Hospital outpatient payments (so-called “facility fees”) are a critical part of paying for a patient’s overall care. They keep outpatient clinics open and available to Texans as a lower-cost, convenient option for health care.

Mammograms. Biopsies. ENT Procedures. Lab Work. Colonoscopies. X-Rays. All of those outpatient services – and many others – are offered in outpatient clinics run by Texas hospitals. These outpatient services are at risk of going away under a bill that would eliminate Texas hospitals’ ability to collect facility fees.

Dismantling hospital outpatient payments would dismantle access to care across Texas – particularly for low-income residents, underserved populations, seniors and people in rural communities who rely on outpatient care.

THA opposes House Bill 1692 by Rep. James Frank and Senate Bill 1275 by Sen. Kelly Hancock that would prohibit hospital outpatient payments for health care services provided off a hospital campus. It would also disallow these payments for a list of services – that a state agency broadly determines can be safely provided outside a hospital setting – if the service occurred on a hospital campus.

This legislation is unprecedented and dangerous. It will shutter clinics and dismantle access to care. And, allowing a state agency to uniformly determine where all patients should receive certain procedures undermines the practice of medicine and disregards the individual circumstance of each patient – such as whether they are at a greater risk for complications.

According to Texas Government Code 305.027, this material may be considered “legislative advertising.” Authorization for its publication is made by John Hawkins, Texas Hospital Association.
Texas Hospitals Are Already at Risk of Closure

Texas hospitals are already struggling amid skyrocketing expenses and losses, plus unprecedented labor shortages following the pandemic. For 2022, nearly half of all Texas hospitals had negative operating margins. Almost one out of every 10 Texas hospitals is at risk of closure. These extreme financial pressures on a life-saving industry create risk for patients and the state's overall health.

Hospital Outpatient Payments Are Not Flat

Cover Charges

These fees are not a fixed entry fee for any patient who comes into a facility. Payments are calculated based on the intensity of the care the patient receives in an outpatient facility.

What About Insurance?

Insurance generally covers the so-called “facility fee,” or a portion of the fee. But sometimes, patients have to pay the fee themselves because they have not met their insurance deductible. A rise of high-deductible and “skinny” insurance plans means that many costs are now being passed on directly to the patient. These plans overpromise what they cover and underdeliver when people need care. Texas hospitals go to great lengths to help patients understand their health coverage and what it does/doesn’t pay.

A patient’s financial responsibility is based in large part on their insurance.

Payments Are Critical for Specialty Services

Hospital outpatient payments not only give communities access to care in an outpatient setting but also help hospitals build, maintain and improve specialized services like:

- Cancer Care
- Wound Care
- Pediatric Care
- Endocrinology
- Cardiology
- Diabetes Care
- Gastroenterology
- Urology Care
- Transplant Services
- Maternal Fetal Medicine
- Behavioral Health Care

Harmful Legislation Only Increases Costs Elsewhere

Prohibiting hospitals from charging for their portion of services will not decrease costs for the patient. In fact, health care costs will go up because:

1. Vulnerable populations will be left to seek care in emergency rooms.
2. Drive times and wait times for care will increase as clinics are shuttered.
3. Health care costs will go up if patients’ only option to receive specialized care is in an inpatient setting.

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PROHIBITING HOSPITAL OUTPATIENT PAYMENTS IN STATE LAW WILL RESULT IN A DEVASTATING $3 BILLION YEARLY LOSS FOR TEXAS HOSPITALS IN TRADITIONAL MEDICARE REIMBURSEMENTS. MEDICARE ACCOUNTS FOR 32% OF TEXAS HOSPITAL PAYMENTS.

What is Outpatient Care?

Any care that requires a stay shorter than 24 hours, even if it happens inside a hospital. It is convenient, flexible and costs less. Over the years, hospitals have worked to shift more care to outpatient settings instead of more costly care locations. It helps ensure patients have the right care in a convenient, lower-cost setting.