

Hospitals Are Adding Billions in 'Facility' Fees for Routine Care

Unsuspecting patients find themselves at the mercy of institutions tacking on the bills

By Melanie Evans

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Tim Ebel's visit with an ear, nose and throat specialist at an Ohio clinic last October came to \$348. At the same time, he got a second bill for \$645.

The hospital system that owns the Avon, Ohio, clinic had charged him separately for use of the office where he met his physician. It is what is known as a facility fee, which included overhead for the system's hospitals though Ebel hadn't set foot in one.

His wife, Kelly Ebel, tried to get the system, University Hospitals, to waive or mark down the fee. It refused.

"When they do something like this, to her and I, it's not fair," Tim Ebel said. "This is not how you bring down medical costs in this country."

Hospitals are adding billions of dollars in facility fees to medical bills for routine care in outpatient centers they own. Once an annoyance, the fees are now pervasive, and in some places they are becoming nearly impossible to avoid, data compiled for The Wall Street Journal show. The fees are spreading as hospitals press on with acquisitions, snapping up medical groups and tacking on the additional charges.

The fees raise prices by hundreds of dollars for widely used and standard medical care, including colonoscopies, mammograms and heart screening.

The added cost isn't justified, physicians and economists say. Medicare advisers said last year the federal insurer likely overpaid for a sample of services by about \$6 billion because of the fees in 2021.

"You're not getting anything extra," said Loren Adler, a health economist at the USC-Brookings Schaeffer Initiative for Health Policy, who studies hospital billing.

Hospitals say facility fees help offset the extra costs that they incur to meet federal regulations. "It's not as simple as same services, across-the-board," said Jason Kleinman, director of federal relations for the American Hospital Association.

Fees on outpatient services also help to cover costly hospital services like neonatal intensive-care units, he said.

A spokeswoman for University Hospitals, based in Cleveland, said it is aware the facility fees can increase patients' out-of-pocket expenses and the system seeks to lower healthcare spending. "We are always conscious of the rising cost of healthcare in the United States," she said.

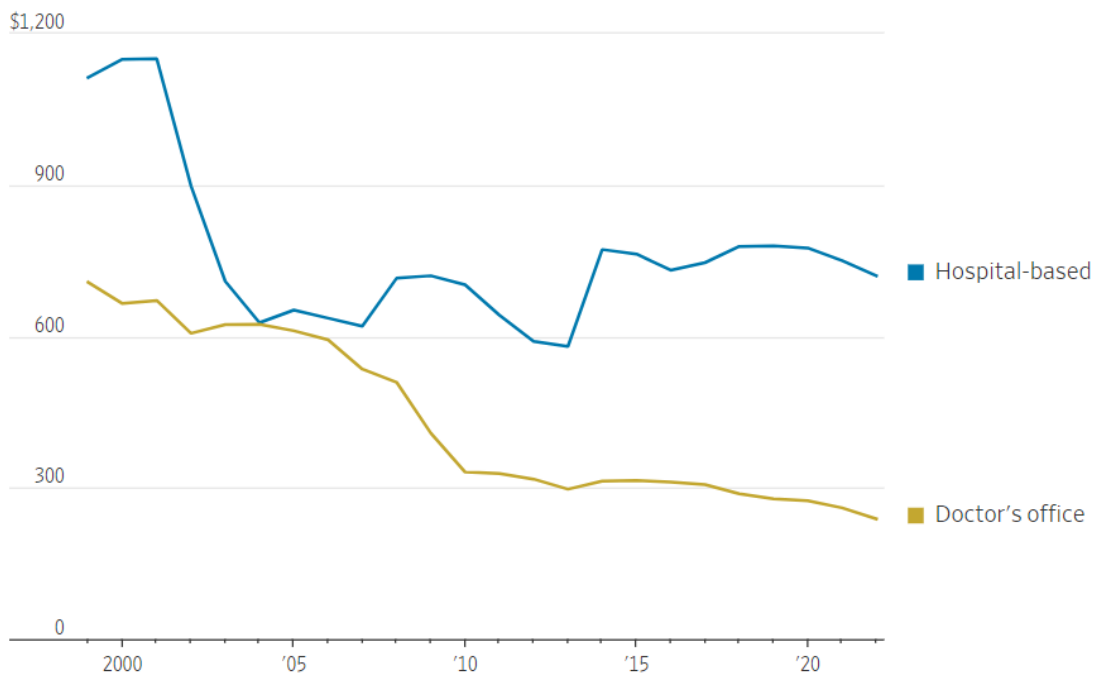
Kelly Ebel isn't having it. "Quit gouging us," she said.

The fees show up on patients' bills after hospitals snap up clinics and doctors. Hospitals can designate the newly acquired clinics as an extension of their operations, forcing patients to pay the fees to cover costs for the entire hospital.

Fees have grown more pervasive as hospitals have gone on an acquisition tear in recent years, [chasing after patients](#) who have more options to get medical care somewhere else. Many hospital systems now get at least half their revenue from patients who aren't admitted. By one estimate, more than half of doctors work for hospitals.

That gives hospitals more opportunities to apply fees—and generate revenue. For chemotherapy given by infusion, more than half of bills now have facility fees, among patients who are covered by traditional Medicare or some of the largest [U.S. health insurers](#). About a decade ago, it was roughly one-third to 45%, according to Medicare's advisory commission and the Health Care Cost Institute, a nonprofit that analyzes data from health insurers.

Reimbursement rates for outpatient cardiac tests



Note: In 2017 dollars

Sources: Journal of Empirical Legal Studies; Ali Moghtaderi, George Washington University

In some states, fees have spread even further. In Ohio and Maine, facility fees are tacked onto roughly four of every five bills sent to each state's largest insurer for heart-disease

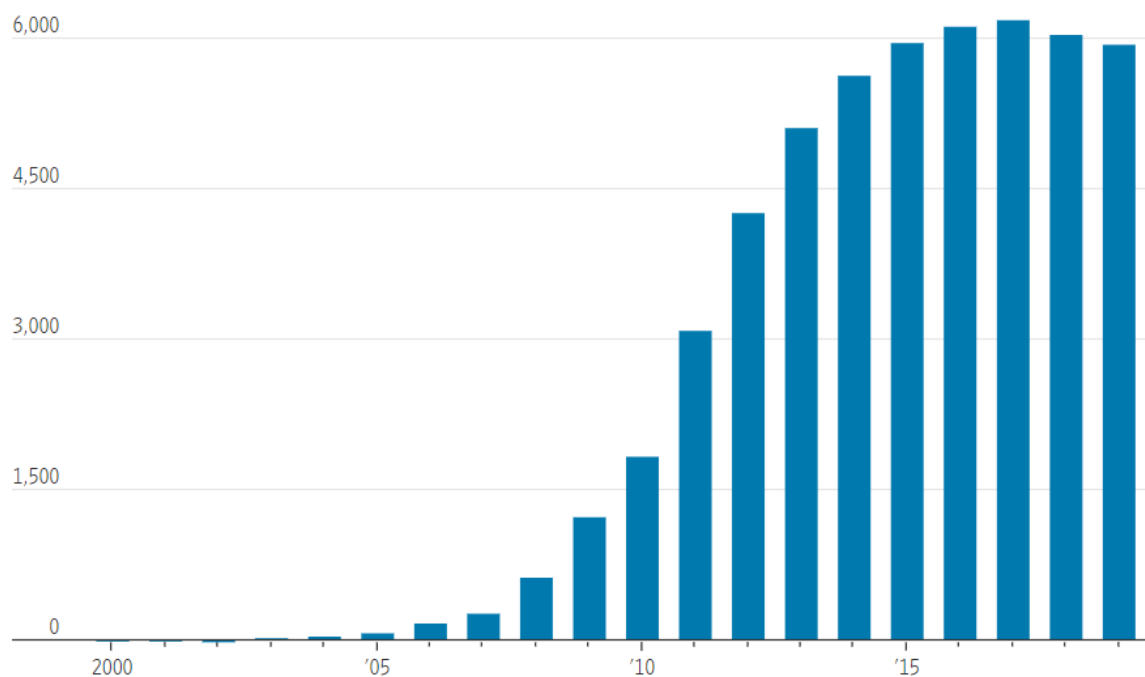
screening, according to data compiled for the Journal by [Elevance Health](#), the parent company of a major health insurer.

Not all hospital-owned clinics apply the fees. Avoiding them is an exercise in frustration, patients say. Many discover them only when getting the bill.

“I figured it was a mistake,” said Matthew Burin, who got billed \$750 by an orthopedic clinic after his son, then 8, broke an arm. The total included a \$400 facility fee for Children’s Hospital Colorado. He disputed it and won, he said.

Six years later, he remains on guard for the fees. “Every appointment I make, the first question I ask is do you charge facility fees?”

Number of Cardiologists switching to integrated practices



Note: Among cardiologists who serve Medicare fee-for-service patients

Sources: Journal of Empirical Legal Studies; Ali Moghtaderi, George Washington University

[Indiana banned the fees](#) at clinics located off hospital campuses for the largest nonprofit health systems, starting next year. Some states prohibit fees for telehealth or preventive care. Others require hospitals to notify patients of fees before treatment.

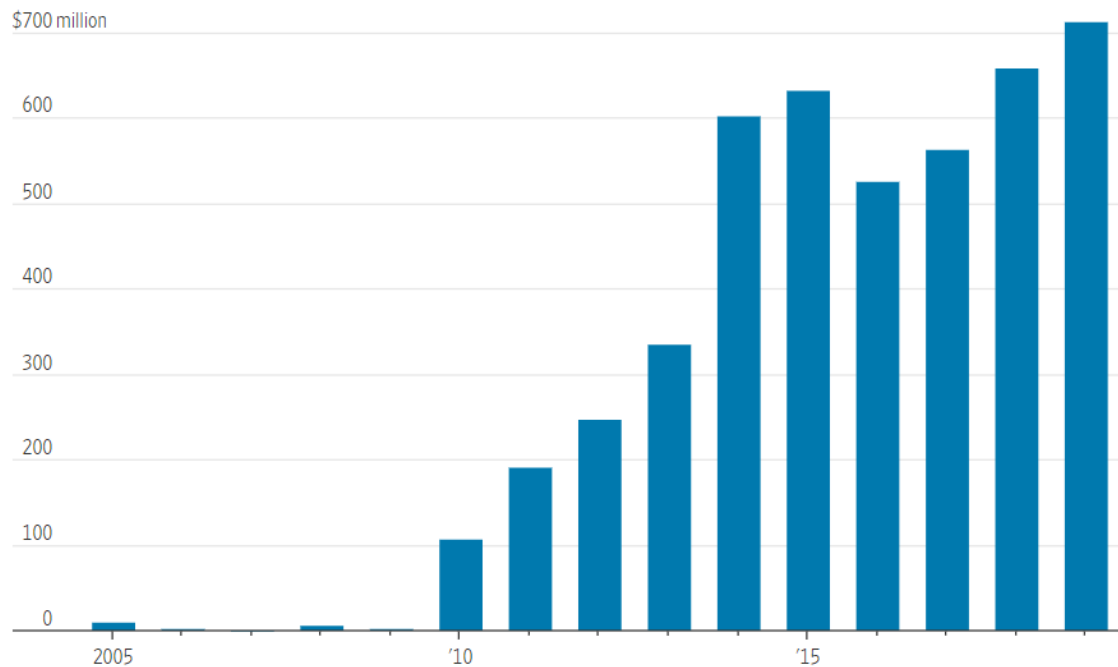
Under a new state law in Colorado, hospitals in the state will have to disclose the facility fees starting in July.

Children’s Hospital Colorado said it would add new disclosures into its cost estimates for patients. It said it bills patients for hospital overhead because its clinics provide specialized services, and because it doesn’t employ its doctors, who bill separately.

Lawmakers and Congress have proposed limiting fees covered by Medicare, which advisers to the federal insurer have unanimously recommended. Under a bill passed by the House in December, Medicare would no longer pay hospital facility fees for

chemotherapy and other drugs infused by doctors in clinics off a hospital campus, saving about \$3.7 billion over 10 years.

Extra Medicare costs incurred by shifting to hospital-based cardiac tests



Note: In 2017 dollars

Sources: Journal of Empirical Legal Studies; Ali Moghtaderi, George Washington University

The American Hospital Association opposes limiting the fees, saying restrictions would cut revenue to hospitals already squeezed financially by [high labor costs](#) and [inflation](#).

The prospect of extra revenue from the fees has helped drive hospitals to snap up groups of heart doctors, [according to a study](#) published last year in the Journal of Empirical Legal Studies.

A shift in physician employment by hospitals is now rapidly playing out for [cancer doctors](#) in North Carolina, a preliminary analysis for the Journal by one of the study's researchers found.

Roughly 80% of oncologists in the Charlotte, N.C., area work for hospitals, up from half about 10 years earlier.

Among the North Carolina hospital systems that have been buying up oncologists is Novant Health, which employed 75 cancer specialists at the end of the last decade, up from seven in 2010. One of the cancer clinics Novant bought: Lake Norman Oncology in suburban Charlotte, N.C.

After the acquisition, in December 2020, Lake Norman billed Rebecca Smith, a breast cancer survivor, roughly \$400 for monitoring, up from the \$76 her previous visits had cost. Smith refused to pay. She said Novant reminded her she had agreed in writing to cover the bills and sent debt collectors after the single mother.

Smith, a self-employed tax accountant, already paid \$1,200 a month to buy health insurance for herself and her daughter. The new fees were too much additional expense. “I do not want to leave, but Novant has made it clear to me that there is no alternative since they turned your practice into a hospital facility,” she wrote her doctor.

A Novant Health spokeswoman said it invests in clinics it acquires, and only levies fees across 10% of about 700 locations. It said patients should work with their insurers to understand what they will owe out-of-pocket.

Smith moved to Southern Oncology Associates, a medical group owned by William Mitchell, one of its four physicians. She asked almost immediately about hospital fees before she scheduled a new appointment.

Mitchell said he is working to keep the group independent by adding new locations where clinics don't compete directly with hospitals. “You sell because you have no choices,” he said. “I don't want that.”