

Making the Grade: Doctors say insurance company rankings of doctors are based on cost, not quality. Will a new patient charter resolve the debate?

[Dr. Earl Carstensen](#) says he has never failed a test in his life. So he was surprised when, in October 2006, one of the insurers he works with informed him that his Colorado-based practice had failed to meet their cost-efficiency standards. They told him he was at risk of losing his contract with them.

The level of care Carstensen provides wasn't an issue. He ranked in the 80th percentile on the company's quality-of-care measures. Nonetheless the insurer explained that he would have to make some changes in his practice, like cutting down on the length of patient visits, or finding less expensive emergency rooms, lest he risk being kicked out of the network. "None of the extra things I did, like providing reams of information to my patients or being available to them 24/7 made any difference," Carstensen says. "They could still yank my contract based on a low efficiency score, and that would hurt my reputation and cost me patients." (Carstensen asked that the name of the company not be made public.)

Scoring systems like the one used to rate Carstensen have touched off a contentious battle between doctors and insurance companies, two groups whose relationship was already strained. Insurers say the ratings are intended to help patients get the right care at the best price. But being graded by insurers makes doctors uneasy. A growing number of physicians have accused giants like Cigna and United Healthcare of using dubious and secretive ranking systems to steer patients to the cheapest doctors, by claiming those are the best doctors. "There is a huge conflict of interest for the insurer," says [Nancy Nielsen](#), president-elect of the [American Medical Association](#) (AMA). "Their primary objective is to keep cost low."

Insurance companies point out that the impetus for cost-based ratings and networks comes not from insurers, but from their customers. Bill Taylor, the regional medical director for [Blue Cross Blue Shield](#) in midwest Texas explains that "for small employers, the alternative to a low-cost network is no network at all."

One thing is sure, evaluating the roughly 800,000 doctors in the United States on both efficiency and quality is no small feat. Insurance companies began the task about eight years ago in an attempt to address both the needs of employers looking to curb health-care costs and patients who were demanding more information about their doctors and the services they provide.

Under the existing physician-ranking programs, insurers rate doctors in their networks on quality, cost, or some combination of the two. One plan might offer lower co-pays and deductibles for patients who use high-ranking doctors; another might devise an entire network that consists only of these "preferred doctors"; a third might threaten to cancel the contracts of individual physicians who fall below a certain threshold, removing them from the consumer's list of choices. While doctors complain that the bases for the rankings are secretive, insurance companies maintain that the calculus used is proprietary. Neither patients nor doctors are given a detailed explanation of the basis for the ratings.

That lack of transparency has led to a string of legal battles. In 2005, United Healthcare's controversial Performance Program was dismantled in Missouri following a rash of doctors' complaints. In 2006, the American Medical Association challenged a Regence Blue Shield physician-ranking program in Washington state courts. And in 2007, New York Attorney General Andrew Cuomo issued a cease-and-desist order to several physician-ranking programs in his state after several physician groups raised concerns. His investigation found that many ranking programs were misleading consumers by using cost as a surrogate for quality.

This means patients who thought they were opting for the best doctor may be getting the cheapest one instead. That can make a difference in care, says [Michael Painter](#), a physician-attorney who heads the healthcare quality team for the Robert Wood Johnson Foundation. "People often don't get that there is a real quality problem in healthcare," he says. "They assume all doctors are good doctors, and that assumption can be a naive one."

Reliable rankings of quality of care would help patients find a good doctor, which is why most medical experts say that some sort of rating system is needed. Studies have shown that when done in a fair and transparent way, physician rankings can improve the quality of care by nudging doctors in the right direction and appealing to their competitive streak. "But to accomplish any of those things, we need accurate, reliable measures of quality," says Nielsen. "And that means focusing on clinical outcomes, not just the bottom line."

But, according to some physicians, the current insurance company ratings are so flawed that even doctors who are minding the bottom line while providing good care, may be graded negatively. "When I dug through my records," says Carstensen, "I found they had misclassified fully one third of my patients in a way that made their care seem more extravagant than it was." Carstensen says he is still waiting, more than a year later, for the insurer to respond to his request for an explanation.

Other doctors complain about being penalized for patients who refuse to follow their orders. "I tell my patient that she needs to see a specialist, and I write her a referral, and she doesn't go. If she lands in the emergency room three weeks later, the insurance company doesn't see the referral I wrote, they only see that my patient was hospitalized for something that was preventable," says Aaron Siegal, a general practitioner in Plano,

Texas. "Then I get dinged on cost and quality, because hospitalization is expensive." Siegal says that being deselected from certain plans has cost him patients.

After several years of complaints and legal skirmishes, the major insurance companies have also come to the conclusion that something has to be done to improve the current system. "We agree that transparency has been an issue, but the whole concept of performance profiling is still in its infancy, and we are all still learning how to do it better," says Sam Ho, medical director for United Healthcare.

Toward that end, **patients, insurance companies and employers have reached a summit agreement of sorts, known as the Patient Charter**. Under the new charter, which was announced earlier this month, participating insurance companies agree to provisions that include disclosing how they rate physicians, how they take into account both cost and quality, their steps to stick to a nationally accepted body of standards when measuring quality and to provide doctors the opportunity to challenge rankings before they are made public.

Most importantly perhaps, they will also have their ranking systems vetted by an independent third party known as a ratings examiner. Endorsed by the AMA, Cigna, United Healthcare and the AFL-CIO, the plan is being heralded as a major milestone along the bumpy path toward establishing true standards in health care. "It's voluntary, so we'll be watching it closely," says Nielsen, "But if the big insurers implement the principles we've agreed on, it will be a huge improvement over the existing system."

Although the charter's call for independent third-party monitoring promises to eliminate transparency concerns, other issues maybe less tractable. For example, each plan ranks physicians based only on the information provided in its own claims data. So if a physician has 100 patients, but only 15 of them are on a given plan, then only those 15 patients will contribute to that plan's rating of that doctor. The result: a physician can end up with drastically different rankings from one plan to the next.

"One insurer gave me their double-star ranking, meaning I am both high quality and low cost. That same month, a second company deselected me from their cost-efficiency network because I didn't meet the standards," says Justin Bartos, a Ft. Worth, Texas-based family physician. "It leaves me with no clear sense of where I am excelling or where I might improve." (The insurance company involved declined to comment on specific doctors and their rankings.)

And by most counts, room for improvement abounds. Americans spend as much as \$300 billion every year on health care that does not improve patient outcomes. According to one RAND Corp. study, U.S. patients receive only about half of the recommended care for any given condition, and as many as 98,000 people die each year from preventable medical errors. Those errors and inefficiency drive up premiums which can force some employers to cut back on their coverage altogether. "We have many small employers, with fewer than 25 employees, who are struggling to provide any type of health insurance," says Blue Cross Blue Sheild's Taylor.

What no one disputes is that doctor rankings are here to stay. One sign of that are the doctor-rating Web sites cropping up in cyberspace. HealthGrades.com, RateMDs.com and Careseek.com, to name a few, allow patients to rate doctors anonymously on measures like punctuality and bedside manner. But experts caution that such sites only provide a fragment of the whole picture. "These vendors don't have any better information than anyone else at this point," says Painter. "While we urgently need reliable measures of quality in health care, the bottom line is that no one has gotten it quite right yet."