Facility fees are raising out-of-pocket costs for patients

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There is a disease that is raising out-of-pocket health care costs for patients. Medical schools aren’t teaching about this disease, and there are no medical specialists trained to treat it. It is a fiscal disease — facility fees — and it is spreading to health care facilities across the nation.

Facility fees are charged by hospitals and clinics where you may receive care but that are not owned by the health care provider. Your health insurance will cover the provider (professional) fees for services rendered, minus any copays or coinsurance that you are required to pay. The facility where the provider operates and sees patients could take some of what the provider receives for the service from the patient’s health insurer. Think of this as rent paid by the provider to the facility. The alternative is to have the facility bill you directly for your visit to their facility.

Facility fees have been around since 2000 and are becoming more ubiquitous. The patient may not be aware of incurring such a fee until after the bill has arrived.

Health insurance companies are either not covering such fees or are only covering them in part, shifting the financial burden to the patient. Yet patients who carefully navigate the rules of their health insurance policy to minimize their out-of-pocket expenses are left with an out-of-pocket facility fee.

Obtaining health care services requires seeing a provider. The provider must be housed in a facility. If the provider and the facility are not the same entity, the facility fee is designed to recoup the cost of providing the facility where services are delivered. Facilities claim that such fees cover all the ancillary services, personnel and materials that are needed for the provider to deliver care.

There are several issues associated with facility fees that defy logic and reason. First, if a provider collects fees for services, and the provider chooses to practice in a facility that they do not own, then the provider should be responsible for the “rent” of the space used to see patients.

Second, the health insurance payments to the provider must be sufficient to make such payments to the facility.

Third, patients should not be “surprised” when being billed a facility fee. Much like how the No Surprise Act was written to help patients avoid surprise medical bills, facility fees must be added to this act to ensure that patients are protected and informed of charges that may be outside of what their health insurance will cover.

Not surprisingly, facility fees, or their equivalent, exist in numerous industries. They fall within the very broad set of what are now referred to as junk fees.
The hospitality industry, like hotels, has been charging resort fees for years. They are designed to cover the facilities available at the resort, such as swimming pools, fitness centers and access to the internet, even if the guests do not use such services. They are a stealthy way to increase revenue without directly advertising a higher daily room rate. Airlines periodically add a fuel surcharge to airplane tickets so they can collect more revenue without advertising higher ticket prices.

When you get your car repaired, the auto shop may charge a fixed percentage (for shop supplies) to cover various expenses associated with running the facility. This is added to any direct charges associated with your repairs.

What must change is how they are surreptitiously imposed and who pays for them. This requires every medical practice to inform patients of such charges prior to visits. This does not mean just posting the information on a website. If such information is not provided directly to a patient with specific dollar amounts, the fee cannot be imposed. A more reasonable solution is for health insurers to raise the amount they pay to providers so that what providers receive for their services effectively includes the facility fee. This excess amount can then be shared with the facility as negotiated between the provider and the facility, removing the patient from the discussion.

Patients should never be held hostage by hospitals and clinics that bill facility fees. Facility fees are symptomatic of dysfunction and conflicts between health insurance companies and health facilities. They are emblematic of the very worst aspects of health insurance. If facility fees cover legitimate health delivery costs, then health insurance companies should be responsible for them, either directly to the facilities or indirectly to the provider with higher fees for services provided.

When we buy an airplane ticket to fly, we are not just paying for our seat. We are paying for all the maintenance, support staff, airport fees and equipment that enables our flight to be taken. Adding an “airplane maintenance fee” or “airport landing fee” would be akin to a facility fee for airlines.

When lawmakers in Colorado attempted to put limits on facility fees, hospitals in the state lobbied effectively to water down the legislation. The result is that the interests of the facilities and the health insurers were protected, with patients left holding the bag and paying the bill.

The path of least resistance for both health insurance companies and facilities is to bill patients directly for facility fees. Until lawmakers stop taking campaign funds from health insurance companies and health facilities and start placing first the well-being of their voters, who will all be patients at some time, this practice will continue.

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