



1312 Northland Drive Suite 500
Mendota Heights, MN 55120

Background: Based in Mendota Heights, MN, Sterling Specialty Pharmacy (“the Company”) is a growing specialty mail order pharmacy formed by the Astrup family of Austin, MN. The Astrup family has been in the independent pharmacy business for over 70 years and employs 500 Minnesota employees throughout its family of pharmacy-related businesses. The cost of the Company serving Minnesota patients is subject to MinnesotaCare Taxes. Manufacturers that wholesale drugs to the Company charge the tax on 100% of purchases (and remit those taxes to MN DoR), even though only 1% of the Company’s purchases will be used to serve Minnesotans. The amounts withheld create a significant cash flow burden on the Company until the tax can be trued up upon annual filing and 99% of the amounts withheld are refunded to the Company each year. In 2024, the Company obtained an external credit facility to mitigate this impact, at market rates of interest that currently exceed company profit margin rates.

Goal: The Company seeks a solution that maintains the spirit and substance of the existing law but provides relief to similar businesses that have large amounts withheld that are not ultimately owed.

Current State:

Event	Liability or Refund Owed to Company
2024: MN Care Tax on serving MN patients is 1.8% of the cost of drugs dispensed to MN patients. $1.8\% \times \$2.359M = \$42K$	(\$42K)
2024: Manufacturers charged the Company \$1.510M for MN Care Tax and remitted the amounts to MN DoR.	\$1.510M
2025: Net refund to the Company upon annual filing.	\$1.468M

Projection:

(Amounts in Millions)	Projected			
	2025	2026	2027	2028
Purchases Subject to Tax Withholding	\$ 353	\$ 406	\$ 467	\$ 537
MN Care Tax Rate (Est. for Future Years)	1.8%	1.8%	1.8%	1.8%
Max Est. Annual Amounts Withheld by Vendors	\$ 6.35	\$ 7.31	\$ 8.40	\$ 9.67
% of Patients Outside of MN	99%	99%	99%	99%
Max Est. Amounts Refundable to the Company	\$ 6.29	\$ 7.24	\$ 8.32	\$ 9.57
Est. Amounts Company Actually Liable	\$ 0.06	\$ 0.07	\$ 0.08	\$ 0.10
MN Care Tax Rate (Est. for Future Years)	1.80%	1.80%	1.80%	1.80%
Max Estimated Interest Cost of Funds Held (7% interest)	\$440K	\$510K	\$580K	\$670K

Desired Solution:

- 1) Allow for quarterly refund filing through passage of HF1479.