Washington State Society of Anesthesiologists

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Universal Health Care Work Group
Washington State Health Care Authority
Olympia, WA 98504
HCAUniversalHealthCareWorkGroup@hca.wa.gov

Dear Group Members:

We are writing today to share our comments regarding payment mechanisms for the services of health care professionals and, more specifically, to provide clarity around payment models for physician anesthesiologists.

During the Task Force break out session on provider payment in August, one work group member suggested that Medicare and Medicaid programs tend to lead in innovations to improving care and lowering costs. However, many work group members asserted that maintaining choice of providers would be important to garner participation and support for the Task Force's recommendations to the Legislature. Therefore, we recommend reimbursement models be based on reasonable, market-based considerations and be sufficient to sustain physician practices, in order to maintain patient access to care and services.

We are concerned that current Medicare payments rates for anesthesia services are neither reasonable nor representative of market-based payment rates. Moreover, we believe that Medicare payments rates for anesthesia serves are insufficient to sustain physician anesthesiologists' practices in our state.

Medicare Payment Formula Unique for Anesthesia but Flawed – The "33% Problem"

The Medicare formula for calculating payments for anesthesia services is unlike the formula used for other physician services. Most non-anesthesia, physician services under Medicare are paid under the Resource-Based Related Value Scale (RBRVS) system. For anesthesia services, Medicare uses the Relative Value Guide (RVG) system which is comprised of three numerical values. The first, "base units," are assigned to anesthesia CPT codes by the Centers for Medicare & Medicaid Services (CMS)[1]. These units reflect the relative complexity, required skill and patient risk of the specific anesthesia services. Higher complexity and more challenging anesthesia procedures have higher base units. The second element of anesthesia payment is "time." Anesthesia time is the period of time from the start of anesthesia to the end of an

[1] Centers for Medicare and Medicaid Services. Anesthesiologists Center. https://www.cms.gov/Center/Provider-Type/Anesthesiologists-Center. Accessed 10/17/2020

anesthesia service and is calculated in "time units." These "time units" are added to the "base units," the total of which is multiplied by the third element, the dollar conversion factor, to determine the payment for the service.

While the base unit and time unit elements of the payment formula are well-established and accepted, the current Medicare dollar anesthesia conversion factor remains severely undervalued due to longstanding calculation flaws. These flaws have produced a dollar conversion factor that is significantly out of alignment with market-driven commercial payment rates. Currently, Medicare payment rates represent less than a third or 33% of commercial payments rates. This is referred to as the anesthesia "33% Problem" – a problem validated by U.S. government research.

A U.S. Government Accountability Office (GAO) report from July 2007 entitled, "Medicare Physician Payments: Medicare and Private Payment Differences for Anesthesia Services," found a large disparity between Medicare payments and private payer rates.[2] GAO found that average Medicare payments for a set of seven anesthesia services provided by anesthesiologists represented only 33 percent of average private insurance payments in 41 Medicare payment localities. In the intervening years, little has been done to close the gap and improve Medicare payments.

In contrast to anesthesia's "33% Problem," the U.S. Congress' Medicare Payment Advisory Commission (MedPAC) reported in its most recent March 2020 "Report to Congress" that Medicare rates for non-anesthesia services represent 74% of market-drive commercial payment rates[3].

Recent Study Confirms Ongoing 33% Problem

The American Society of Anesthesiologists (ASA) regularly conducts an annual survey of anesthesiology practices across the country where recipients are asked to report on a variety of issues, including the conversion factor from their five largest commercial contracts. ASA has been doing this survey for many years, and the data consistently affirms the findings of the original GAO findings and show this trend continues today. The 2020 survey showed that the average commercial conversion factors was $82.14 and the median was $73.00. The 2020 Medicare conversion factor was $22.20 – 27% of the national mean commercial rate. The Medicare payment gap is an ongoing and persistent challenge because anesthesia services are paid at less than 33 percent of private payment rates. This represents among the lowest rate among all medical specialties.

Medicare Payment Rates Not Sustainable

Should Medicare payment rates for anesthesia services be used as benchmark, many medical practices could not be sustained and patient access to specialty services, like anesthesiology and pain management, will suffer as a result. The Washington State Society of Anesthesiologists (WSSA) encourages the Task Force to reject transitioning to a payment system where current Medicare rates are used for payment of specialty care. We greatly appreciate the Committee's

[2] Government Accountability Office (GAO). Medicare and Private Payment Differences for Anesthesia Services. GAO-07-463: Published: Jul 27, 2007. Publicly Released: Aug 27, 2007.

[3] Medicare Payment Advisory Commission Report to Congress: Medicare Payment Policy. March 2020. Page 132.

consideration of these principles and the potential deleterious impacts this approach could have if enacted. The Washington State Society of Anesthesiologists welcomes the Task Forces' questions, and the opportunity for continued dialogue on this important issue.

Thank you.

Stephanie Yang, MD, FASA
President, Washington State Society of Anesthesiologists

2150 N. 107th Suite 205, Seattle, WA 98133 206-209-5266
office@wa-anesthesiology.org www.wa-anesthesiology.org