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ANESTHESIA SERVICES

Differences between Private and Medicare Payments Likely Due to Providers' Strong Negotiating Position

GAO Highlights

Highlights of GAO-21-41, a report to congressional committees

Why GAO Did This Study

In 2018, Medicare paid over $2 billion for anesthesia services, such as general anesthesia administered to beneficiaries undergoing surgical or other invasive procedures. The joint explanatory statement for the Further Consolidated Appropriations Act, 2020 included a provision for GAO to update its 2007 report and examine how differences in payment rates for anesthesia services have changed since that time. In 2007, GAO reported that Medicare payments in 2004 for certain anesthesia services provided by anesthesiologists were on average 67 percent lower than private insurance payments in certain geographic areas—indicating that private payments were about 3 times more than Medicare payments at that time.

This report describes what is known about (1) recent trends in differences between Medicare and private payments for anesthesia services, and (2) the sufficiency of the supply of anesthesia providers for Medicare beneficiaries. GAO reviewed literature and available published data on payment differences for anesthesia services, published in the United States since 2010. GAO also reviewed data from CMS on the number of anesthesia providers from 2010, 2018, and 2020. GAO also interviewed a nongeneralizable selection of three research groups, two beneficiary advocacy groups, and five stakeholder groups, including those representing anesthesiologists, nurse anesthetists, and hospitals, to obtain their perspectives on these issues. The Department of Health and Human Services provided no comments on this report.

View GAO-21-41. For more information, contact Jessica Farb at (202) 512-7114 or farbj@gao.gov.

What GAO Found

Literature GAO reviewed indicated that private insurance payments for anesthesia services on average were more than 3-1/2 times those of Medicare payments. This payment difference increased from what GAO reported in 2007—average private insurance payments for certain anesthesia services in 2004 were about 3 times those of Medicare. While Medicare rates for anesthesia services are set by the Centers for Medicare & Medicaid Services (CMS), private insurance rates are set through negotiations between providers and private insurers.

GAO identified three recent studies with analyses of private insurance and Medicare payments for anesthesia services:

- Researchers from Yale University calculated that private insurance payments were 3.67 times Medicare payments, on average, for services provided by anesthesiologists for one large private insurer in 2015 operating across all 50 states and the District of Columbia.
- The Health Care Cost Institute calculated that in 2017 private insurance payments ranged from 2 to 7 times Medicare payments, on average, across six common services provided by anesthesiologists in 33 states. Wide state-to-state variation within specific services was reported.
- The American Society of Anesthesiologists reported that private insurance payments were 3.46 times Medicare payments, on average, based on a survey of its members in 2019.

According to studies GAO reviewed and stakeholders GAO interviewed, market factors likely enhanced anesthesia providers' negotiating position and allowed them to secure higher private payments. For example, several studies and stakeholders cited market concentration as a key factor that increased private payments for anesthesia services. In a market with high provider concentration—or relatively few providers in a given market—there is little competition between providers, enabling the providers within that market to negotiate for higher payments from private insurers. Studies also indicated that specialists, including anesthesia providers, could negotiate higher in-network payment rates because they were able to leave an insurer's network with little risk of losing patients or revenue. In addition, when anesthesia providers are not a part of a private insurer's network, they are typically able to bill for a higher amount than the insurer would pay for an in-network provider, known as out-of-network billing. This dynamic decreases providers' incentives to participate in insurer networks because it creates an attractive alternative to network participation.

GAO's interviews with stakeholders, literature review, and review of agency data generally did not indicate that the supply of anesthesia providers was insufficient for Medicare beneficiaries. CMS data indicate that the number of active anesthesia providers per 100,000 Medicare beneficiaries increased from 2010 through 2018 and that a very small number of anesthesia providers opted out of the Medicare program. Furthermore, researchers and stakeholders GAO interviewed were not aware of any issues with access to anesthesia services for Medicare beneficiaries, including those in traditionally underserved rural areas.