

Higher Anesthesia Conversion Factor May Result in Overcompensation to Anesthesiologists

Anesthesiologists have lobbied for higher Medicare reimbursement for years. In fact, Medicare anesthesia rates have been substantially lower than rates typically paid by commercial payors, and this inadequacy in payment has been one of the major factors leading to the need for hospitals to subsidize the collections of their contracted anesthesiologists.

Effective January 1, 2009, the Centers for Medicare and Medicaid Services ("CMS") increased the Medicare conversion factor applicable to anesthesia services. The average national Medicare conversion factor for anesthesia will increase to \$20.92, up nearly 5% from the 2008 rate of \$19.97. This 2009 increase follows a 23.3% increase in payment rates that was effective for 2008.

While this is good news for anesthesiologists, hospitals should consider the effects of the reimbursement increase in their subsidy payments to anesthesiologists. These higher CMS anesthesia payments will have direct implications for hospitals that are engaged in collections guarantee or subsidy arrangements with their anesthesiology groups. For a hospital that has a collection guarantee arrangement that is "trued up" based upon actual collections, the increase in the CMS conversion rate should be "self-adjusting," resulting in lower subsidy expense to the hospital. If a collections guarantee arrangement calls for a fixed annual stipend, an overpayment may occur if the stipend was determined based upon historical collections rates for 2008 or earlier.

FMV Pitfall

Hospitals should be particularly alert to proposals by their anesthesia providers to convert their collection guarantee arrangement to a fixed stipend model. If the fixed stipend amount is computed based upon 2008 or earlier collections data, there is risk of overpayment to the physicians as a result of the now higher CMS anesthesia payment rates.