as Community Health Centers are required to provide a sliding fee discount based on 200% of the Federal Poverty Level. While it is often erroneously believed that CHC's are free clinics, they are not. The North Dakota CHC's rely on reimbursement as appropriate from Medicaid, Medicare, private insurance, and self-pay. The federal grant they receive underpins those who qualify on the sliding fee scale.

There are currently five community health center organizations in North Dakota delivering care at 23 sites. Most of these sites are actual clinic sites; others are approved services being delivered at locations such as local nursing homes. They are **non-profit, community-directed centers** also referred to, in many instances, as federally qualified health centers (FQHCs), a reimbursement designation from the Center for Medicare and Medicaid Services (CMS). Family Health Center in Fargo is our oldest North Dakota health center, beginning its work in 1993. Migrant Health Services, based in Moorhead, has a permanent site in Grafton, and reports sending its mobile units beyond its traditional Red River Valley area into North Dakota during the growing and harvesting season. The remaining North Dakota health centers were conversions from rural health clinics to community health centers in 2004-2005.

In addition to comprehensive primary health care access, preventive care, and assertive chronic disease management, the North Dakota health centers are required to make provision for or to directly provide dental and behavioral health care (including both mental health and substance abuse needs). Today, three of the ND centers provide dental services, one is providing direct behavioral health services, and all are in referral arrangements when necessary. We continue to explore additional ways to help patients access those services as we strongly believe that services for the whole person are necessary in providing comprehensive primary health care.

The 2009 Uniform Data System (UDS) reports that the health centers in North Dakota served a total of 28,215 patients in that calendar year. I have attached for your information the 2009 North Dakota Health Center Fact Sheet displaying a map of current sites and trends. Also attached is a North Dakota snapshot produced by the National Association of Community Health Centers.

For additional information and data about community health centers:

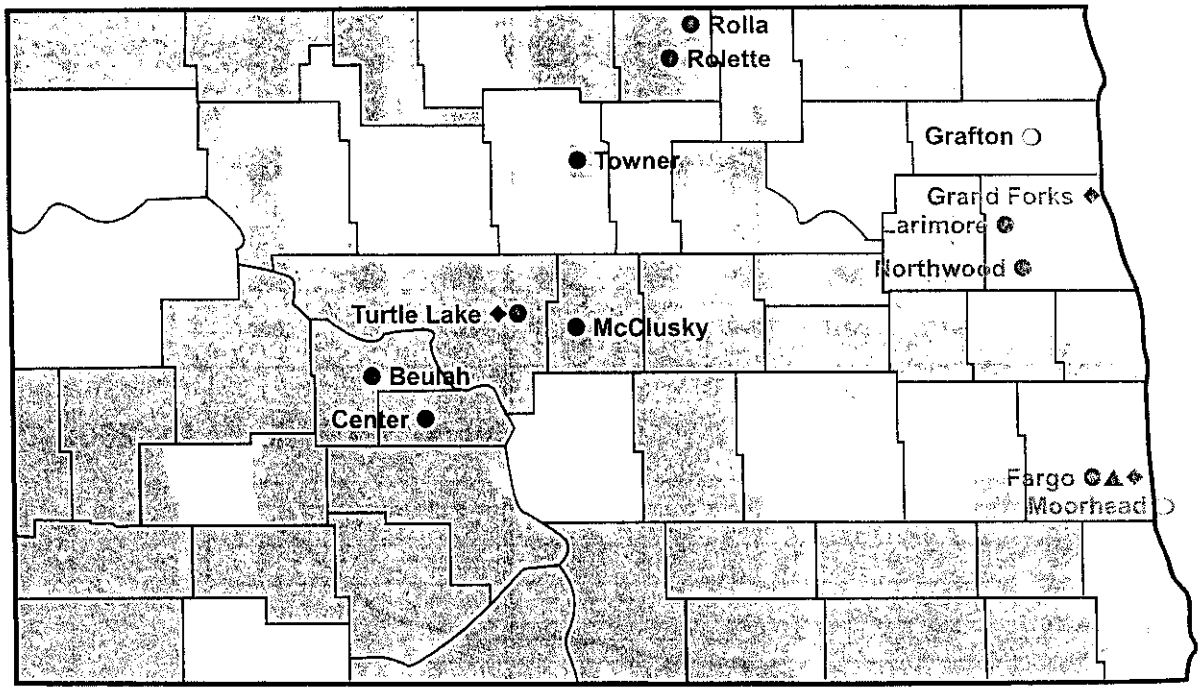
- **bphc.hrsa.gov**
- **www.nachc.com**

- **www.communityhealthcare.net**

With this overview of who and what the CHC's in North Dakota are, I would like to provide you with testimony from the directors of the Family HealthCare Center in Fargo; Valley Community Health Centers, with sites in Northwood, Larimore, and Grand Forks; and from Migrant Health Services, based in Moorhead, with a permanent site in Grafton. Additionally, there are representatives from our other ND CHC's present today prepared to testify.

Mr. Chairman and Members of the Committee, this concludes my prepared remarks, and I would be more than happy to respond to any questions you may have.

Community Health Center Sites in North Dakota



Medically Underserved Areas

NORTH DAKOTA
Coal Country Community Health Centers
Family HealthCare Center
Migrant Health Service, Inc.
Northland Community Health Center
Valley Community Health Centers

- Federally Qualified Health Centers
- Migrant Health
- Dental Clinic
- School-based Health Centers
- Healthcare for the Homeless

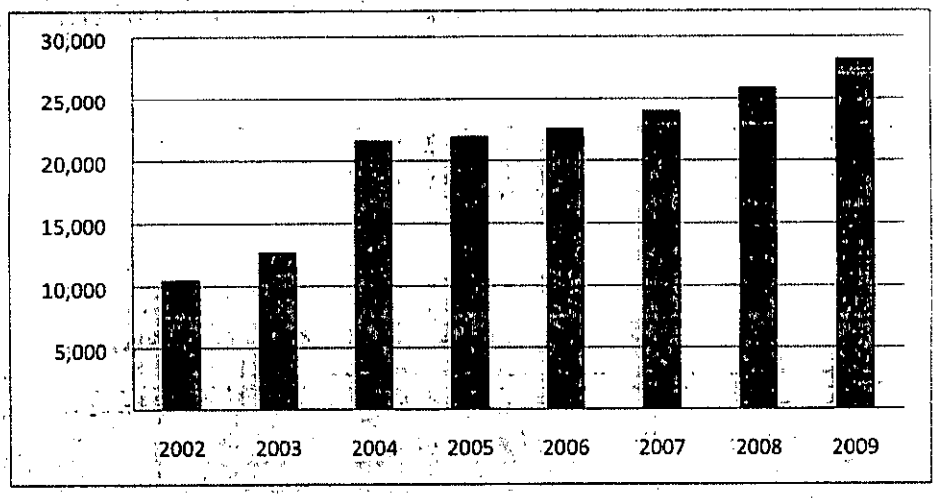
2009 Patient Demographics

Total Patients	28,215
Total Encounters	
Medical	67,356
Dental	17,273
Patients by Age	
Under Age 5	2,320
Age 5-19	6,484
Age 20-64	16,369
Ages 65+	3,042

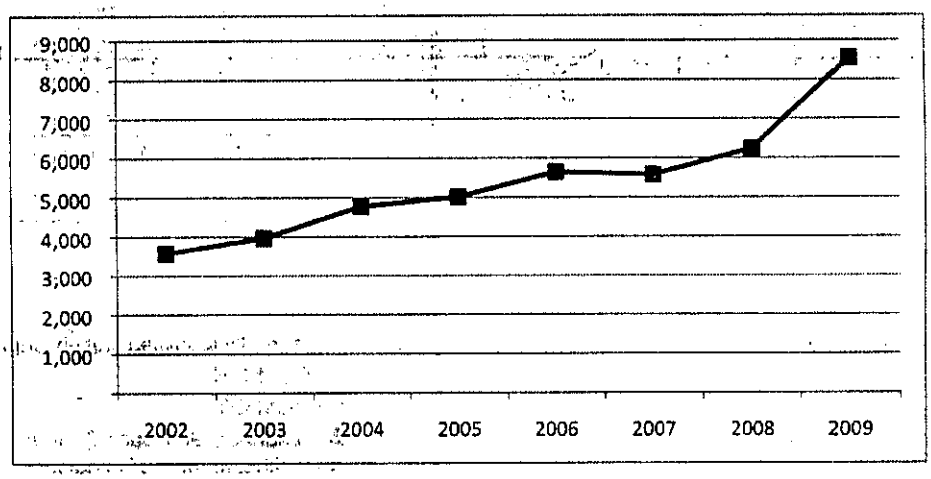
Patients by Race	
White	26,186
American Indian/Alaska Native	1,560
Black/African American	1,914
Asian/Pacific Islander	694
Native Hawaiaan	76
More than one race	226
Income as a percent of Poverty Level	
100% and Below	10,709
101-150%	2,347
151-200%	1,115
Over 200%	739
Unknown	13,305

Source: 2009 Uniform Data System

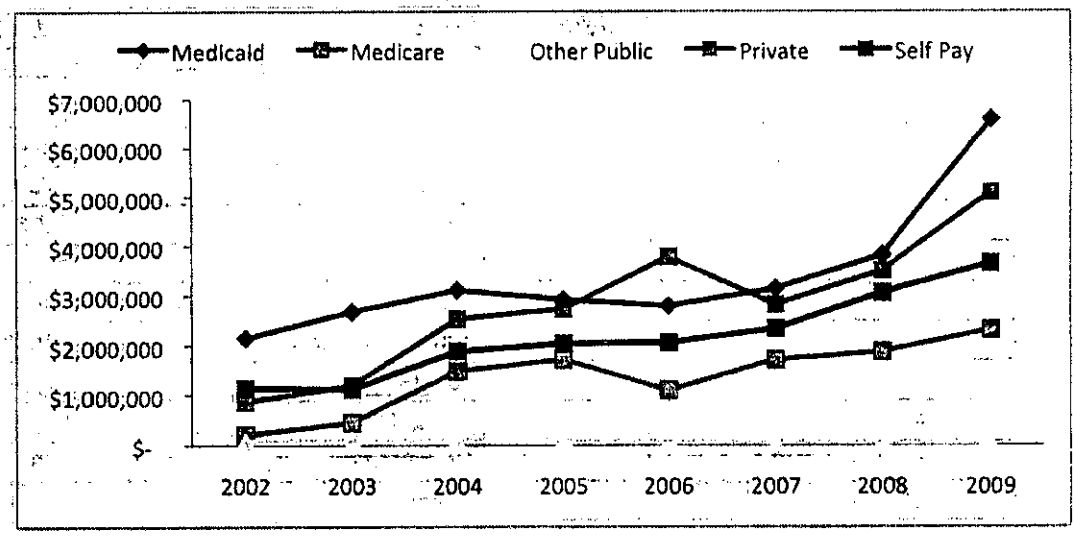
Patient Numbers for 2002-2009



Uninsured Patients for 2002-2009



Patient Revenue by Source for 2002-2009



Source for all graphs: 2009 Uniform Data System

NATIONAL ASSOCIATION OF Community Health Centers

North Dakota Health Center Fact Sheet

What are Community Health Centers?

Community, Migrant, and Homeless Health Centers are **non-profit, community-directed providers** that remove common barriers to care by serving communities who otherwise confront financial, geographic, language, cultural and other barriers. Also known as Federally-Qualified Health Centers (FQHCs), they:

- are **located in high-need areas** identified as having elevated poverty, higher than average infant mortality, and where few physicians practice;
- are **open to all residents**, regardless of insurance status or ability to pay;
- **tailor services** to fit the special needs and priorities of their communities, and provide services in a linguistically and culturally appropriate manner;
- provide **comprehensive primary and other health care services**, including services that help their patients access care, such as transportation, translation, and case management;
- **provide high quality care**, reducing health disparities and improving patient outcomes;[1] and
- are **cost effective**, reducing costly emergency, hospital, and specialty care, and **saving the health care system $24 billion a year nationally**.[2]

North Dakota Federally-Supported Health Centers, 2009

Number of Organizations	4
Number of Delivery Sites	23
Total Patients	28,215
Number Migrant/Seasonal Farmworker Patients	530
Number Homeless Patients	1,552

	Health Center Population	State Population[3]	US Population[3]
Percent **at or Below 100% of Poverty**	72%	14%	20%
Percent **Under 200% of Poverty**	95%	31%	39%
Percent **Uninsured**	30%	11%	17%
Percent **Medicaid**	23%	9%	16%
Percent **Medicare**	11%	13%	12%
Percent **Hispanic/Latino**	5%	2%	16%
Percent **African American**	8%	1%	12%
Percent **Asian/Pacific Islander**	3%	1%	5%
Percent **American Indian/Alaska Native**	5%	5%	1%
Percent **White**	83%	89%	65%
Percent **Rural**[4]	75%	51%	16%

Race/Ethnicity may not sum to 100% due to rounding and non-inclusion of two or more races. Race data is inclusive of Hispanic/Latino population. 0% may indicate <0.5%. Rural data from 2009.

Percent of Vulnerable North Dakota Residents Served by Federally-Supported Health Centers[5]

Percent of **Low Income, Uninsured**, 2009	21%
Percent of **Medicaid Beneficiaries**, 2007	7%
Percent of **Population at or Below 100% of Poverty**, 2009	2%

Economic Benefits of Federally-Supported Health Centers

Total Economic Benefits Generated for Local Communities 2009[6]	$21,923,285
Total Economic Benefits Projected for Local Communities, 2015[7]	$59,158,632

© National Association of Community Health Centers

North Dakota Health Center Fact Sheet, 2009

Data for federally-funded health centers only and may therefore underreport the true volume of care. See note below.

Health Center Staff and Related Patient Visits

	FTE*	Patient Visits
Physicians	6.6	26,020
NPs/PAs/CNMs	16.1	38,282
Nurses	28.6	3,054
Dentists	5.2	13,554
Dental Hygienists	3.7	3,719
Behavioral Health Specialists#	1.8	1,436
Pharmacy	3.5	N/A
Total Enabling Services†	22.8	5,698
Other Staff	88.7	N/A
Total	***177.0***	***92,047***

* Full-time equivalent.
# Includes psychiatrists, psychologists, licensed or credentialed behavioral health providers, & other mental health staff.
† Includes outreach workers, health educators, case managers, translators, transportation, eligibility assistance workers, and child care workers. Not all staff have related patient visits.

Patient Visits and Patients by Selected Primary Diagnoses and Services

	Patient Visits	Patients
Medical Conditions		
Hypertension	5,089	2,204
Diabetes mellitus	4,342	1,396
Heart Disease (Selected)	1,604	639
Asthma	831	535
Depression & Other Mood Disorders	1,837	1,133
All Mental Health & Substance Abuse	4,439	N/A
Preventive Services		
Health Supervision Ages 0-11*	1,434	1,018
Selected Immunizations#	3,853	2,533
Oral Dental Exams	9,215	6,919
Pap Test	2,381	2,256
Mammogram	856	831
HIV Test	1,012	1,012

* Well child visits. # Includes DPT, MMR, polio, influenza, hepatitis A & B, HiB, etc.

Health Centers Providing Select Services Onsite*

Professional Services	
General Primary Medical Care	100%
Prenatal Care	80%
Preventive Dental Care	40%
Mental Health Treatment/Counseling	80%
Substance Abuse Treatment & Counseling	80%
Hearing Screening	80%
Vision Screening	80%
Pharmacy	60%
Preventive Services	
Smoking Cessation Program	60%
HIV Testing And Counseling	20%
Glycosylated Hemoglobin Measurement, Diabetes	60%
Blood Pressure Monitoring	100%
Blood Cholesterol Screening	60%
Weight Reduction Program	60%
Enabling Services	
Case Management	100%
Eligibility Assistance	100%
Health Education	100%
Interpretation/Translation Services	80%
Transportation	60%
Out stationed Eligibility Workers	0%

* "Onsite" includes services rendered by employees, contracted providers, volunteers and others who render services in the health center's name. Health centers may also provide services through formal referral arrangements. Data based on 2007 UDS.

Health Center Costs of Care

Average Cost per Patient	Cost
Medical Costs per Medical Patient*	$377
Dental Costs per Dental Patient	$345
Total Cost per Total Patient#	$506
Average Cost per Patient Visit	
Medical Cost per Medical Patient Visit†	$128
Dental Costs per Dental Patient Visit	$150

*Excludes lab and x-ray
#Includes the total cost of all services over total users
†Excludes lab, x-ray, and nurse visits

Sources and Notes

Unless otherwise specified, this fact sheet is based on Bureau of Primary Health Care, HRSA, DHHS, 2009 Uniform Data System (UDS). It includes data from Federally-Qualified Health Centers (FQHCs) that receive federal health center grants and are therefore required to report administrative, clinical and other information. Data do not account for a category of FQHCs that does not receive these funds, known as FQHC Look-Alikes. There are approximately 100 FQHC Look-Alikes across the United States. Consequently, data reflected in this fact sheet may underreport the true volume of care delivered by health centers.

[1] See Summaries of Literature on Health Centers, Quality of Care, www.nachc.com/research.
[2] GWU, *Using Primary Care to Bend the Curve: Estimating the Impact of a Health Center Expansion on Health Care Costs*, September 2009, www.gwhealthpolicy.org .
[3] Kaiser Family Foundation, State Health Facts Online, www.statehealthfacts.org. U.S. Census Bureau, Table 4: Annual Estimates of the Population by Race Alone and Hispanic or Latino Origin for the United States and States: July 2009. Released June 2010. www.census.gov/popest/states/.
[4] Kaiser Family Foundation, State Health Facts Online. www.statehealthfacts.org. Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2009 and 2010 Current Population Survey (CPS: Annual Social and Economic Supplements).
[5] Compares health center UDS data to state population data respectively. State population data come from Kaiser Family Foundation, State Health Facts Online. www.statehealthfacts.kff.org. The assumption that the uninsured are low-income is based on the 2009 UDS.
[6] NACHC and Capital Link, *Community Health Centers Lead the Primary Care Revolution*, August 2010, www.nachc.com/research.
[7] Center for American Progress, *The Importance of Community Health Centers*, August 2009, http://www.americanprogress.org.

For more information, email research@nachc.com or visit www.communityhealthcare.net.

This publication was supported by Grant/Cooperative Agreement Number U30CS16089 from the Health Resources and Services Administration, Bureau of Primary Health Care (HRSA/BPHC). Its contents are solely the responsibility of the authors and do not necessarily represent the official views of HRSA/BPHC.

© National Association of Community Health Centers

#2

Testimony

HB 1417

House Human Services Committee

Representative Robin Weisz, Chairman

January 25, 2011

Good morning Chairman Weisz and members of the House Human Services 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 2010 we served 3594 people in our medical clinic and 2760 people in our dental clinic.

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. Other nonprofit entities do not pay sales tax including hospitals and nursing homes. Conversation with the Tax Department indicates that when the law was written, clinics were generally for-profit entities owned by physicians; consequently the current law excludes clinics from the exemption.

It is noteworthy that Valley Community Health Centers was granted sales tax exemption from October 29, 2009 until June 29, 2010. We are requested that we be returned to the sales tax exemption which the Tax Department awarded in June, 2009.

About 40% of all our services are provided to people who are low income and without insurance. That number is higher for our dental clinic, lower for our medical clinic. 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 also based on a consideration for organizations like the American Heart Association.

Community Health Centers across ND 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.

#3

Testimony

HB 1417

House Human Services Committee

Representative Robin Weisz, Chairman

January 25, 2011

- Migrant Health Service, Inc. (MHSI) is a private non-profit organization which provides access to primary health care services for people working in agriculture, who live and or work in North Dakota and Minnesota. The permanent health center for MHSI in North Dakota is in Grafton, North Dakota. MHSI also operates a Mobile Health Unit during the summer months which provides health care services to agricultural workers and their family members in the areas of the ND/MN border of the Red River Valley and to central North Dakota communities of: Dawson, Jamestown, and Tappen, and to the southeast, Oakes, ND area. MHSI receives revenue from grants (federal, state, and foundation), third party billing, and patient fees.

- As indicated on the National Health Council website, putting needs of patients first is the priority of Migrant Health Service, Inc. The health center staff in Grafton, North Dakota, serves over 1,000 patients each year and the Mobile Health Unit serves over 350 patients each summer. Advocating on behalf of the patients is a large part of the MHSI staff activity and responsibility, as is for the member organizations of the National Health Council.

Our organization has a limited budget and paying sales tax will continue to pull revenue away from our mission of providing health care services for the people working in agriculture. I urge a Do Pass recommendation from this committee.

Joan Altenbernd,
Executive Director

Migrant Health Service, Inc.
Main Offices:

810 4th Ave South, Suite 101
Moorhead, MN 56560

MHSI -Grafton

701 West 6th Street
Grafton, ND

#4

Testimony

HB 1417

House Human Services Committee

Representative Robin Weisz, Chairman

January 25, 2011

Mister Chair and Members of the Human Services Committee, my name is Patricia Patron, Executive Director of Family HealthCare Center (FHC) in Fargo.

Family HealthCare Center supports HB 1417, which provides for sales tax exemption to federally qualified health centers in the state. FHC has operated as a nonprofit health center since 1993, providing access to health care to 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. 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.

FHC provided services to 12,219 patients in 2010. Nearly 90% of those patients live under 200% of poverty. 41% percent or 5,010 patients do not have access to health and/or dental insurance and 29% or 3,602 patients are on Medicaid. FHC provided 26,500 medical and 10,400 dental visits in 2010. Most of our patients report that the lack of insurance or financial resources impedes their access to prompt health care 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, refugees, and the elderly.

The need for services in our community is growing every day. FHC dedicates all revenue to programs serving 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 amount of cash.

FHC is committed to significantly improving the wellbeing of the patients we serve. Every time we provide timely access to care for a patient, we decrease the risk of having that patient be unproductive, miss work or school, or be forced to access expensive services and/or complex medical procedures at an emergency room.

The economic impact of our services in the community is significant. For example, we calculate that our discount 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.

Sales tax exemption will represent a savings to FHC of an additional $119,000 annually that we would invest in patient services. It also makes capital improvement projects more affordable and achievable for us. Many of you are aware that FHC will be relocating its facilities through a renovation project to the Pence Automobile Company building located in downtown Fargo. The financial impact of sales tax exemption for this project has been estimated to be $169,000. Sales tax exemption will make the project 1.13% less expensive than currently projected.

FHC employs over 120 staff members who collectively earn more the $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 1417 will assist our efforts to provide access to affordable health care to the most vulnerable patients we serve. I urge you to recommend a Do Pass for HB 1417 to support and assure access and continuity of care for our patients. Your support will represent a significant investment in your communities.

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

Testimony on HB 1417
Senate Finance and Taxation Committee
March 14, 2011

Chairman Cook and members of the Senate Finance and Taxation Committee, I thank you for the opportunity to submit my letter of support for HB 1417. My name is Daniel Kelly, Chief Executive Officer of the McKenzie County Healthcare Systems, Inc. in Watford City, North Dakota. I wish to go on record supporting HB 1417 as amended to include use tax exemption for all nonprofit hospitals as well as Federally Qualified Health Centers (FQHC).

North Dakota has 42 hospitals providing acute medical services. Of that number, 36 are considered Critical Access Hospitals. I offer support for House Bill 1417 for three reasons:

Two/Thirds of North Dakota Critical Access Hospitals Experience an Operating Loss: For the past three years data has been gathered and assessed which reflect that many North Dakota Critical Access Hospital's lose money. This past year, 24 of North Dakota's 36 Critical Access Hospitals lost money. We need to offer whatever assistance we can to sustain our healthcare system.

North Dakota Hospital Have An Older Average Age of Plant: Average Age of Plant is defined as the total accumulated depreciation on all property, plant and equipment divided by total current depreciation, expressed in years. It is a recognized measure of the average accounting age of assets. Favorable values are those below the median.

North Dakota hospital's average age of plant (14.43 years) exceeds that of the national average (10.94 years). This is reflective of the fact that North Dakota hospitals are unable to upgrade facilities and equipment.

Rural North Dakotans Need Their Local Hospital

For many rural North Dakotans their hospitals are safety net providers of medical care. We provide the initial medical assessment and stabilization for routine emergencies as well as trauma cases. In McKenzie County we have experienced a 20% increase in emergency room visits. Much of that increase is due to the oil activity occurring in Western North Dakota. The public is well aware of "the golden hour" those critical 60 minutes when lifesaving care must be initiated in order to increase survival of severely injured patients. For many in rural North Dakota if their local hospital did not exist they might be anywhere from 30 to 60 minutes from local emergency room care.

Testimony

HB 1417

Finance and Taxation Committee

Senator Dwight Cook, Chairman

March 14, 2011

Mr. Chairman and Members of the Committee: My name is Tony Richards, director of policy and community planning with the Community HealthCare Association of the Dakotas, also referred to as CHAD. Our organization is the primary care association for both North and South Dakota serving the community health centers (CHC's) in both states.

While community health centers are a relatively new presence in North Dakota, the community health center model actually began forty-five years ago. The health center model has experienced broad-based bi-partisan support in Washington over the years. Indeed, former President George W. Bush was a strong proponent of CHC's, and was committed to doubling the number of health centers throughout the country, which he did. Today there are more than 1,150 CHC's throughout the country providing care to more than 17 million patients. The centers are required to be located in high-need areas, to be open to all residents regardless of ability to pay or insurance status, and to provide access to cost-effective, high-quality primary health care. Each organization applies through a rigorous process for funding from the Health Resource Services Administration's (HRSA) Bureau of Primary Health Care (BPHC). Those centers approved for funding as Community Health Centers are required to provide a sliding fee discount based on 200% of the Federal Poverty Level. While it is often erroneously believed that CHC's are free clinics, they are not. The federal grant received generally accounts for approximately 25-29% of each center's total budget.

There are currently five community health center organizations in North Dakota delivering care at 23 sites. Most of these sites are actual clinic sites; others are approved services being delivered at locations such as local nursing homes. They are non-profit, community-directed centers also referred to, in many instances, as federally qualified health centers (FQHCs), a reimbursement designation from the Center for Medicare and Medicaid Services (CMS). Family Health Center in Fargo is our oldest North Dakota health center, beginning its work in 1993. Migrant Health Services, based in Moorhead, has a permanent site in Grafton, and reports sending its mobile units beyond its traditional Red River Valley area into North Dakota during the growing and

harvesting season. The remaining North Dakota health centers were conversions from rural health clinics to community health centers in 2004-2005.

In addition to comprehensive primary health care access, preventive care, and assertive chronic disease management, the North Dakota health centers are required to make provision for or to directly provide dental and behavioral health care (including both mental health and substance abuse needs). Today, three of the ND centers provide dental services, one is providing direct behavioral health services, and all are in referral arrangements when necessary. We continue to explore additional ways to help patients access those services as we strongly believe that services for the whole person are necessary in providing comprehensive primary health care.

The 2009 Uniform Data System (UDS) reports that the health centers in North Dakota served a total of 28,215 patients in that calendar year. I have attached for your information the 2009 North Dakota Health Center Fact Sheet displaying a map of current sites and trends.

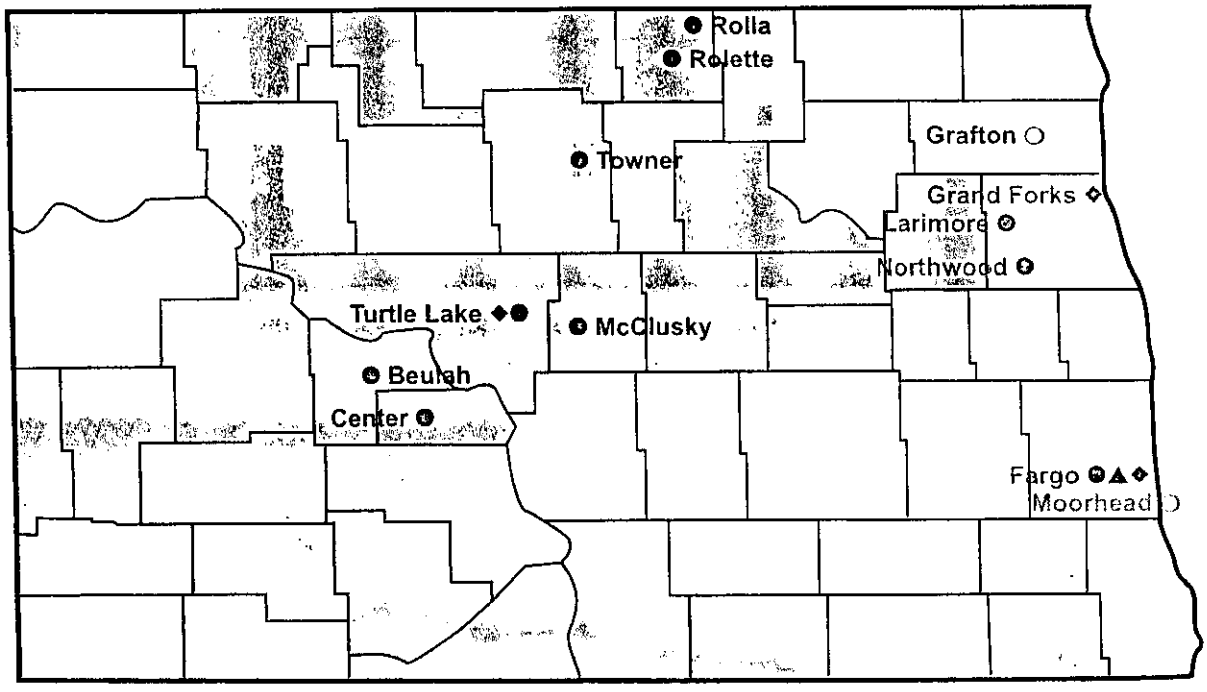
For additional information and data about community health centers:

- **bphc.hrsa.gov**
- **www.nachc.com**
- **www.communityhealthcare.net**

With this overview of who and what the CHC's in North Dakota are, I would like to provide you with testimony from the directors of the Valley Community HealthCare Center in Northwood and from Family HealthCare Center, based in Fargo. There is also a representative from Coal Country Community health Center who will speak on behalf of their organization in support of HB 1417.

Mr. Chairman and Members of the Committee, this concludes my prepared remarks, and I would be more than happy to respond to any questions you may have.

Community Health Center Sites in North Dakota



☐ Medically Underserved Areas

NORTH DAKOTA
Coal Country Community Health Centers
Family HealthCare Center
Migrant Health Service, Inc.
Northland Community Health Center
Valley Community Health Centers

● Federally Qualified Health Centers
○ Migrant Health
◆ Dental Clinic
■ School-based Health Centers
▲ Healthcare for the Homeless

2009 Patient Demographics

Total Patients	**28,215**
Total Encounters	
Medical	67,356
Dental	17,273
Patients by Age	
Under Age 5	2,320
Age 5-19	6,484
Age 20-64	16,369
Ages 65+	3,042

Patients by Race	
White	26,186
American Indian/Alaska Native	1,560
Black/African American	1,914
Asian/Pacific Islander	694
Native Hawaiaan	76
More than one race	226
Income as a percent of Poverty Level	
100% and Below	10,709
101-150%	2,347
151-200%	1,115
Over 200%	739
Unknown	13,305

Source: 2009 Uniform Data System

NATIONAL ASSOCIATION OF Community Health Centers

North Dakota Health Center Fact Sheet

What are Community Health Centers?

Community, Migrant, and Homeless Health Centers are **non-profit, community-directed providers** that remove common barriers to care by serving communities who otherwise confront financial, geographic, language, cultural and other barriers. Also known as Federally-Qualified Health Centers (FQHCs), they:

- are **located in high-need areas** identified as having elevated poverty, higher than average infant mortality, and where few physicians practice;
- are **open to all residents**, regardless of insurance status or ability to pay;
- **tailor services** to fit the special needs and priorities of their communities, and provide services in a linguistically and culturally appropriate manner;
- provide **comprehensive primary and other health care services**, including services that help their patients access care, such as transportation, translation, and case management;
- **provide high quality care**, reducing health disparities and improving patient outcomes;[1] and
- are **cost effective**, reducing costly emergency, hospital, and specialty care, and **saving the health care system $24 billion a year nationally.**[2]

North Dakota Federally-Supported Health Centers, 2009

Number of Organizations	4
Number of Delivery Sites	23
Total Patients	28,215
Number Migrant/Seasonal Farmworker Patients	530
Number Homeless Patients	1,552

	Health Center Population	State Population[3]	US Population[3]
Percent **at or Below 100% of Poverty**	72%	14%	20%
Percent **Under 200% of Poverty**	95%	31%	39%
Percent **Uninsured**	30%	11%	17%
Percent **Medicaid**	23%	9%	16%
Percent **Medicare**	11%	13%	12%
Percent **Hispanic/Latino**	5%	2%	16%
Percent **African American**	8%	1%	12%
Percent **Asian/Pacific Islander**	3%	1%	5%
Percent **American Indian/Alaska Native**	5%	5%	1%
Percent **White**	83%	89%	65%
Percent **Rural**[4]	75%	51%	16%

Race/Ethnicity may not sum to 100% due to rounding and non-inclusion of two or more races. Race data is inclusive of Hispanic/Latino population. 0% may indicate <0.5%. Rural data from 2009.

Percent of Vulnerable North Dakota Residents Served by Federally-Supported Health Centers[5]

Percent of **Low Income, Uninsured**, 2009	21%
Percent of **Medicaid Beneficiaries**, 2007	7%
Percent of **Population at or Below 100% of Poverty**, 2009	2%

Economic Benefits of Federally-Supported Health Centers

Total Economic Benefits Generated for Local Communities 2009[6]	$21,923,285
Total Economic Benefits Projected for Local Communities, 2015[7]	$59,158,632

© National Association of Community Health Centers

D

Testimony

HB 1417

Finance and Taxation Committee

Senator Dwight Cook, Chairman

March 14, 2011

Good morning Chairman Cook and members of the Senate 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 2010 we served 3641 people in our medical clinic and 2600 people in our dental clinic.

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. Other nonprofit entities do not pay sales tax including hospitals and nursing homes. Conversation with the Tax Department indicates that when the law was written, clinics were generally for-profit entities owned by physicians; consequently the current law excludes clinics from the exemption.

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.

About 40% of all our services are provided to people who are low income and without insurance. That number is higher for our dental clinic, lower for our medical clinic. 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. The current

law appears to be based on a consideration for organizations like the American Heart Association.

We estimate that our current sales tax liability is $28,000 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.

E

Testimony

HB 1417

Finance and Taxation Committee

Senator Dwight Cook, Chairman

March 14, 2011

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

Family HealthCare Center supports HB 1417, which provides for sales tax exemption to federally qualified health centers in the state. FHC has operated as a nonprofit health center since 1993, providing access to health care to 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. 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.

FHC provided services to 12,219 patients in 2010. Nearly 90% of those patients live under 200% of poverty. 41% percent or 5,010 patients do not have access to health and/or dental insurance and 29% or 3,602 patients are on Medicaid. FHC provided 26,500 medical and 10,400 dental visits in 2010. Most of our patients report that the lack of insurance or financial resources impedes their access to prompt health care 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, refugees, and the elderly.

The need for services in our community is growing every day. FHC dedicates all revenue to programs serving 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 amount of cash.

FHC is committed to significantly improving the wellbeing of the patients we serve. Every time we provide timely access to care for a patient, we decrease the risk of having that patient be unproductive, miss work or school, or be forced to access expensive services and/or complex medical procedures at an emergency room.

The economic impact of our services in the community is significant. For example, we calculate that our discount 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.

Sales tax exemption will represent a savings to FHC of an additional $119,000 annually that we would invest in patient services. It also makes capital improvement projects more affordable and achievable for us. Many of you are aware that FHC will be relocating its facilities through a renovation project to the Pence Automobile Company building located in downtown Fargo. The financial impact of sales tax exemption for this project has been estimated to be $169,000. Sales tax exemption will make the project 1.13% less expensive than currently projected.

FHC employs over 120 staff members who collectively earn more the $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 1417 will assist our efforts to provide access to affordable health care to the most vulnerable patients we serve. I urge you to recommend a Do Pass for HB 1417 to support and assure access and continuity of care for our patients. Your support will represent a significant investment in your communities.

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

F

Testimony

HB 1417

Finance and Taxation Committee

Senator Dwight Cook, Chairman

March 14, 2011

Coal Country Community Health Centers (CCCHC) are full service medical clinics serving the communities of Beulah in Mercer County, Center in Oliver County, and Towner in McHenry County. We are a non-profit organization. In 2010, CCCHC served 6,228 patients for a total of 22,272 visits, an average of 3.6 visits per patient. CCCHC clinics are community health centers that provide medical services regardless of ability to pay. No patient is turned away due to ability to pay.

CCCHC has several programs where it is focusing its efforts in 2011. All of these programs, such as low income, mental health, and diabetic education, are geared toward improving the quality of life for our patients through regular and consistent medical care. Though CCCHC receives some funding on these programs from various sources, the costs to implement are always greater than originally planned or budgeted. Also, negative economic conditions impact some programs more than others. As a result, programs suffer from inadequate funding and resources and find meeting program objectives difficult.

For its low income program, in 2010, CCCHC saw an increase of 20% in costs over 2009 (around $100,000.00). Last year, CCCHC paid approximately $30,000 in sales tax, money that could have been used to expand this program and other quality of life programs. Paying sales tax continues to pull funding away from these vital programs.

CCCHC urges this committee to give a Do Pass recommendation on this bill, HB 1417.

Dovie Borth, Finance Director
Coal Country Community Health Centers
Main Office:
1312 Hwy 49 N
Beulah, ND 58523