

# Threats to Our Prosperity



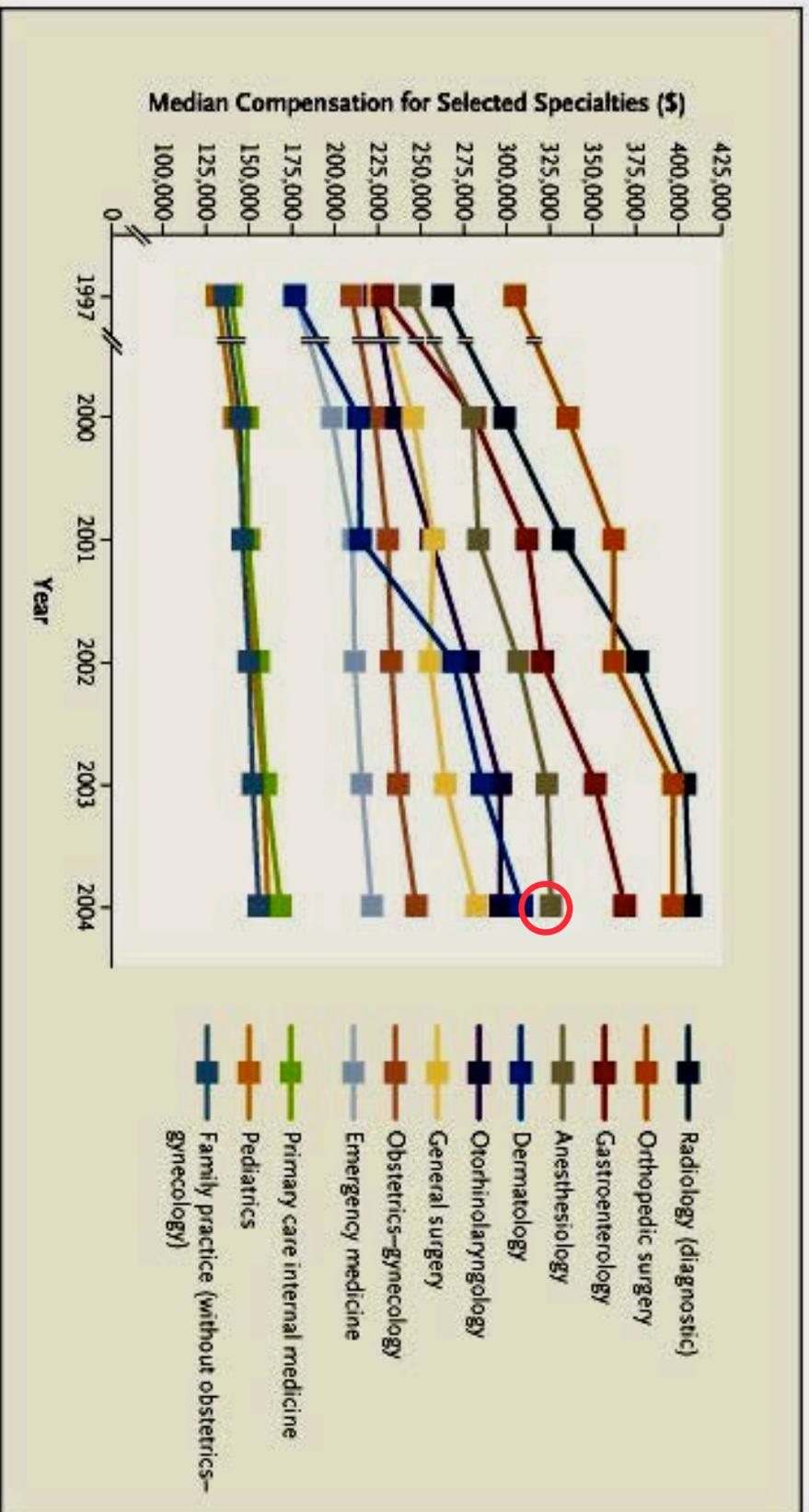
**Alexander A. Hannenberg, M.D.**

*First Vice President*

*American Society of Anesthesiologists*

*Tufts University School of Medicine  
Newton-Wellesley Hospital  
Newton, MA*

# Median Compensation for Selected Medical Specialties



# Areas of Concern

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- ◆ **Demographics**
- ◆ **Recalibrated Hospital DRG Payments**
- ◆ **Rapid Growth Anesthesia Services**
- ◆ **Shift to Quality-Based Payment**

# Unprecedented Lift in Anesthesia Work Value

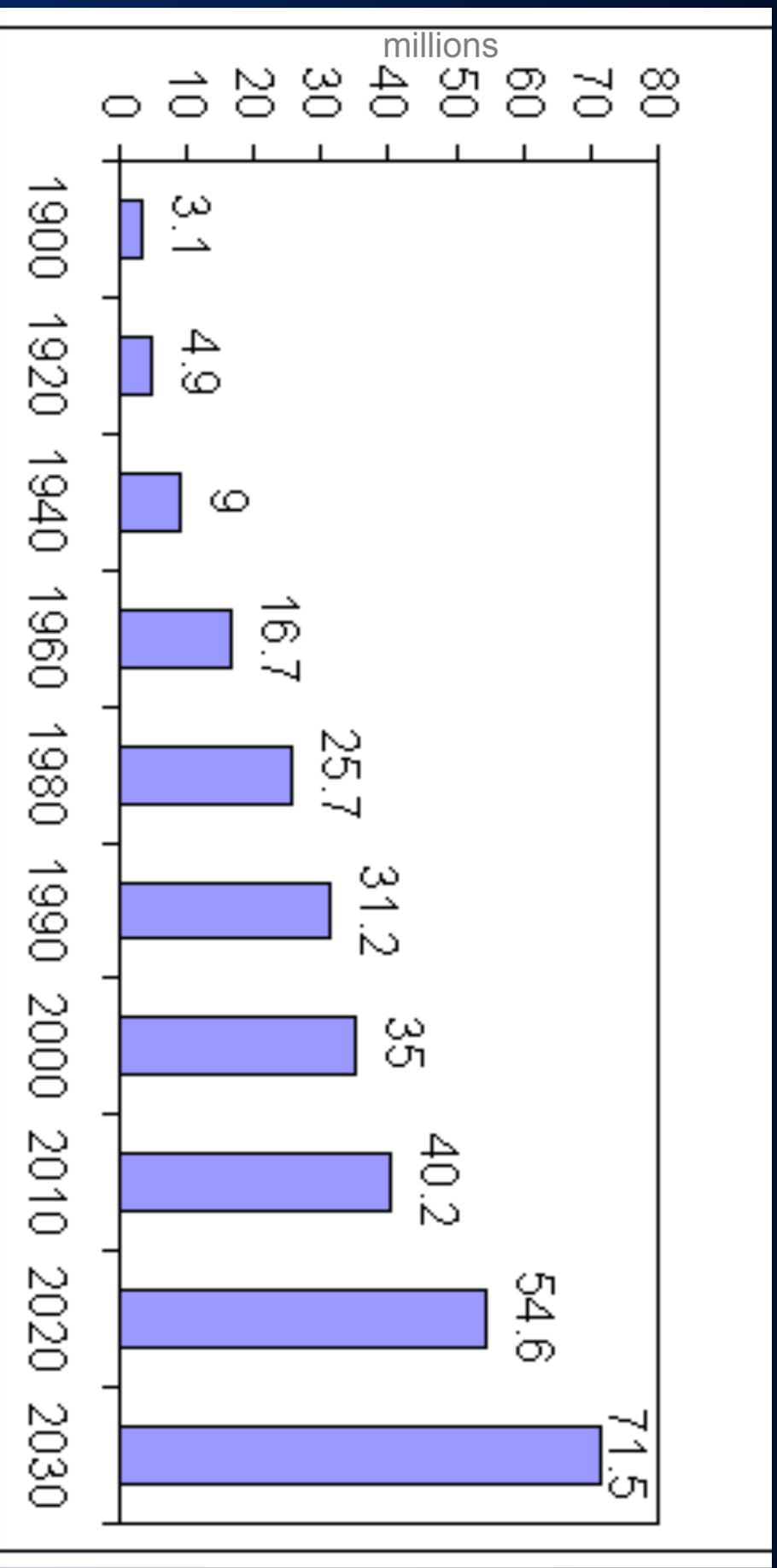
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**$\$16.19 \div \$55.00 = 29.4\%$**

**2008 Best Case Scenario**

**$\$20.19 \div \$55.00 = 36.7\%$**

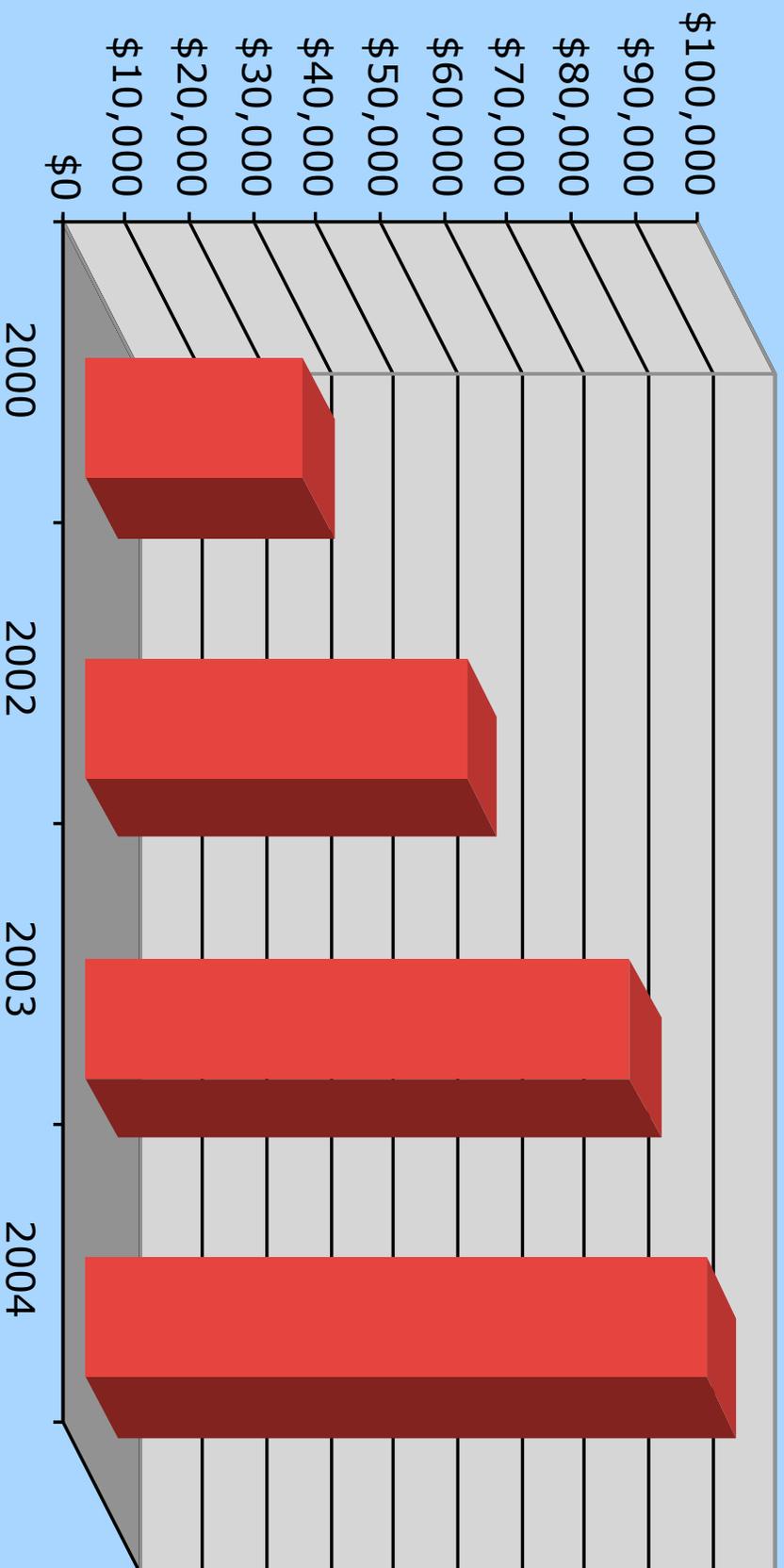
# Medicare Eligible Population Growth



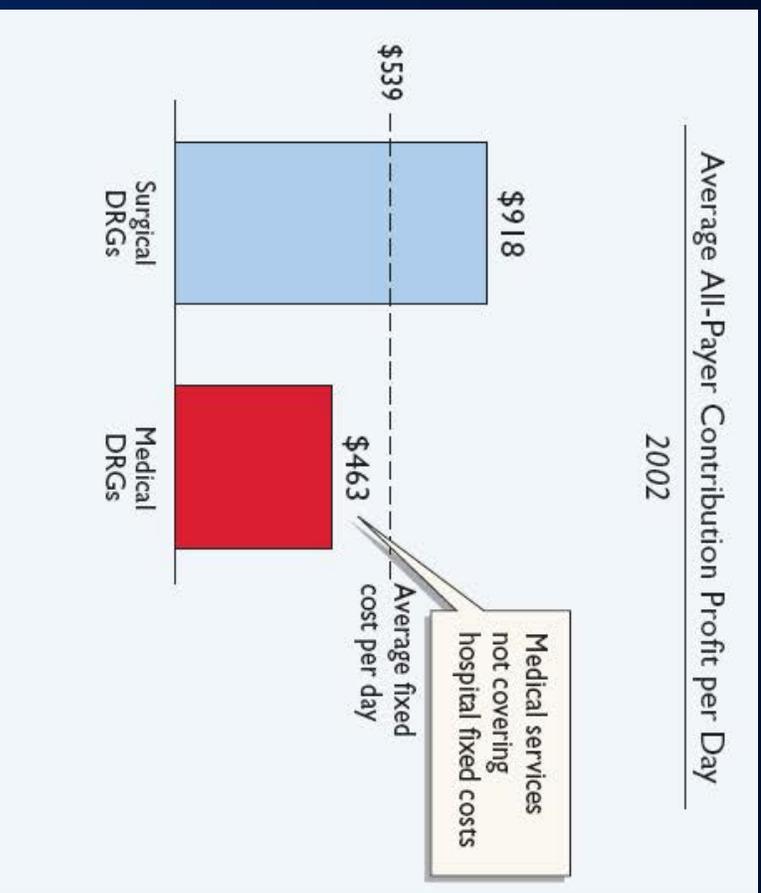
**Sources:** Projections of the Population by Age are taken from the January 2004 Census Internet Release. Historical data are taken from "65+ in the United States," Current Population Reports, Special Studies, P23-190 Data for 2000 are from the 2000 Census and 2002 data are taken from the Census estimates for 2002.)

# Dependency on Hospital Support Academic Anesthesia Departments

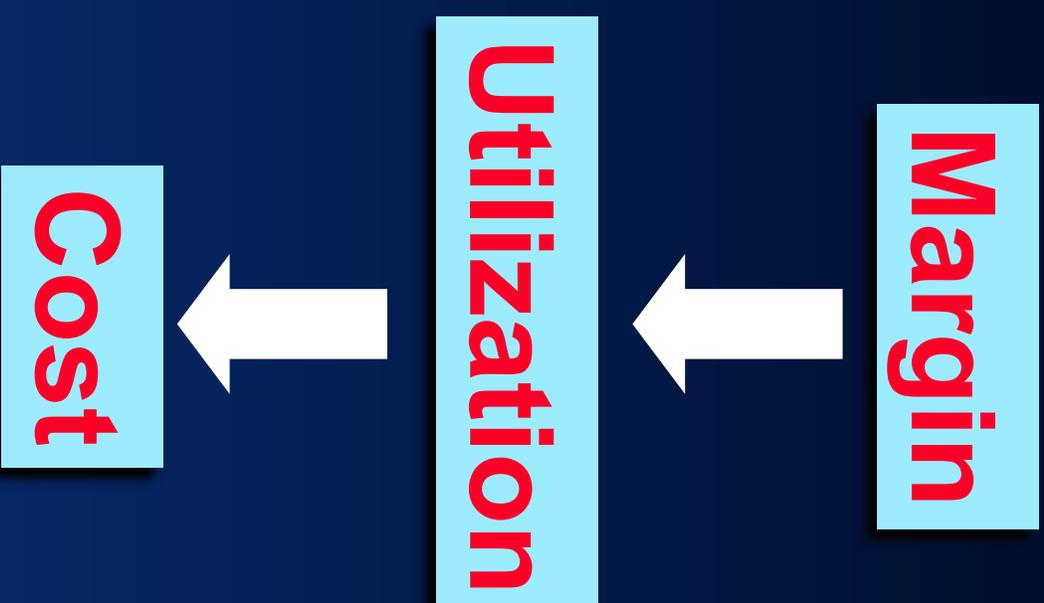
Average Support / FTE



# Shifting Profit from Surgery to Medicine?



Rebasing Medicare DRGS (Healthcare Advisory Board)



# DRG Adjustments

## 2007 IPPS

Table I.--Payment Impact from HSRVcc and Consolidated Severity-Adjusted DRGs by Selected High Volume DRGs

CMS DRG V23.0	CMS DRG Description	Number of Cases	Percent Change in Relative Weight Due to HSRVcc	Percent Change in Discharge Weighted Average Weight Due to Consolidated Severity-Adjusted DRGs	Total Impact All Changes
556	PERCUTANEOUS CARDIOVASC PROC W NON-DRUG-ELUTING STENT W/O MAJ CV DX	46,504	-30.7%	13.6%	-21.2%
558	PERCUTANEOUS CARDIOVASCULAR PROC W DRUG-ELUTING STENT W/O MAJ CV DX	143,345	-30.0%	-4.1%	-32.9%
125	CIRCULATORY DISORDERS EXCEPT AMI, W CARD CATH W/O COMPLEX DIAG	89,477	-24.5%	4.2%	-21.3%
124	CIRCULATORY DISORDERS EXCEPT AMI, W CARD CATH & COMPLEX DIAG	121,084	-17.2%	-3.0%	-19.7%
515	CARDIAC DEFIBRILLATOR IMPLANT W/O CARDIAC CATH	41,538	-15.7%	7.3%	-9.6%
104	CARDIAC VALVE & OTHER MAJOR CARDIOTHORACIC PROC W CARDIAC CATH	19,406	-11.7%	-5.8%	-16.8%
552	OTHER PERMANENT CARDIAC PACEMAKER IMPLANT W/O MAJOR CV DX	80,278	-11.5%	0.7%	-10.9%
316	RENAL FAILURE	165,381	7.3%	0.9%	8.3%
320	KIDNEY & URINARY TRACT INFECTIONS AGE >17 W CC	202,931	9.4%	2.5%	12.1%
296	NUTRITIONAL & MISC METABOLIC DISORDERS AGE >17 W CC	233,665	9.5%	1.1%	10.7%
475	RESPIRATORY SYSTEM DIAGNOSIS WITH VENTILATOR SUPPORT	106,477	9.6%	-2.6%	6.7%
089	SIMPLE PNEUMONIA & PLEURISY AGE >17 W CC	508,703	9.7%	0.8%	10.6%
088	CHRONIC OBSTRUCTIVE PULMONARY DISEASE	382,490	10.2%	0.5%	10.8%
174	G.I. HEMORRHAGE W CC	248,699	12.1%	-1.5%	10.4%
087	PULMONARY EDEMA & RESPIRATORY FAILURE	76,364	12.4%	3.6%	16.4%
277	CELLULITIS AGE >17 W CC	101,476	13.3%	2.9%	16.6%

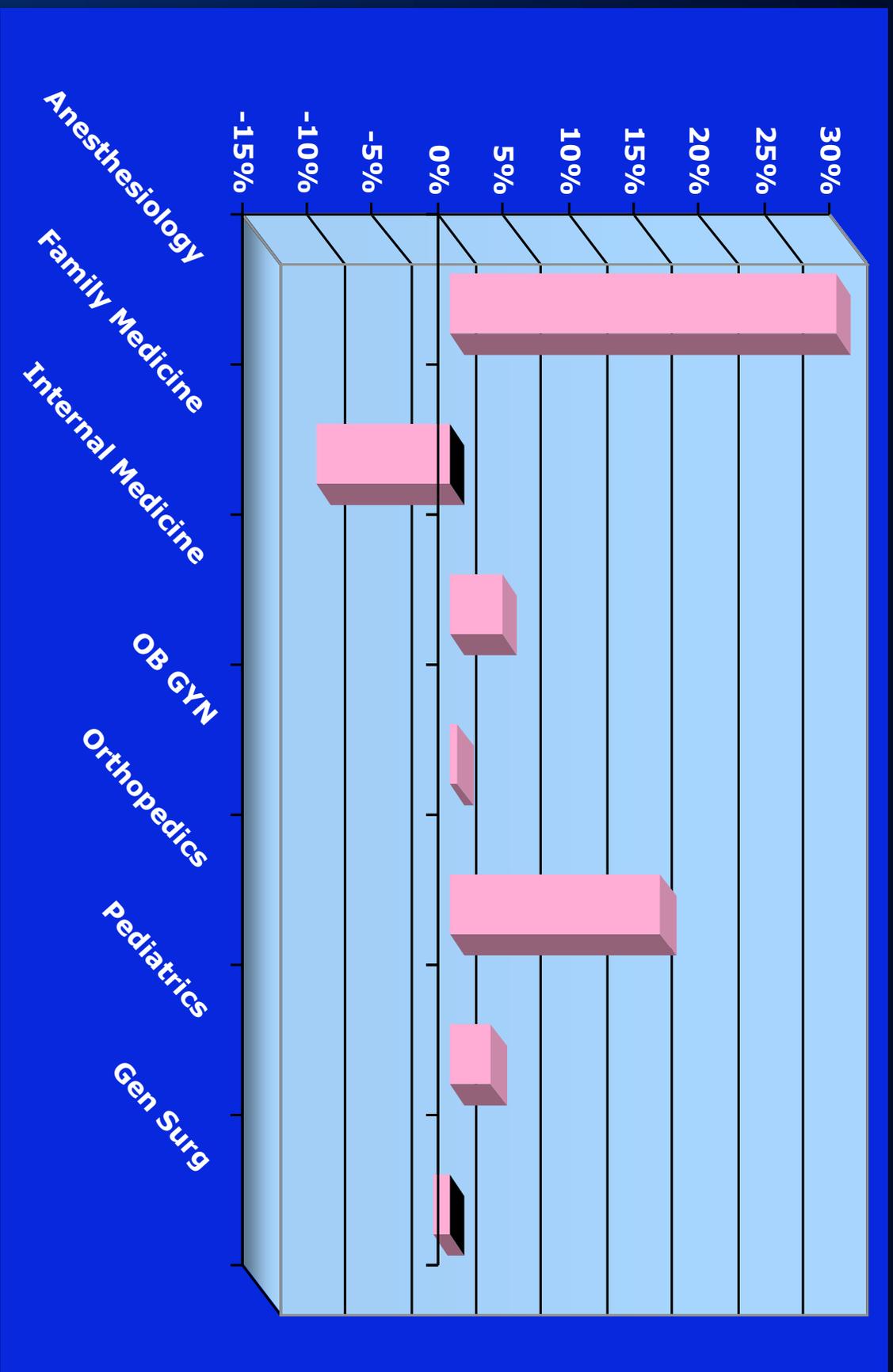


# The Cash Cow of the Hospital

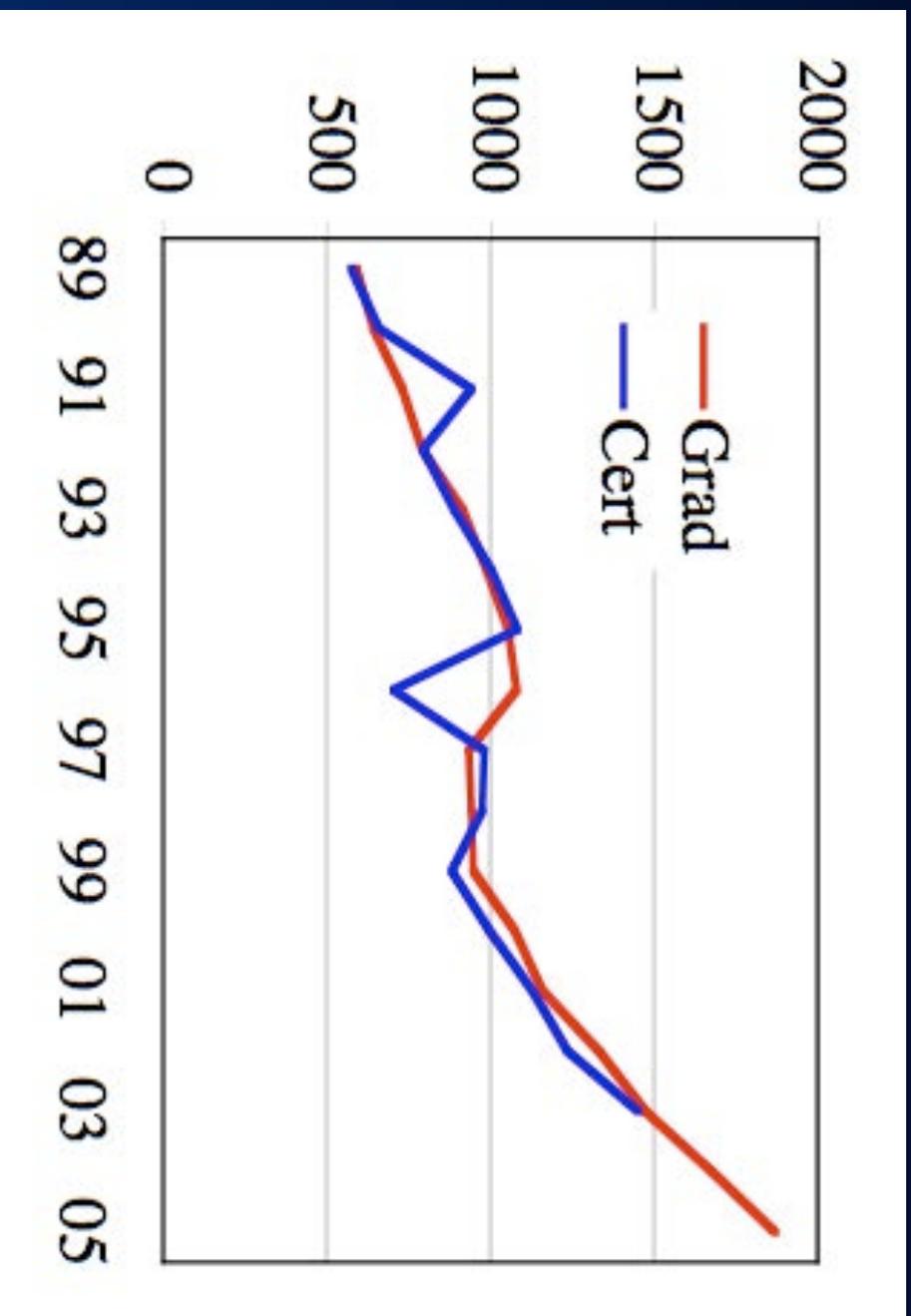


# Specialty Supply & Demand

## Residency Enrollment 1999-2007



# CRNA Workforce 1989-2005



# On-Call Stipend Support to Many

**Table 2. Mean On-Call Compensation Paid by CA Hospitals, by Physician Specialty**

Specialty	Monthly Stipend	Weekend Stipend	Weekday Stipend
Anesthesiology	\$17,330	\$1,317	\$829
Cardiology	4,430	416	364
Cardiovasc. surgery	7,466	175	280
ENT	9,783	204	177
Gastroenterology	7,000	605	237
General surgery	9,863	625	464
Internal Medicine	9,851	658	445
Neurology	6,625	193	204
OB/Gyn	4,913	572	458
Ophthalmology	5,270	165	145
Orthopedics	10,430	651	442
Pediatrics	8,067	362	248
Plastic surgery	1,850	319	279
Primary care	<b>21,000</b>	638	447
Psychiatry	4,976	228	177
Pulmonology	4,575	<b>820</b>	455
Radiology	13,416	400	283
Trauma surgery	11,750	<b>1,475</b>	<b>1,280</b>
Urology	6,361	169	142

Source: California Healthcare Association, *On-Call Physician Ranking Survey*, 2003.

# Medicare One Year Spending Growth 2005-2006

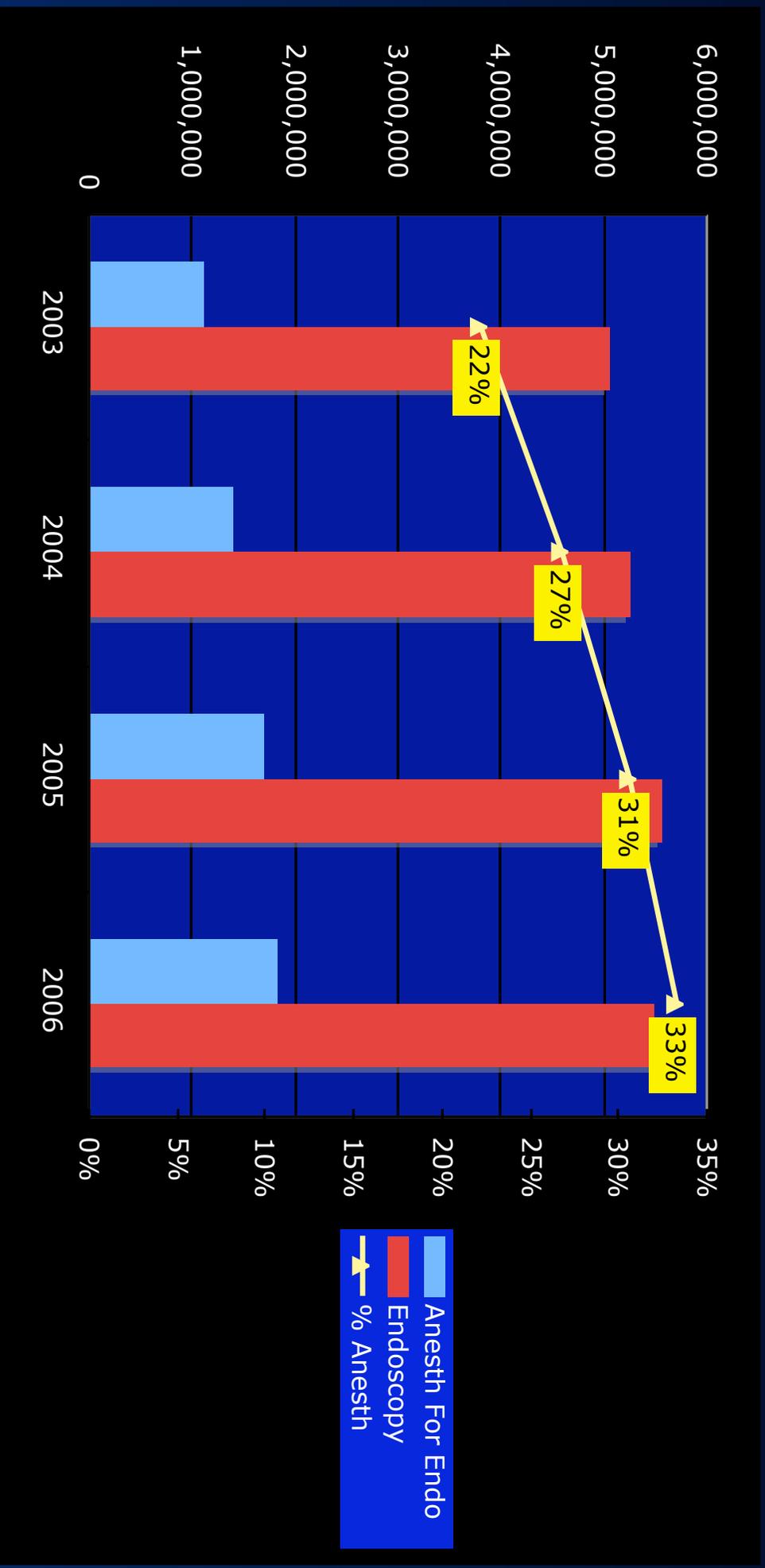
<b>01905</b>	<b>Anes, Spine Inject, X-Ray/Re</b>	<b>101%</b>
<b>01926</b>	<b>Anes, Tx Interv Rad Hrt/Cran</b>	<b>22%</b>
<b>01930</b>	<b>Anes, Ther Interven Rad, Vei</b>	<b>27%</b>
<b>64445</b>	<b>N block inj, sciatic, sng</b>	<b>20%</b>
<b>64447</b>	<b>N block inj fem, single</b>	<b>17%</b>
<b>64448</b>	<b>N block inj fem, cont inf</b>	<b>49%</b>
<b>64470</b>	<b>Inj paravertebral c/t</b>	<b>40%</b>
<b>64475</b>	<b>Inj paravertebral l/s</b>	<b>21%</b>
<b>64555</b>	<b>Implant neuroelectrodes</b>	<b>148%</b>
<b>64561</b>	<b>Implant neuroelectrodes</b>	<b>46%</b>
<b>64581</b>	<b>Implant neuroelectrodes</b>	<b>34%</b>

# Responses to Rapid Growth

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- ◆ **Medical Necessity Requirements**
- ◆ **Payment Reduction**
  - **Less Complex Typical Patient / Service**
  - **Advanced Technology / Pharmacology**
- ◆ **Non-Coverage Determination**
- ◆ **Service-Specific SGR Calculation**
  - **↑ Volume ↓ Annual Update**

# Growth in Endoscopy Anesthesia Medicare 2003-2006



# Anesthesia for All Endoscopy

	Procedures	Fee	Cost
Non-Medicare	9,200,000	\$ 437.00	\$4,020,400,000
Medicare	5,000,000	\$ 155.22	\$776,112,000
Total	14,200,000		\$4,796,512,000

-2002 Endoscopy volume per CDC  
-Anesthesia Fee = 5 Base + 3.74 Time Units  
Medicare CF \$17.76  
Non Medicare CF \$50

# Aetna: May 2006

May 2006

Dear Physician or Practice Manager:

**ASA 1-2: No payment in office setting**

**ASA 1-2: Payment at Sedation Service fee in facility**

**ASA 3-4: Base+Time in Endodontology**

**All: Manual Submission & Review**

- MAC codes 00740 or 00741 will be eligible for payment at the moderate sedation rate (CPT4 codes 99149 and 99150 for upper and lower endoscopy procedures performed in an ambulatory surgery center or hospital and billed with modifier P1, P2 or with no modifier when submitted by an anesthesiologist or certified registered nurse anesthetist.

# Shift to Quality-Based Payment

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- ◆ Medicare PQRI 2008: \$1.35 Billion
- ◆ California IHA: \$55 Million --> 200 groups
- ◆ Massachusetts BCBS: \$190 Million
- ◆ Medicaid: 43/50 Programs





*“What we didn’t have but obviously needed was an alarmist.”*



ahannenberga@partners.org

# Anesthesiology Medicare: Commercial Ratio 2007 Update

Table 1. National Managed Care Anesthesia Conversion Factors, 2007

	Low	Median	High
Mean	\$52.16	\$56.66	\$65.06
25th Percentile	\$46.80	\$50.00	\$55.00
Median	\$53.00	\$55.00	\$63.00
75th Percentile	\$59.70	\$65.00	\$85.00
High	\$83.20	\$91.50	\$100.00
Number of Responses	220	225	214

$$\$16,19 \div \$55,00 = 29,4\%$$

# Medicare Payment Increase

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- ◆ RUC Recommended 32% Work Value Increase
- ◆ Work = 77.2% of Anesthesia CF
- ◆ Maximum Impact --> \$4.00 Increase (2008)
  - $32\% \times 0.772 \times \$16.19$
  - \$16.19 --> \$20.19
- ◆ Other Factors
  - Budget Neutrality (\$0.33)
  - Practice Expense (\$0.19)
  - SGR Reduction (\$1.95)
- ◆ Expected Range: \$20.19 - \$17.72

# American Society for Gastrointestinal Endoscopy

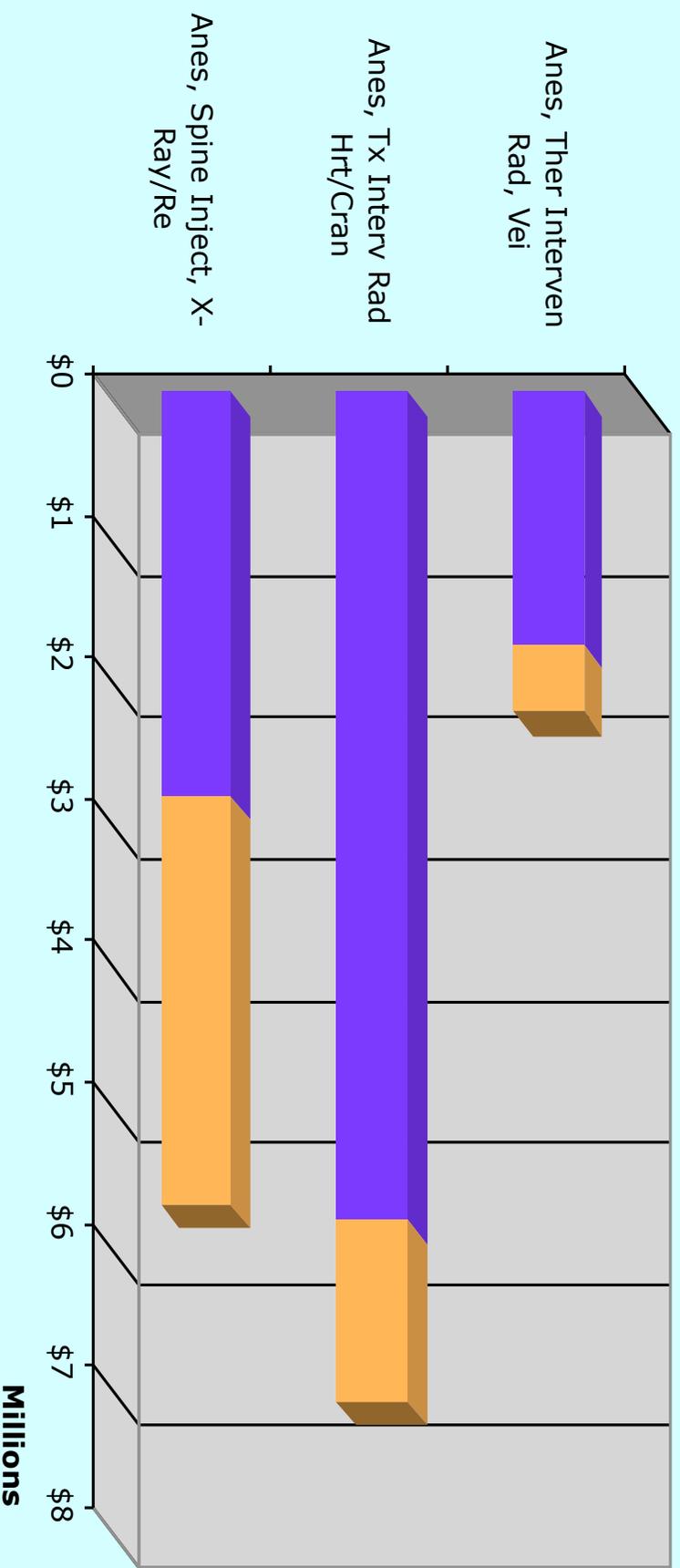
## *Guidelines for the use of deep sedation and anesthesia for GI endoscopy*



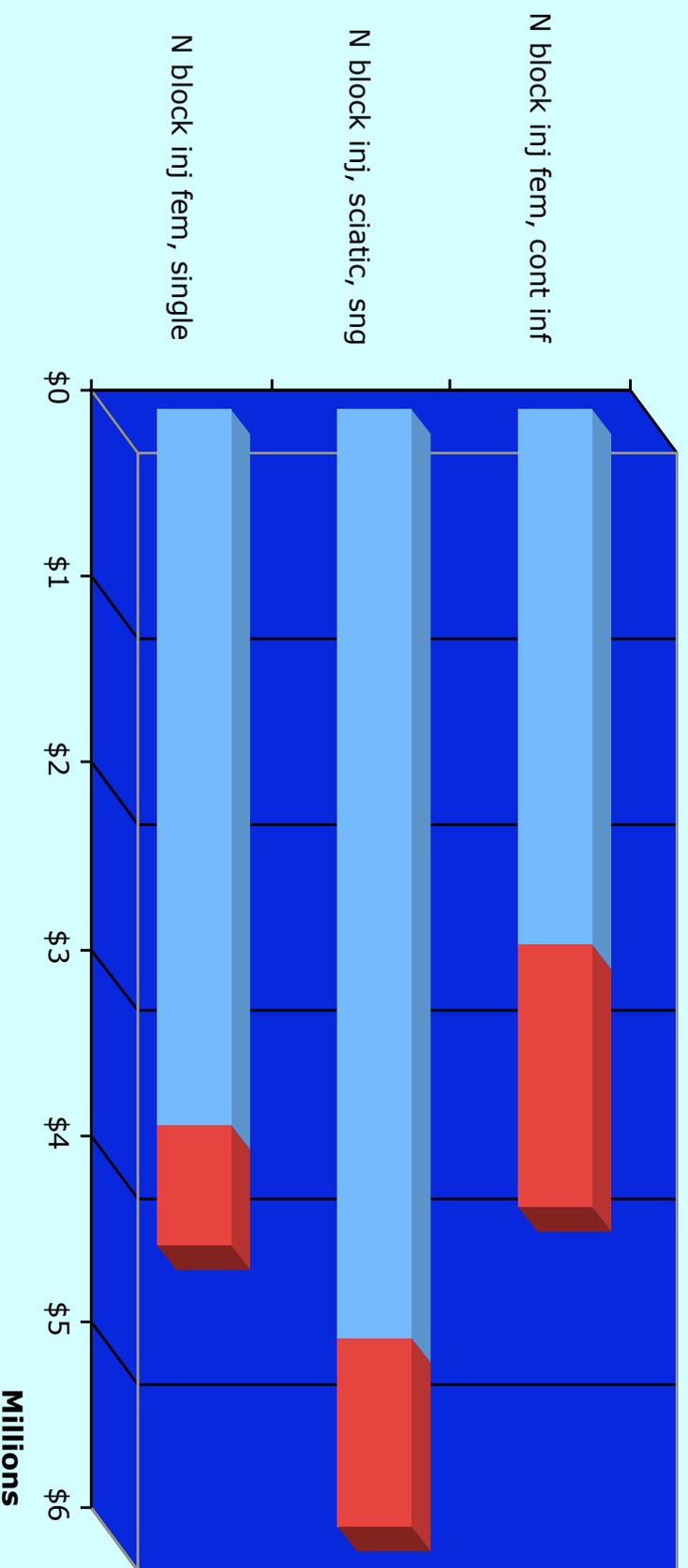
“The routine assistance of an anesthesiologist for average risk patients undergoing standard upper and lower endoscopic procedures is not warranted and is cost prohibitive.”

# Anesthesia for Interventional Radiology

## Medicare 2005-2006

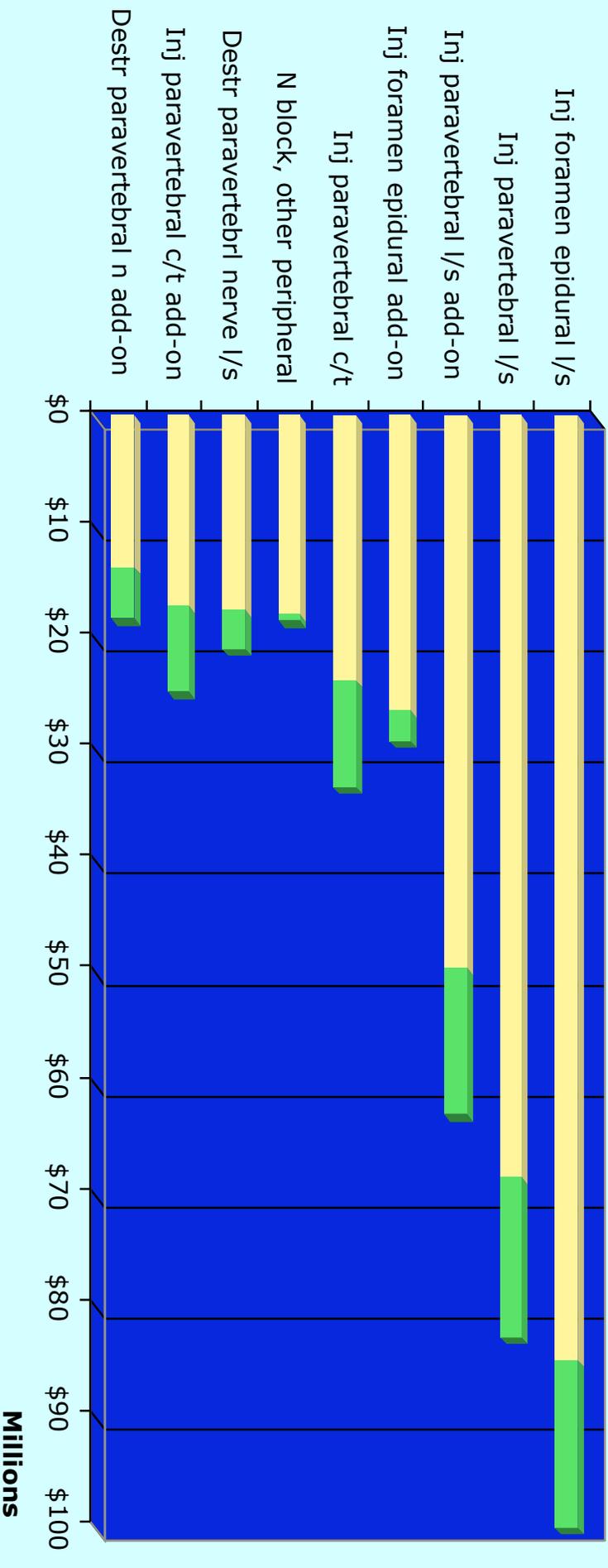


# Peripheral Nerve Block Procedures



# Growth in Interventional Pain Procedures

Medicare 2005-2006



# Whither 1.6 Million Cataract Anesthetics?



CANADIAN JOURNAL OF OPHTHALMOLOGY · JOURNAL CANADIEN D'OPHTHALMOLOGIE

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## Safety of cataract surgery under topical anesthesia with oral sedation without anesthetic monitoring

Guillermo Rocha,\*† MD, FRCSC; Caroline Turner,‡ BSc

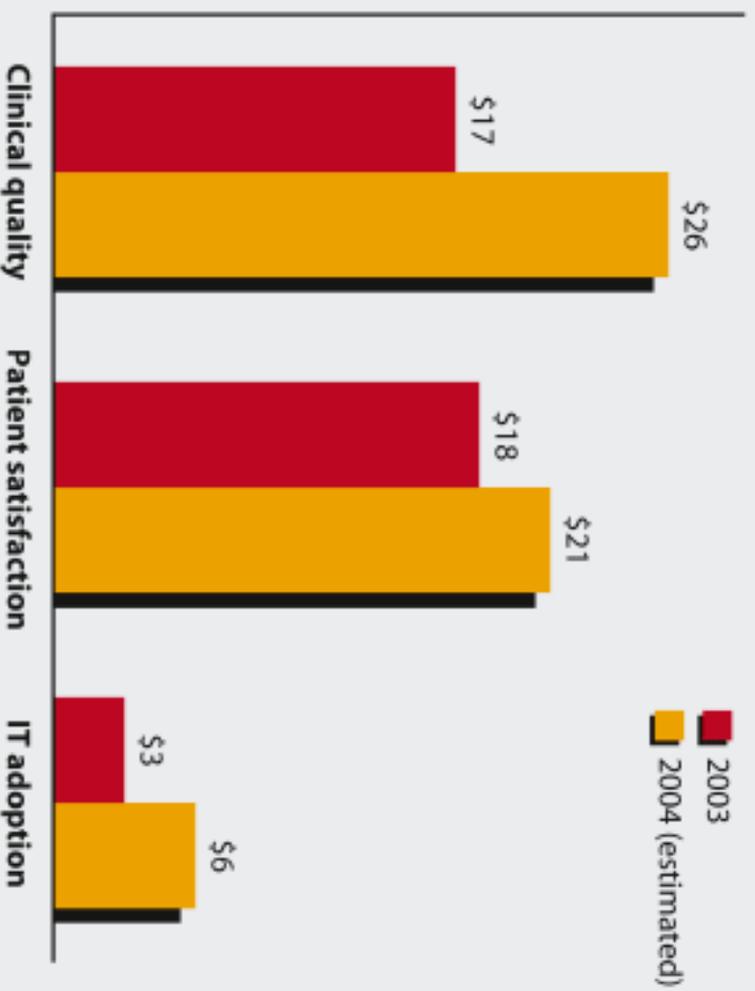
### ABSTRACT • RÉSUMÉ

**Purpose:** The current study was conducted to determine whether topical anesthesia with oral sedation and without an anesthetic present in the operating room is a safe and cost-effective strategy for low-risk patients undergoing cataract surgery.

**Methods:** This retrospective interventional case series included cases conducted between 2001 and 2003 at the Brandon Regional Health Centre in Brandon, Manitoba. Patients with visually significant cataracts were screened for study inclusion by using the following criteria: good general health, good dilation, moderate

# California Integrated Healthcare Assn.

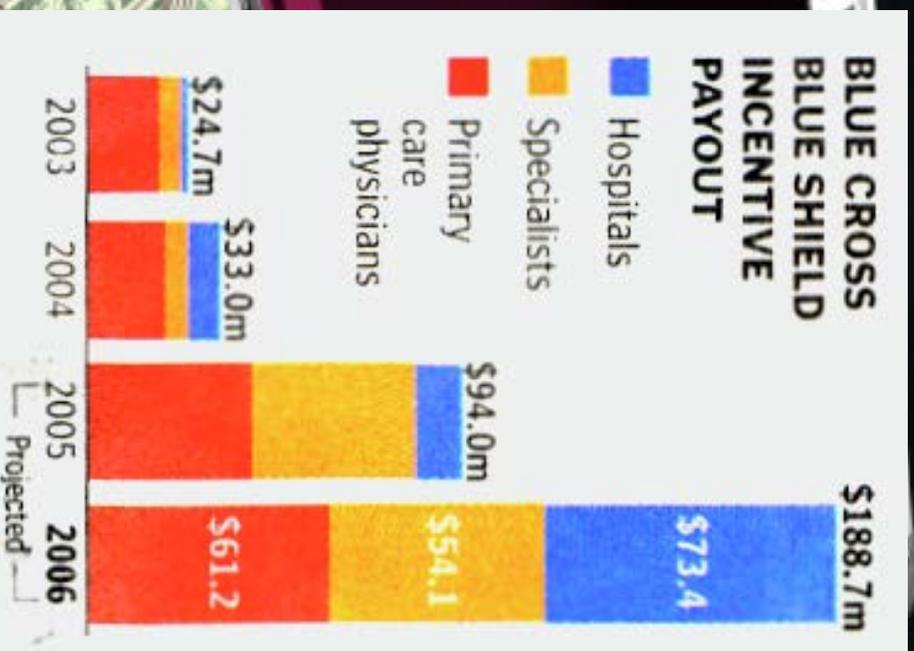
## Total incentive payments (\$ millions paid)



Source: Advancing Quality Through Collaboration: The California Pay-for-Performance Program

# Incentive Explosion

## Blue Cross Blue Shield of Massachusetts



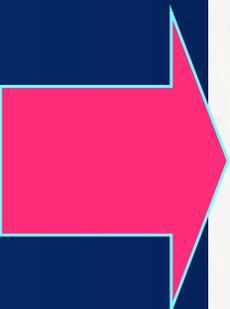
# Fee Increases for Quality Incentives

## F.Y.I. For Your Information

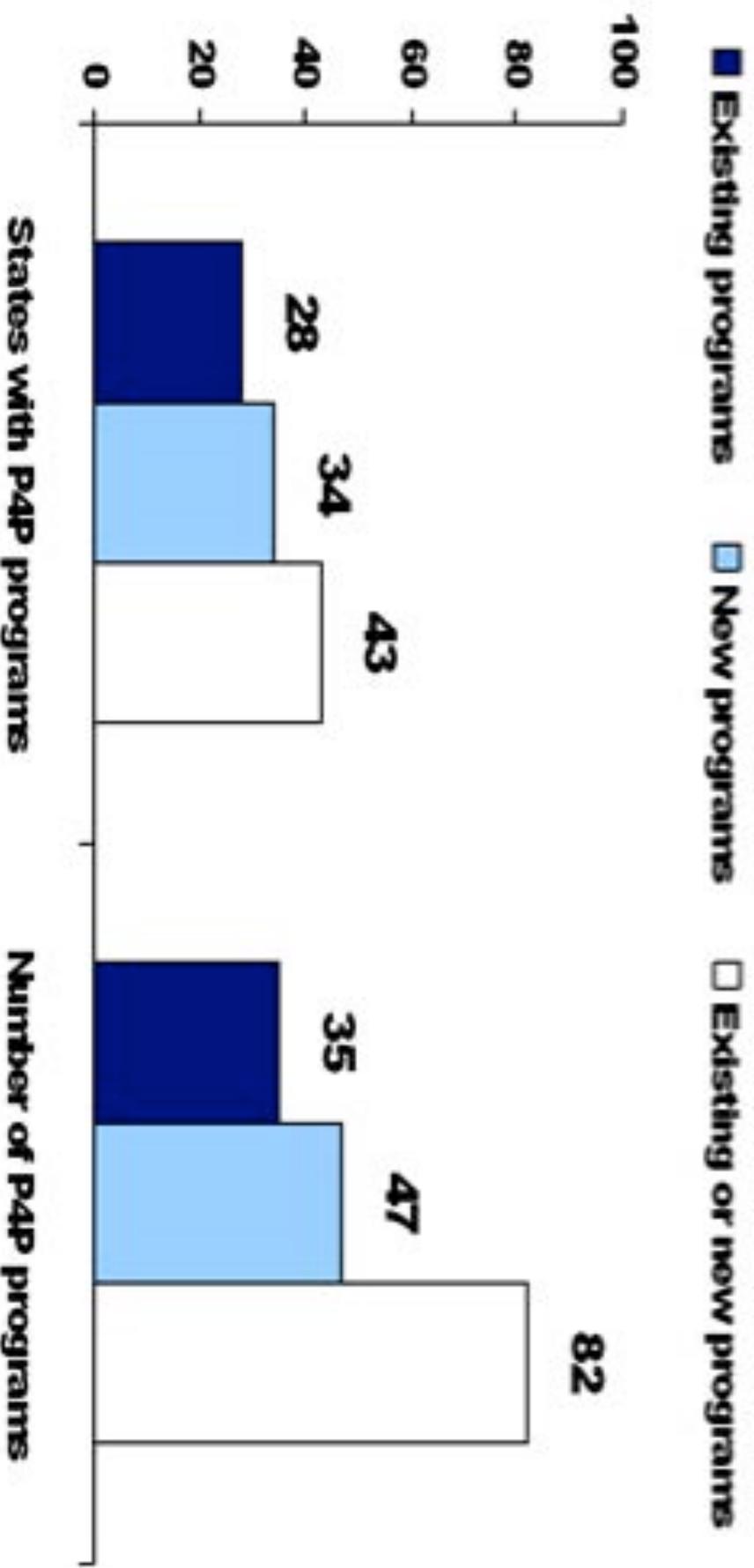


An Independent Licensee of Blue Cross Blue Shield Association

Physician Fees Will Increase by an Aggregate 3 Percent;  
Incentives Offer Eligible Providers an Additional 10 Percent



# Medicaid P4P Activity



As of July 2006.

Source: Surveys of Medicaid directors and staff conducted by The Kuhmerker Consulting Group, LLC, as well as information concerning existing and planned state Medicaid pay-for-performance programs from state Web sites.

# Variation: Anesthesia for GI Endoscopy

