



# Facility fees pressuring physicians to talk costs with patients

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The growing national scrutiny of [facility fees](#) charged by hospitals is placing many physicians in the difficult position of factoring costs into treatment decisions, and prompting a debate on whether physicians have a responsibility to engage patients on the financial side-effects of recommended treatments.

Since October, hospital-owned physician practices in Connecticut that charge facility fees have been legally required to notify patients of the fees in advance, one of the latest developments in the ongoing contentious fee debate as more physicians nationwide opt for employment over independent practice.

**[Read more: How facility fees give independent physicians the advantage](#)**

The Connecticut law, believed to be the first according to that state's attorney general office, builds on other recent scrutiny of facility fees, which are sometimes added on top of the physician's professional fee. In nearby Rhode Island, the attorney general's office also is monitoring fees, with the possibility of filing legislation to shed better light on medical pricing, according to a spokesperson there.

Earlier this year, the Medicare Payment Advisory Commission (MEDPAC) recommended adjusting the rates for some medical services provided in hospital outpatient departments "so they more closely align with the rates paid in freestanding physician offices."

The [American Hospital Association](#) says the higher rates are needed to cover all of the additional facility and patient care requirements stipulated by the Centers for Medicare & Medicaid Services (CMS) and numerous other entities, once a physician practice bills under the umbrella of a hospital system. "All of those requirements that are on a hospital outpatient department—that's why CMS pays at the higher outpatient rate rather than the physician fee schedule," says Erik Rasmussen, AHA's vice president of legislative affairs.

Meanwhile, hospital employment is becoming increasingly common among physicians. In 2012, 29% of doctors worked directly for a hospital or for a practice that was at least partially hospital owned, compared with 16.3% in 2007, according to the most recent survey data from the American Medical Association.



For doctors practicing on both sides of the fee divide, the costs and growing public discussion holds the ~~potential~~ potential to alter the competitive landscape as they jockey for patients. The higher price tag increasingly is being shouldered by patients, a result of the proliferation of high-deductible plans among both employer-funded policies and those sold through the health exchanges established by the Affordable Care Act.



Among the emerging conundrums: When doctors who don't charge a facility fee refer a patient, should they tell them which physicians do and which ones don't?

Another practical dilemma: How should newly-employed doctors educate patients about the additional billing cost?

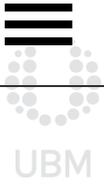
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Doug Gerard, MD, a general internist in New Hartford, Connecticut, who submitted written testimony supporting the state law, says that now he avoids referring patients to employed doctors in his local community. At the same time, he sympathizes with those doctors who, he says, pursued employment to avoid the overhead, regulatory and other headaches of independent practice, and find themselves “stuck in this quandary,” as Gerard describes it.

“Now the patients are showing up in their offices, and poor old Dr. Jones looks like a mercenary when they see this extra bill that comes by,” Gerard says. “But it’s not him that’s getting the money. It’s the hospital that’s charging it. They [the employed doctors] are as upset about it as I am.”

NEXT PAGE: Legislative action prompts facility fee changes





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