

The Washington Post

That'll Be \$418 For Use of the Examining Room

'Facility Fees' Are Taking Many Patients by Surprise

By Sandra G. Boodman
Kaiser Health News
Tuesday, October 6, 2009

Kathy Young, the veteran benefits administrator for a large plumbing supply company headquartered in Madison, Wis., is well versed in the often fiendish complexities of medical bills.

But when Young, 54, received a \$25.59 bill for a "facility fee" separate from the \$207 physician's charge for a recent routine eye exam, she called her health plan for an explanation. Young was told the fee was a "room charge" -- an item she might not have noticed previously.

Baffled, she reviewed two years of paperwork and found that the fee hadn't appeared until this year. "Why am I paying for it?" she asked. "And why wasn't I told when I made the appointment?"

Similar complaints are occurring more often, consumer advocates across the country say, because patients increasingly are being charged the fees, the result of an obscure change in Medicare rules that occurred nearly a decade ago. Called "provider-based billing," it allows hospitals that own physician practices and outpatient clinics that meet certain federal requirements to bill separately for the facility as well as for physician services. Because hospitals that bill Medicare beneficiaries this way must do so for all other patients, facility fees affect patients of all ages. Doctors' offices owned by physicians and freestanding clinics are not permitted to charge them.

Unlike other add-ons that have aroused public ire -- baggage charges on airlines, surcharges for concert tickets or resort fees tacked on by hotels -- outpatient facility fees, which range from about \$25 to hundreds of dollars per visit, may involve a service that is a matter of life and death, such as chemotherapy.

"It seems like a lot of people's insurance [plans] are no longer covering the facility fees" as they did previously and that hospital-owned practices have

proliferated, said Richard Gundling, vice president of the Healthcare Financial Management Association, an industry group representing financial executives.

One billing consultant has estimated that the fees could generate an additional \$30,000 annually per physician for hospitals.

Hospital executives say revenue from these fees is necessary to help defray their overhead, pay salaries and meet stringent standards set by the federal government and inspectors, requirements that do not apply to their competitors.

Critics vehemently disagree. They regard the fees as disguised price increases that ratchet up the cost of care at a time consumers can least afford it. Many say that facility fees underscore the urgent need for transparency in pricing for medical services and exemplify the relentless cost-shifting that is driving more Americans into medical debt and bankruptcy. It is common for facility fees to be applied to an insurance plan's hospital deductible, which can be thousands of dollars higher than a physician deductible.

To Alan Sager, a professor of health policy and management at the Boston University School of Public Health, facility fees are "a tax on sick people" and reflect the "financial anarchy that pervades health care in the U.S."

"They are the latest gimmick to generate additional revenue for hospitals," whose profit margins have sagged in the past two years as the economy has nosedived, Sager said.

"It's like a barber saying, 'That'll be \$20 for a haircut and \$10 for sitting in my chair,'" said Wisconsin state Rep. Chuck Benedict, a Democrat and retired neurologist from Beloit. Benedict's bill to require hospitals to post notices about the fees and furnish upfront cost estimates was defeated in 2007; he has introduced a similar bill this year. Legislation has also been proposed in New Hampshire.

Many patients, Young among them, discover the fees only when confronted with a bill.

Earlier this year, some Ohio residents were outraged to discover that a \$55 facility charge was being tacked onto bills from nine family health centers owned by the Cleveland Clinic. Some patients complained that they were given no notice; others told the Cleveland Plain Dealer they had received a letter they couldn't understand stating that "services will now be grouped into two categories on your billing statement."

Just figuring out whether a doctor is part of a hospital outpatient clinic can be difficult. While some clinics are distant from a hospital, others are in the same building, sometimes on the same floor as doctors who are not part of such a clinic -- and do not collect a facility fee.

At Georgetown University Hospital, patients who receive treatment in four outpatient centers, all in the hospital complex, are charged a facility fee. Among these clinics are the Lombardi Comprehensive Cancer Center and the Foot and Ankle Center. But patients who visit, say, an ear, nose and throat specialist who is part of the "faculty practice plan" and has an office in the same building aren't charged the fee. A similar situation prevails at Johns Hopkins Hospital in Baltimore.

"We need to stop playing these kinds of games," said Mark Rukavina, executive director of the Access Project, a Boston-based research and advocacy group that focuses on medical debt. Rukavina sees the fees as "a tiny sliver" of a major problem facing consumers: figuring out the actual price of medical services coupled with camouflaged cost-shifting that is "gobbling up family resources."

In the past two years, researchers have found that the average family deductible paid by consumers has risen sharply -- between 30 and 64 percent, depending on the size of the employer. Co-payments, co-insurance and premiums have also spiked.

Don May, vice president for policy at the American Hospital Association, disputes the notion that facility fees are a way for cash-strapped hospitals to boost revenue. Outpatient clinics, he says, must meet standards that "are more stringent than those governing freestanding doctors' offices or clinics." And those clinics have proliferated in order to increase consumers' access to high-quality care.

May said the AHA has called on members to "be transparent . . . to provide information when they can in advance of services." He suggested that patients concerned about the impact of facility fees "could ask their insurer, 'What would it cost me to go to this doctor versus this doctor?'"

Georgetown's chief operating officer, Michael Sachtleben, said that facility fees help pay for "very resource-intensive services" similar to those provided in inpatient settings. Patients, he said, know they are in an outpatient clinic because signs are posted. And he thinks callers are told of the fee when they

make an appointment. "We try to put those pieces in place as best we can," he said.

Inova Health System, the largest hospital network in Northern Virginia, publishes a brochure explaining the fees. It advises patients to look for the Inova logo to determine whether they are making an "outpatient center visit," which involves a facility fee, or a "physician office visit" (no logo), which does not.

Patients are told of the fee, which ranges from \$58 to \$171.50 per visit, when they call for an appointment, Inova Vice President Sara Larch said in an e-mail.

In some cities, including Madison, the same doctor may practice in two locations: at an outpatient center that charges the fee and at an office across town that does not and where care costs less.

"We've been fielding complaints about this for years," said Cheryl DeMars, president of the Alliance, a group representing 160 self-insured employers including Trek Bicycle and John Deere, which bargains with hospitals and physicians to try to control costs and improve quality.

DeMars said that the group, which supports Benedict's proposed legislation about fee disclosure, tries to negotiate lower facility charges for its 83,000 employees. In its online provider directory, it highlights doctors who charge such fees, which, according to DeMars, average \$118 per visit.

Last year, she said, Alliance members incurred more than \$2.3 million in facility fee charges.

In Seattle, anger over the fees resulted in a pair of class-action lawsuits alleging that hospitals violated Washington state's consumer protection law. Both suits were settled in 2006 with refunds to thousands of patients and a posted price list.

The first case was filed after plaintiff Lori Mill was charged \$1,133 for a 30-second toenail clipping to check for a possible fungal infection performed by a doctor at a clinic attached to the Virginia Mason Medical Center. Mill said she visited the clinic because it was near her office and was never told about the \$418 facility fee until she got the bill. Her plan required her to pay 20 percent of her medical bills. The same procedure at a different Virginia Mason facility, which was not designated an outpatient clinic, would have cost Mill a maximum of \$269 -- and no fee.

A second patient, DeLois Gibson, was charged a facility fee of \$846 for removal of a bump on her neck; the total bill came to \$1,451.

A second lawsuit was filed against the University of Washington Medical Center on behalf of Heidi Rothmeyer, who was charged \$8,189 for an office procedure involving the removal of cysts; of that amount, \$6,839 was the facility fee.

"Why aren't insurance companies protecting patients and refusing to pay these fees?" asked John Phillips, the lead attorney who represented the patients in both cases. Phillips said he is surprised fees haven't sparked litigation in other states. "If insurance companies refused to pay these, the economic incentive would be diminished."

Robert Zirkelbach, a spokesman for America's Health Insurance Plans, the industry trade association, said that although "it's important that patients have information up front" about costs, facility fees have not emerged as an issue for insurers.

Young, the plumbing company benefits manager, expects she'll be dealing with them increasingly at her company. She wonders how she'll explain the fees to co-workers, when she doesn't fully understand them.

"It's so convoluted," she said. "If I'm confused, how does a normal person figure this out?"

This story was produced through a collaboration between The Post and Kaiser Health News. KHN is a service of the Kaiser Family Foundation, a nonpartisan health-care-policy research organization unaffiliated with Kaiser Permanente. Comments: health@washpost.com.