Anesthesia Payment Basics Series: #3 Payment, Conversion Factors, Modifiers

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Payment for Anesthesia Care: The Basic Equation

Anesthesia services are described by a series of CPT codes, each of which encompasses all of the anesthetic care associated with a family of related surgical procedures. Each anesthesia CPT code is allocated a specific number of anesthesia base units. Payment for anesthesia services is determined by adding base units to time units and a multiplying by a payor specific conversion factor. Medicare conversion factors are defined by CMS and commercial conversion factors are dependent on contracts between the provider/provider group and the insurers.

Example: A patient undergoes total knee arthroplasty (CPT® code 27447 – *Arthroplasty, knee, condyle and plateau; medial AND lateral compartments with or without patella resurfacing (total knee arthroplasty)*). The ASA CROSSWALK® links this procedure to the anesthesia care described by CPT® code 01402 – *Anesthesia for open or surgical arthroscopic procedures on knee joint; total knee arthroplasty* – which has 7 base units. In this example, the reported anesthesia time is 129 minutes. Although 15-min time units are most commonly used, Medicare and Medicaid programs calculate the time units to one decimal. For these payors, the 129 minutes would be converted to 8.6 time units. In contrast some commercial payors request time units that time units be reported in whole numbers only and the time would be rounded up to 9 units. One should check the commercial contract and payor rules.

The total number of anesthesia units billed for this patient would be calculated as follows:

Total anesthesia units billed units = 7 base units + 8.6 time units = 15.6 units

Payment for this care would then be calculated using the payor's conversion factor:

Payment = Anesthesia Conversion Factor X total anesthesia units

The anesthesia conversion factor (CF) is different than the relative value unit (RVU) CF. The anesthesia CF varies by payer and differs considerably between government payors and commercial payors. In 2022, the Medicare anesthesia conversion factor was $21.5623, while the median commercial anesthesia factor reported in the 2022 ASA commercial conversion factor survey was $78.00.[1] Overall, Medicare was paying less than 28% of median commercial rates in that year.[2]

For the example above, the total payment is then calculated to be the following:

Payment Medicare = $336.37
Payment Commercial = $1,216.80

Responsibility for payment for anesthesia services is dependent on the terms outlined by the healthcare insurance company. In many instances the patient will have an obligation for some portion of the payment based on deductibles, co-insurance, or co-payments. In those situations, the healthcare provider must collect that portion directly from the patient and the insurance company will pay the balance.

Billing Modifiers: Staffing

Many commercial payers do not use the following modifiers and simply pay the total amount to a single anesthesia clinician who was involved in the care and is noted on the bill for services. It is important to understand each payer's documentation, billing, and payment requirements.

In contrast to many commercial payors, Medicare requires staffing modifiers be included with each claim. The modifiers then determine how payments are distributed to each individual anesthesia clinician involved in the care. The modifiers are discussed in the first Timely Topic in this series.[3]

The distribution of Medicare payments depending on the staffing modifier are described in the below table.

	Modifier	Percentage of Payment to Physician Anesthesiologist	Percentage of Payment to Nonphysician Anesthetist (CAA or CRNA)
Personally Performed	AA	100%	No payment
Teaching Anesthesiologist with Resident and no more than 2 simultaneous cases	AA-GC	100%	No payment
Teaching Anesthesiologist with Resident and 3-4 simultaneous cases	QK	50%	No Payment
Medical Direction of nonphysician anesthetist	QK/(QY or QX)	50%	50%
Medical Supervision (anesthesiologist not present at induction) of nonphysician anesthetist	AD/QX	3 base units	50%
CRNA service without medical direction	QZ	No payment	100%

Beyond the Conversion Factor

Finally, it is important to understand that the anesthesiologist may also provide billable clinical services to a patient undergoing anesthesia care that are not captured by the anesthesia CPT codes and are billed and paid using RVUs. The services that are separately billable include those that are not considered an inherent part of the anesthesia care. Some payers may attempt to bundle these services into the anesthesia payment under the terms of their contracts with clinicians. *It is important to make certain that payer contracts and payment rules do not allow for such bundling.* As noted in the ASA Relative Value Guide[4]:

Placement of arterial, central venous, and pulmonary artery catheters and use of transesophageal echocardiography (TEE) are **not** included in the base unit value.

For the above example of total knee arthroplasty, the anesthesiologist also placed an arterial catheter (CPT® code 36620 – Arterial catheterization or cannulation for sampling, monitoring or transfusion (separate procedure); percutaneous) and performed a post-operative pain block at request of the surgeon (femoral nerve block: CPT® code 64447 – Injection(s), anesthetic agent(s) and/or steroid; femoral nerve, including imaging guidance, when performed).

References

1. Stead SW, Merrick SK. Commercial fees paid for anesthesia services – 2022. ASA Monitor October 2022; 86:1-6. https://doi.org/10.1097/01.ASM.0000890008.66732.22
2. Pregler J, Saluja V, Vaidyanathan M, et al. The 33% problem: Origins and actions committee on economics 33% workgroup report ASA economic strategic plan initiative – October 2020. ASA Monitor December 2020;84:28-33. https://doi.org/10.1097/01.ASM.0000724064.38204.e5
3. ASA Timely Topics. Anesthesia Payment Basics Series Codes and Modifiers. June 2019. https://www.asahq.org/quality-and-practice-management/managing-your-practice/timely-topics-in-payment-and-practice-management/anesthesia-payment-basics-series-codes-and-modifiers
4. American Society of Anesthesiologists. "Anesthesia Guidelines" in 2023 ASA Relative Value Guide®.