IOWANS
for AFFORDABLE HEALTHCARE

The No Surprises Act & Independent Dispute Resolution (IDR): Another Factor in Healthcare Costs

What is the No Surprises Act?

The federal No Surprises Act was enacted in 2020 to protect patients from unexpected medical bills when receiving emergency care or treatment from out-of-network providers at in-network facilities.

Before the law, patients often received large bills when providers and insurers could not agree on payment. The No Surprises Act largely solved this problem by removing patients from the middle of these disputes.

Today, patients generally pay only their normal in-network cost-sharing amounts, regardless of whether an out-of-network provider was involved.

What is Independent Dispute Resolution (IDR)?

When an insurer and provider disagree on payment for a service covered under the No Surprises Act, either party may initiate Independent Dispute Resolution (IDR), commonly referred to as arbitration. Under IDR:

1. The insurer and provider first attempt to negotiate payment.
2. If no agreement is reached, both parties submit payment offers to an independent arbitrator.
3. The arbitrator must choose one of the two offers.

Congress originally envisioned IDR as a limited backstop for unusual disputes rather than a frequently used payment system.

The Problem: Arbitration Has Exploded

When Congress passed the No Surprises Act, federal officials estimated approximately **17,000 arbitration cases annually nationwide**. Instead, arbitration filings have grown dramatically.

IDR Cases Filed Nationwide

YEAR	APPROXIMATE CASES FILED
Expected by Congress	**17,000 annually**
2025 Actual Filings	**More than 2.5 million**

This surge has transformed arbitration from an occasional dispute-resolution tool into a major component of healthcare payment negotiations.



Why Does This Matter?

Many arbitration decisions have resulted in payments significantly higher than standard in-network reimbursement rates.

Examples cited nationally include:

- A provider sought $250,000 for an emergency department consultation typically reimbursed at approximately $1,200.
- A provider received $37,000 for a spine CT scan commonly reimbursed at roughly $1,500.
- One provider organization reportedly filed more than 6,000 arbitration claims on its own.
- A 2025 study published in Health Affairs estimated that IDR has added over $5B in costs from 2022 to 2024.

How IDR Can Increase Costs

Higher Payments Lead to Higher Premiums

Insurance companies use premium dollars to pay health care providers. As a result, when big arbitration awards are forced upon insurers, those costs result in higher premiums for individuals and businesses that provide health care coverage for their employees.

Reduced Incentive to Join Networks

Some providers may have less incentive to negotiate in-network contracts when arbitration awards exceed negotiated rates.

What Can Legislators Do?

Lawmakers in Iowa and across the country have advanced proposals to improve transparency, reduce patient confusion, and lower healthcare costs by providing greater payment certainty based on in-network market rates. While the federal No Surprises Act reduced surprise billing and established an arbitration process for payment disputes, IAAHC urges Iowa lawmakers to build on these reforms by reducing reliance on arbitration and addressing excessive provider pricing. We will work to advance a commonsense solution that benefits providers, insurers, and most importantly, hardworking Iowans.

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