

Addressing the Colorado Medicaid  
Reimbursement Disparity for Anesthesia  
Services

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December 20, 2016

Prepared by the Colorado Society of  
Anesthesiologists

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It is the position of the Colorado Society of Anesthesiologists that within the Colorado Medicaid system there is a longstanding and severe disparity between Medicaid payment rates for anesthesia services and the rates paid to primary care and other specialty physicians. With the significant expansion of the Medicaid program under the Affordable Care Act it is no longer reasonable to single out anesthesiologists and compensate our specialty at a reduction of 42% or more of commercial insurance rates while all other physicians are paid at only a 17%, or less, discount of commercial rates.

In 2014 Mr. Eric J. Kurtz, the Chief Legislative Analyst for the Colorado Joint Budget Committee, researched this issue and determined that it would require \$18,921,153 from General Funds to remedy this inequity. Furthermore the correction would be implemented over two budget cycles so that the budget impact would be approximately \$9,000,000 per year.

The Colorado Society of Anesthesiologists respectfully requests that HCPF increase the Medicaid anesthesia reimbursement rate to the level of the Colorado Workers' Compensation system.

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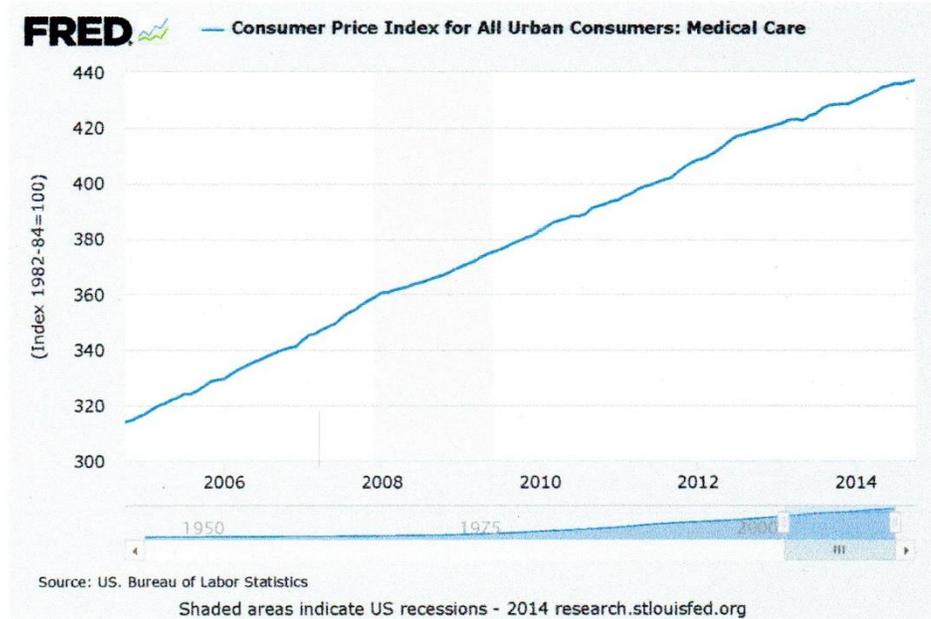
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### CSA Medicaid Talking Points

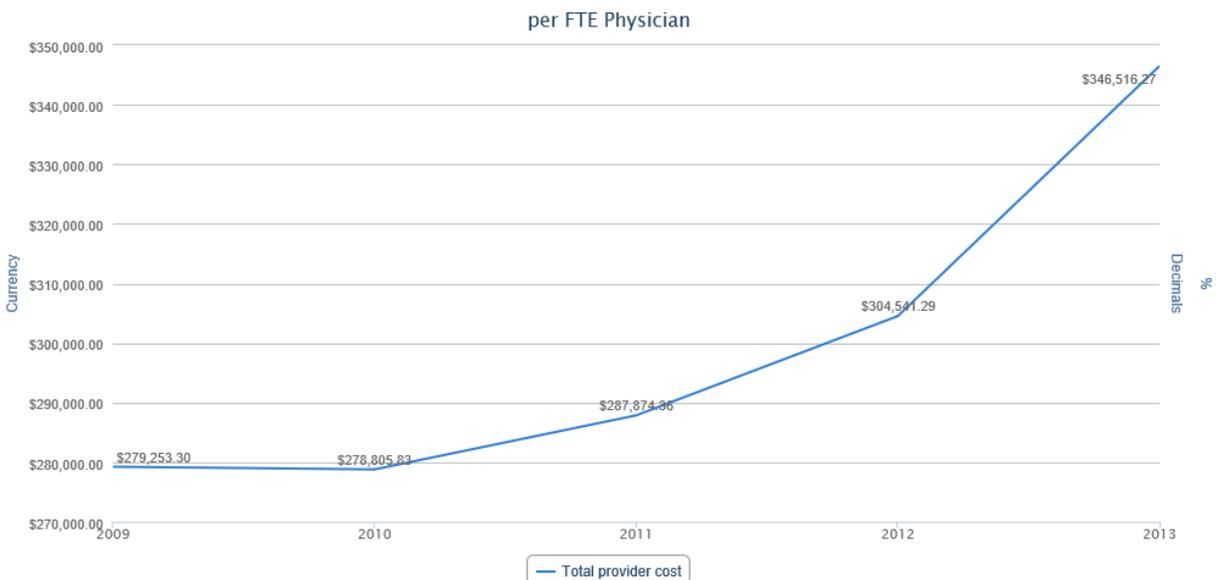
1. The rate of annual Medicaid reimbursement increases has been much less than the increase in the medical care cost index on a year over year basis. The cost to provide anesthesia services has been increasing while the Medicaid reimbursement rate has remained virtually unchanged and is well below the real cost to provide the service.

### Federal Reserve Economic Data, 2014

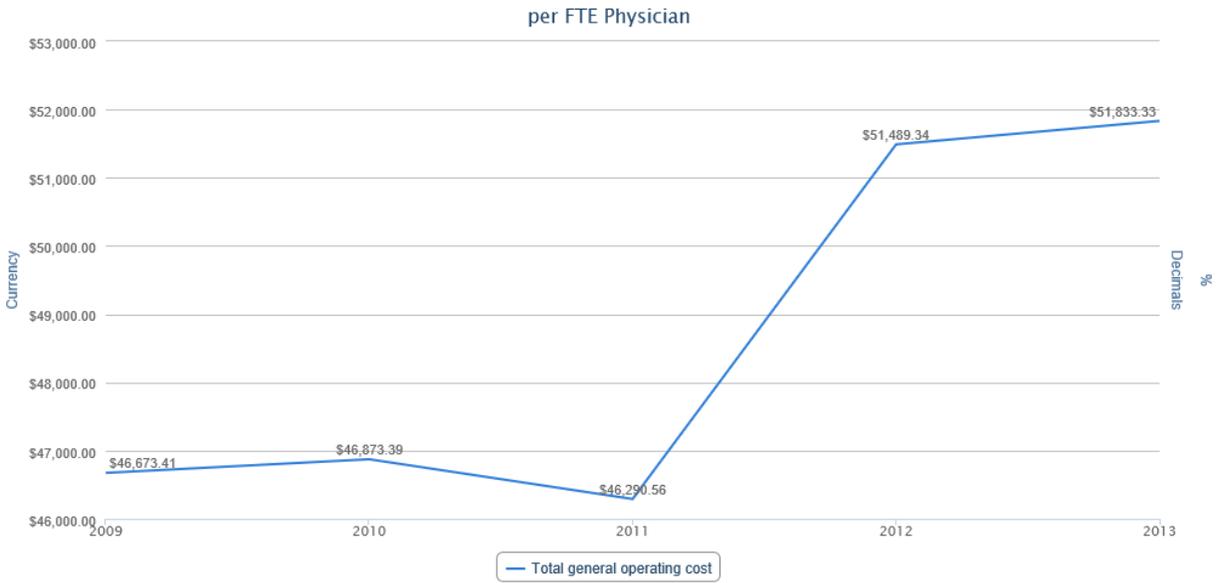
Click and drag in the plot area or select dates: 1yr | 5yr | 10yr | Max 2004-10-01 to 2014-10-01



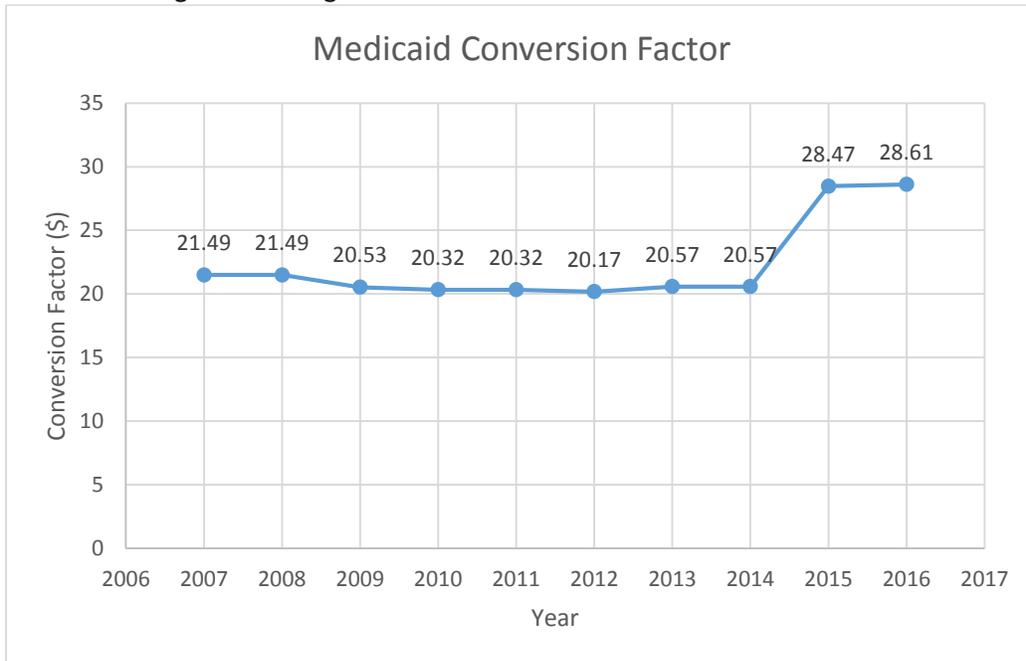
### Medical Group Management Association, 2014



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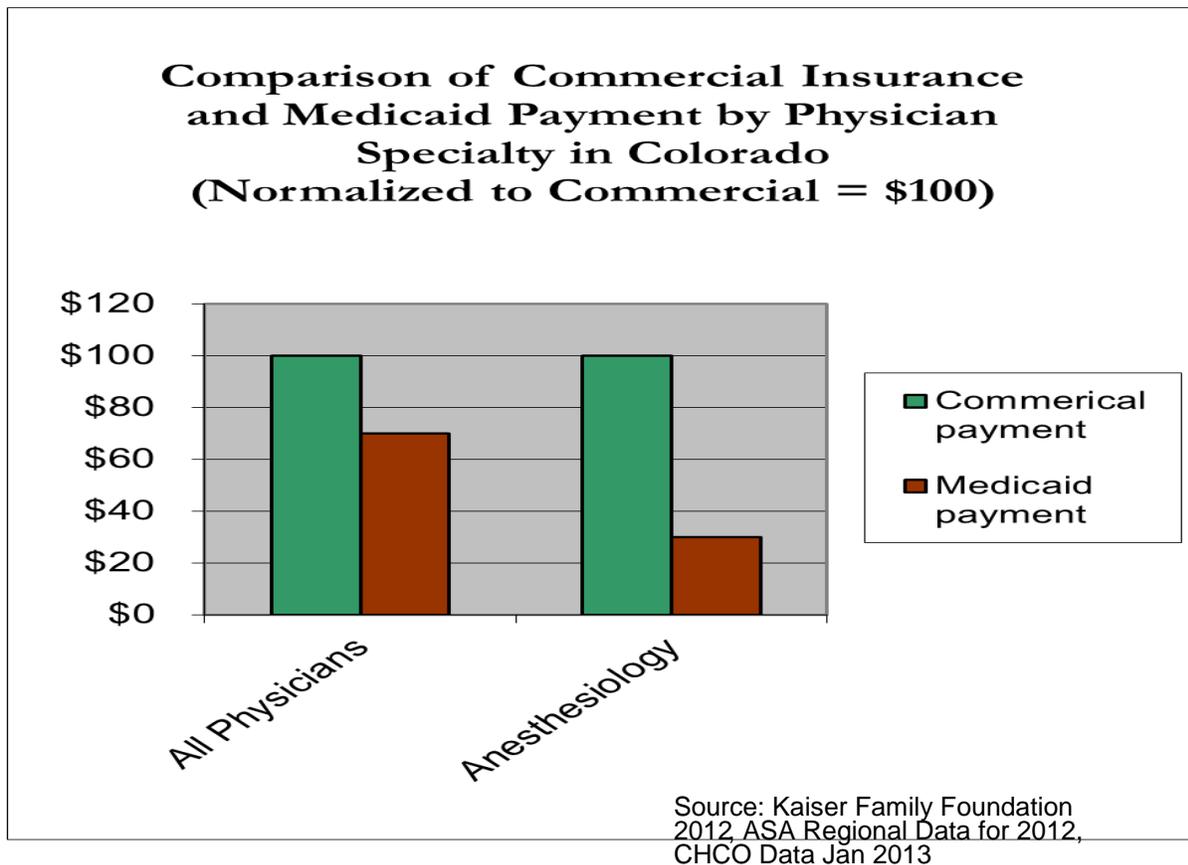


- The following graph shows the Medicaid Conversion Factor trend since 2007. For many years HCPF has decreased the Medicaid reimbursement rate. In July, 2015 it was increased as a result of a legislative budget increase for anesthesia reimbursement.



- The anesthesia Medicaid rate is substantially below commercial rates and as a percentage of commercial rates is much less than the rate that other physician specialists are paid. According to the 2016 American Society of Anesthesiologists fee survey the median commercial reimbursement rate is \$68.00 per unit.

4. The current Medicaid anesthesia reimbursement rate is \$28.61 per unit and the Medicare anesthesia reimbursement rate is \$22.15.
5. The Colorado Division of Workers' Compensation, another state department that sets reimbursement rates for medical services, compensates anesthesiologists at \$55.61 per unit.
6. Medicare is not an appropriate benchmark for setting anesthesia rates. A 2007 study by the United States Government Accountability Office (GAO) confirmed that Medicare anesthesia rates are 67% below commercial rates while Medicare rates are 17% below commercial rates for all other physician specialists. This disparity is due to a fundamental flaw in the original design and development of the RBRVS system that did not account for the true cost of anesthesia services. To date, CMS has been unwilling to correct this error.



7. The "Access Test" is not a valid determinant of the adequacy of Medicaid funding for hospital based physicians, such as anesthesiologists, radiologists, pathologists, and emergency room physicians. If HCPF determines that there is a lack of access to a particular medical service it will direct increased funding to that area. HCPF has held that there is no access problem with regard to hospital based physicians. The truth is that these physicians cannot refuse to provide treatment to any patient as stipulated in their service contract with the hospital and by the Stark laws prohibiting the denial of medical care on the basis of ability to pay or the type of insurance.

8. In the late 1990s HCPF expanded the eligibility rules of the Medicaid program to insure that all pregnant women have coverage. Over 38 percent of Colorado births are now covered by the Medicaid system. In order to entice obstetricians and hospitals to provide the necessary services to the expanded number of covered lives HCPF increased the reimbursement rates for obstetricians and hospitals. Even though anesthesia is a critical element in the care of obstetrical patients there was no increase in the payments to anesthesiologists.
9. Three years ago HCPF decided to increase the reimbursement rate for surgeons and outpatient surgery centers to entice them to treat more Medicaid patients in outpatient facilities. Even though all patients undergoing a surgical procedure require anesthesia there was no increase in the reimbursement rate for anesthesiologists.
10. With the expansion of the Medicaid program under the Affordable Care Act it is no longer just a "safety net" program for patients living below the poverty line. The addition of over 200,000 lives this past year has resulted in Medicaid becoming the largest insurer of patients in Colorado.
11. Primary care physicians and other specialist physicians typically limit the number of Medicaid patients that they care for to 5 percent or less of their practice. Unlike those physician groups, anesthesia practices, particularly ones that have a large number of pediatric and obstetrical patients, have now found that Medicaid will typically constitute 20 percent to 50 percent of their practice.
12. With the substantial increase in the number of Medicaid patients it is no longer possible, nor is it desirable as a matter of public policy, to cost shift in order to make up for the revenue shortfall. As evidence of this effect, the annual American Society of Anesthesiologists fee survey showed that the national median reimbursement rate has leveled off over the past four years, holding between \$67.61 in 2013, \$66.00 in 2014, \$68.00 in 2015, and \$68.00 in 2016.
13. HCPF has built payment inequities into the reimbursement rates that further exacerbate the problem for anesthesiologists. Dentists providing anesthesia for surgical procedures are paid at 2 to 2.3 times the amount that a physician anesthesiologist would be paid for providing anesthesia for the exact same surgical procedure.
14. The Colorado Society of Anesthesiologists has proposed to HCPF the implementation of the Perioperative Surgical Home. The Perioperative Surgical Home concept is a medical care construct that improves health outcomes and ultimately creates significant savings in the long term. This care model would dramatically increase coordination of the perioperative care of the patient, from the time a decision is made to have a surgical procedure, through the hospital course of treatment, and then through the postsurgical rehabilitation period. Initial studies have demonstrated significant improvements in the patient experience of care, decreased costs, reduction in postoperative infections, targeted preoperative testing, fewer transfusions, shortened hospital stays, and fewer hospital readmissions when anesthesiologists are actively engaged in the entire continuum of perioperative care. Unfortunately current Medicaid reimbursement levels would not cover the administrative costs of setting up this innovative care model.

15. The Colorado Society of Anesthesiologists is requesting that HCPF increase the Medicaid reimbursement rate to the Workers' Compensation level, \$55.61. This figure represents an 18% discount from commercial insurance rates which is comparable to the discount off commercial rates that applies to all other specialty physicians in the Medicaid system.

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