



Kevin Kavanagh &lt;kavanagh.ent@gmail.com&gt;

---

## Regarding Facility Fees and Healthcare Integration

---

Kevin Kavanagh &lt;kavanagh.ent@gmail.com&gt;

Thu, Jul 14, 2011 at 3:09 PM

To: khayes@medpac.gov

Dear Mr Hayes,

Stewart Guterman from the Commonwealth Fund has referred me to you regarding the aberrations that are being caused by facility fee and place of service payment discrepancies.

I believe this is a huge factor in the increase in cost of our healthcare delivery system, since the place of service is being driven to the facility type which can obtain the highest reimbursement.

In addition this is the driving force behind the loss of private physician practices and their employment by hospitals.

An article, our organisation (Health Watch USA), has written on this topic can be found in the June issue of the Bulletin of the American College of Surgeons.

[http://www.facs.org/fellows\\_info/bulletin/2011/kavanagh0611.pdf](http://www.facs.org/fellows_info/bulletin/2011/kavanagh0611.pdf)

There has been a report in the Bulletin of the American Academy of Otolaryngology and Head and Neck Surgery regarding hospital employment of Ear, Nose and Throat physicians, a primarily outpatient speciality. The ACS Bulletin article describes how the shifting of ENT surgery to an acute care facility results in a massive increase in reimbursement for tonsil and tube surgery.

The same is true for office visits. Once a physician becomes employed by a facility, a facility fee is charged with the doctor's visit. Even if the visit is held in the physicians original office. This also affects private insurance. For example for one of my doctors, a level II outpatient visit asking price is \$50. However, the Humana Insurance discount price is \$20 for the doctor and \$63 for the facility.

Needless to say, the same service should be paid the same regardless of location or employment structure, otherwise services and employment will be incentivized to change in order to generate the maximum amount of reimbursement.

An analysis looking at the worse case scenario where a gradation of physician employment by facilities verses the impact of increased facility fee payments to Medicare would be very important in setting healthcare policy.

If you wish to discuss this issue further please feel free to contact me.

Thank you for this consideration,

Kevin T Kavanagh, MD, MS, FACS  
Board Chairman Health Watch USA  
[www.healthwatchusa.org](http://www.healthwatchusa.org)  
Phone: [606-875-3642](tel:606-875-3642)