Niskanen Center: IDR Disputes Doubled, Costs Near $1B In First Six Month Of 2025

Feb 18, 2026, 8:09 PM EST
-- *Jalen Brown*(jbrown@iwpnews.com)
(Inside Health Policy)

More than 1 million new billing disputes were initiated under the No Surprises Act's (NSA) federal arbitration system in the first half of 2025 -- roughly double the volume from the same period last year -- pushing total program costs to nearly $1 billion, according to newly released CMS data analyzed by the Niskanen Center, which also found that providers won 88% of resolved disputes.

The higher-than-expected number of disputes triggered under the federal independent dispute resolution (IDR) is also threatening to increase premiums, according to the Center.

According to Lawson Mansell, a health policy analyst at the Niskanen Center, the scale of growth far exceeds what policymakers and the Congressional Budget Office (CBO) anticipated when the law was enacted a few years ago.

"What this means is they're going to receive about over 100 times the predicted annual caseload that CBO originally predicted back when the bill was graded before it was passed," Mansell said in an interview with *Inside Health Policy* last Thursday (Feb. 12).

The NSA, enacted in 2020 and implemented beginning in 2022, was designed to shield patients from unexpected "balance bills" when they unknowingly receive out-of-network care, such as anesthesia services at an in-network hospital, or when they get emergency treatment at an OON facility.

In most cases, that problem facing patients has largely been resolved, according to Mansell. But rather than bills going to patients, disputes now shift to insurers and providers. In roughly 10% to 20% of claims where the two sides cannot agree on payment, they enter the Independent Dispute Resolution (IDR) process, where a third-party arbitrator must choose one of the two submitted payment offers.

CMS' newly released data covering January through June 2025 show that providers won 88% of resolved disputes, which is the highest share recorded since implementation. The data show that providers also initiated the overwhelming majority of cases.

At the same time, winning provider offers continue to exceed insurers' median in-network rates by wide margins. Insurers typically anchor their offers near the Qualifying Payment Amount (QPA) -- the median in-network rate for the service -- while providers often submit offers exceeding 300% of the QPA.

The combination of high initiation and win rates from providers has begun to raise concerns about how the arbitration structure is functioning.

According to Mansell, one concern is that arbitrators are permitted to consider prior contracted rates when making their determinations, including high negotiated rates providers may have secured from smaller insurers in other markets. Large hospital systems with strong negotiating leverage can point to those higher legacy contracts as justification for elevated payments in arbitration, even if those contracts are several years old or involve different insurers.

“The arbitrator can only choose one of the offers,” Mansell said of the “baseball style” method Congress chose for the dispute resolution process. “The arbitrator can't come back with an offer in the middle. The arbitrator has to choose one or the other.”

Total administrative fees, arbitrator compensation and federal oversight costs reached nearly $989 million in the first half of 2025, exceeding the entire program cost for all of 2024, according to the Niskanen Center’s analysis. Mansell says the surge in disputes not only increases federal administrative spending but also has implications for premiums.

If insurers are consistently required to pay multiples of their expected in-network rates through arbitration, those higher payouts ultimately factor into premium calculations, he said.

“IDR is now one of the main processes that determine rates,” Mansell said. “I think we need to start thinking about IDR more as a critical lever on prices -- more as a critical lever on how to reduce rates and ultimately reduce premiums and drive affordability.”

While CMS has taken a few regulatory steps to address this issue, Mansell said more long-term reforms would be done best through statutory changes from Congress.

Last year, Mansell told *IHP* that Congress should consider eliminating the arbitration system entirely and instead require out-of-network payments to default to a benchmark tied to the QPA. He reiterated this position in last week’s interview. Short of that, he suggested lawmakers could narrow the factors arbitrators may consider, particularly by limiting reliance on prior contracted rates, which he argues distort outcomes.

But in the midst of the huge health care affordability fights that have developed on Capitol Hill this past year, and with no indication that Republicans and Democrats can agree on any substantial health policy changes after last year’s massive Medicaid cuts and the expiration of the Affordable Care Act (ACA) enhanced tax credits, it’s unclear whether Congress could actually work up enough momentum to address this, especially as they approach a rather contentious midterm election season.

For now, Mansell said the Niskanen Center is meeting with congressional offices to present the updated data and encourage lawmakers to view IDR reform through an affordability lens, rather than as a behind-the-scenes insurer-versus-provider fight.

“At the moment, the No Surprises Act isn't really lowering overall health care costs,” Mansell said. “It's definitely protecting patients from surprise bills. But on the whole, it's not doing anything to bring costs down.”

Mansell also told *IHP* that the think tank is working on modeling estimates of how these IDR trends could affect premiums going forward.