

The Issue

Facility fees are the portion of a health care treatment bill that covers all the costs of delivering patient care, except for those that are billed by physicians and other professionals. Congress has introduced several pieces of legislation that would limit hospitals' ability to charge these fees in the context of Medicare hospital outpatient payments (also known as "site-neutral" provisions). These proposals would cut anywhere from approximately \$3 billion to \$180 billion from hospitals over 10 years without providing any alternative mechanism for funding the essential health care services that only hospitals provide. Increasingly, policymakers are also looking at policies to limit facility fees in the context of commercial coverage.

AHA Take

The AHA urges Congress to oppose any legislation that would cut resources to hospitals through the use of facility fees to help finance the care they provide to their communities.

Why?

- Facility fees provide hospitals with the resources necessary to make available the high-acuity services only they can provide on a 24/7 basis, such as emergency and trauma care. This includes around-the-clock nursing and physician services, medical equipment, drug therapies and maintaining critical building and community infrastructure.
- Hospital outpatient departments and affiliated physician offices are not the same as independent physician offices and other ambulatory sites of care. They care for sicker patients and treat a higher rate of uninsured. They also must meet higher regulatory standards. For example, unlike most independent physician offices or ambulatory surgery centers, hospital outpatient departments and affiliated physician practices do not call 911 if their patient experiences a medical emergency. Instead, they work as an integrated system to immediately transfer the patient to the hospital emergency department or other appropriate care setting.
- Facility fees are increasingly used to cover the true cost of providing physician services, which hospitals do by subsidizing physicians' pay above the underpayment that they are reimbursed from both public and private payers. These payers have pushed physician compensation so low that many physicians have no choice but to either seek employment or require subsidies from the facilities in which they work.
- Restrictions on the use of facility fees could result in hospitals having to make challenging decisions to end the provision of certain services. This would result not only in a loss of access to care in the community but also in jobs.

Key Facts

Hospital bills cover two types of expenses — professional fees and facility fees. Professional fees cover the cost of the physician providing the care. Facility fees cover everything else — both the direct and indirect costs that allow hospitals to continue to provide comprehensive care to patients and serve the needs of their communities. However, as both Medicare and commercial payers increasingly compensate physicians below the cost of delivering care, hospitals have needed to use a portion of facility fees to subsidize physician practices. These fees may be combined into one bill or separated into multiple bills.

Professional Fees	Facility Fees
» Physician services » Other clinician services separately billed	» Nurses and other medical support staff » Social workers » Housekeeping » Pharmacists » Security » IT infrastructure and support staff » Medical equipment and supplies » Lab technicians » Care coordination » Secure platforms that are HIPAA-compliant » Language interpreters » Building maintenance » Regulatory compliance » Patient education » Clinician training » Physician subsidies