



**UTAH DEPARTMENT
OF HEALTH & HUMAN
SERVICES**

**Division of Integrated
Healthcare**

**Medicaid Reimbursement Rate
Comparative Analysis — Anesthesiology
Services**

June 2023



Anesthesiology Executive Summary and Background

Summary

Based on the rate research, Utah Medicaid reimbursement for anesthesiology services is, on average, greater than Medicare reimbursement, but less than the average reimbursement levels of the other states surveyed. It should be noted that a comparison of fee schedule reimbursement rates does not provide a complete representation of reimbursement levels between Utah Medicaid, the Medicare program, and the other states in the research sample. For example, a comparatively high or low Utah Medicaid rate when compared to other states may signify a rate that is updated more frequently by Utah Medicaid than the other states. In addition, payment policies are often designed to address specific policy initiatives, so a Utah rate that appears higher than the comparison rate may result from a particular policy initiative designed to encourage access to or use of a particular service. Alternatively, a Utah rate that appears lower than the comparison rate may result because other states may have made targeted increases for specific services. Lastly, the impact of a high or low rate for a code is less meaningful if the code has low utilization. To understand the impact on reimbursement, the rates or the rate differential would need to be applied to utilization. Utah Medicaid utilization was not considered in this comparative analysis.

Background

The Utah Department of Health and Human Services, Division of Integrated Healthcare engaged Myers and Stauffer LC (Myers and Stauffer) to review and compare Utah Medicaid reimbursement rates to Medicare reimbursement rates and reimbursement rates from a sample of other state Medicaid programs for certain provider types and service categories. As part of this project, we have prepared a series of separate reports by service category. This report provides the results for anesthesiology services (including nurse anesthetist services), and is supported by a Microsoft Excel exhibit containing rate comparisons for the services analyzed.

The anesthesiology services rate comparison applies to all anesthesiology procedure codes reimbursed by Utah Medicaid. Utah Medicaid rates are compared to Medicare rates and are geographically adjusted for Utah, where available. The comparison to other state rates is based on a sample of five other states—Colorado, Kentucky, Montana, Nevada, and New Mexico. These states were selected due to their proximity to Utah, with the exception of Kentucky, which was included in the study due to the availability of its rates to our research team. We attempted to obtain rates from Idaho, but were unable to identify publicly-available payment rates.

Myers and Stauffer compared rates by Current Procedural Terminology (CPT) code for anesthesiology services. We relied on the most recent publicly-available information regarding fee schedules from Medicare and the sample of other states. Medicare rates are from the January 2023 Medicare Physician



MEDICAID REIMBURSEMENT RATE COMPARATIVE ANALYSIS – ANESTHESIOLOGY SERVICES

Fee Schedule. Other state Medicaid rates are from published fee schedules obtained in March 2023, and the Utah Medicaid rates are rates effective July 1, 2023.

It is important to consider the following limitations when comparing reimbursement rates:

- *Government payers maintain more detailed information about fee schedules and underlying payment policies that may not be reflected in the information obtained from published fee schedules. Methodologies that Medicare and other state Medicaid programs use, and the resulting rates, are specific to their overall policies and economic environment, and it is important to understand there are policy decisions and unpublished context underlying the rate values. For example, a state may intentionally have a low rate for a certain procedure code to encourage utilization of another code or another service. The rate comparisons presented in this report did not include a comparison of underlying rate assumptions for rates from other payers or an analysis of broader state economic factors, as doing so would have been outside the scope of this project. The rate comparison serves to identify where Utah Medicaid rates fall in comparison to rates from a selection of other government payers.*
- *Information regarding the costs of anesthesiology services are not included in this analysis and report. There is limited information available on provider costs for services reimbursed on a fee schedule basis. Cost information is more readily available for institutional services, such as hospital services.*
- *Differences in rate levels may not always be meaningful; they could be due to limited sample sizes, and/or differences in payment methodologies, and/or services covered. Additional research may be necessary to understand these variations.*
- *We could not provide a comparison for every service because of differences in covered benefits or how services are organized. A rate value was not included in the rate comparison if the service did not have a Medicare rate or a rate from the sample of other states.*
- *The rate comparison was limited in scope to comparing reimbursement rates. The rate comparisons and this report make no conclusions regarding the sufficiency of Utah Medicaid reimbursement rates, or recommendations that Utah Medicaid take any specific action. Information is presented for comparison purposes only.*

Reimbursement Rate Comparisons

The anesthesiology services rate comparisons are summarized in this section. These rate comparisons serve as points of reference only, providing the opportunity to identify those services where Utah Medicaid rates appear high or low when compared to rates for similar services paid by Medicare and the comparison Medicaid states, where rates appear high or low as compared to rates for services in other service categories, or where rates within a service category vary significantly from one another. As



noted above, if Medicare or a state did not have a rate, or had a rate of zero, the code is not included in the average in order to avoid distorting the results.

The comparison of Utah rates to Medicare and a sample of other states is not intended to suggest a desired fee schedule amount or level of reimbursement. Health care payers, including Medicare and state Medicaid agencies, differ in how they determine benefits and define services, the limitations they place on services, who is eligible for the services, who the providers are that deliver the services, and numerous other factors that affect reimbursement methodologies and fees.

State legislation determines Medicaid agency budgets based on state revenues, and appropriations are authorized by the legislature and provide agencies with authority to expend funds. Therefore, state agencies are limited in amounts for reimbursement rates based on state budgets. In addition, the federal government’s share of a state’s expenditures through the Federal Medical Assistance Percentage (FMAP) varies by state and provides differing levels of federal support across states. Of the states included in the research sample, the highest FMAP rate for federal fiscal year 2023 is 72.59 percent for New Mexico, and the lowest is 50.00 percent for Colorado (the FMAP for Utah is 65.90 percent). Factors relating to state budgetary levels and federal financial assistance are not considered in this analysis.

Myers and Stauffer reviewed 271 anesthesiology codes published in the Utah Medicaid fee schedule and compared them to rates for the Medicare program and rates for Medicaid programs in the states of Colorado, Kentucky, Montana, Nevada, and New Mexico. Due to the volume of anesthesia procedure codes, we grouped the procedure codes into four service categories to facilitate meaningful comparisons. The anesthesiology service categories are noted in *Table 1*.

Table 1. Anesthesiology Service Categories

Anesthesiology and Nurse Anesthetist Services	
Anesthesiology Service Category	Procedure Code Range
Head, Neck, & Chest	00100-00580, 01610-01680
Upper Body	00600-00952, 01610-01860
Lower Body	01112-01522
Other	01916-01999

For Medicare, Utah Medicaid, and the five comparison states, payment for anesthesia services is determined by adding base units to time units and multiplying by a payer-specific conversion factor. The formula is:

$$\text{Base units} + \text{time (in units)} \times \text{conversion factor} = \text{anesthesia fee amount}$$

Medicare conversion factors are defined by the Centers for Medicare & Medicaid Services (CMS), and state Medicaid conversion factors are determined by each state. For Medicare and the five comparison states, time units are computed by dividing the reported anesthesia time by 15 minutes (e.g., 20



MEDICAID REIMBURSEMENT RATE COMPARATIVE ANALYSIS – ANESTHESIOLOGY SERVICES

minutes / 15 minutes = 1.33 units). Utah Medicaid reports time units by dividing the reported anesthesia time by 12 minutes (i.e., 20 minutes / 12 minutes = 1.66 units).

Base units for the Medicare program are assigned to anesthesia CPT codes by CMS. State Medicaid agencies, including Utah, use Medicare’s base units with a small number of exceptions. For example, there are three deleted codes (deleted January 1, 2015) for which Utah Medicaid has a rate, six codes with zero base units that are paid a percentage of charges, and one code where Utah Medicaid has two base units and Medicare has three base units. These differences can be seen in Exhibit A-4 of the accompanying Microsoft Excel exhibits.

The American Society of Anesthesiologists and some state Medicaid agencies set strict guidelines for obstetrical anesthesia, including limitations on covered units of service. Under Utah Medicaid policy, obstetrical anesthesia receives a reduction in the unit value after the first hour of anesthesia time. During the second hour of anesthesia, the unit value is reduced by 50 percent, and during the third and each succeeding hour of anesthesia, the unit value is reduced by 75 percent. In Colorado, claims for more than 120 minutes (eight or more time units) of direct member contact epidural time require a copy of the anesthesia record. Montana Medicaid has one obstetric anesthesia procedure code, and Nevada Medicaid lists four obstetric anesthesia procedure codes that are reimbursed by an occurrence-based rate. Providers are instructed to bill these codes as an occurrence-based service: one unit for the occurrence and no time-based units.

Table 2 summarizes the comparison results for base units by anesthesiology service category. Column D contains the Medicare comparison percentage, and column F contains the Medicaid comparison percentage.

Table 2. Anesthesia Services Base Units Comparison

Anesthesiology and Nurse Anesthetist Services					
A	B	C	D	E	F
Service Category	Average Utah Base Unit	Medicare Comparison		Medicaid Comparison	
		Average Medicare Base Unit	Utah as % of Medicare Base Unit	Average of Other State Medicaid Base Unit	Utah as % of Other State Medicaid Base Unit
Head, Neck, & Chest	8.55	8.58	100%	8.60	100%
Upper Body	6.34	6.24	102%	6.25	101%
Lower Body	5.53	5.53	100%	5.54	100%
Other	5.48	5.28	104%	5.54	99%
Overall Average	6.81	6.73	101%	6.77	101%



MEDICAID REIMBURSEMENT RATE COMPARATIVE ANALYSIS – ANESTHESIOLOGY SERVICES

Because most Medicaid agencies align base units with Medicare policy, base units for Utah Medicaid and the other states in our research sample are closely aligned, as shown in *Table 2*.

We also calculated two comparison rates to compare to Utah Medicaid rates. We used base units, times the applicable conversion factor, but did not include time units because there is not an average time per code. The first comparison rate is the Medicare rate, and the second comparison rate is the average of the five comparison state Medicaid program rates. This information made it possible to quantify how Utah Medicaid rates across services compare to other rates in the research sample by calculating the Utah Medicaid rate as a percent of the comparison rates (See *Table 3*).

Table 3. Anesthesia Services Base Rates Comparison

Anesthesiology and Nurse Anesthetist Services					
A	B	C	D	E	F
Service Category	Average Utah Medicaid Rate	Medicare Comparison		Medicaid Comparison	
		Average Medicare Rate	Utah as % of Medicare Rate	Average of Other State Medicaid Rates	Utah as % of Other State Medicaid Rates
Head, Neck, & Chest	\$202.96	\$177.59	114%	\$244.96	83%
Upper Body	\$150.37	\$129.01	117%	\$178.66	84%
Lower Body	\$131.19	\$114.38	115%	\$157.84	83%
Other	\$130.00	\$109.16	119%	\$165.15	79%
Overall Average	\$161.63	\$139.19	116%	\$193.86	83%

Based on our review, Utah rates are an average of 116 percent of Medicare rates, and 83 percent of the five comparison states' rates (using base units and not taking time units into account).

The accompanying exhibit (Microsoft Excel workbook titled "Anesthesiology Exhibit A Utah Rate Study") contains the complete list of the procedure codes in this comparison along with the Utah Medicaid rates, the Medicare rates, and the other state Medicaid rates for each code.