

July 16, 2010

**Letter addressed to CEO and Chief Medical Officer of 47 health plans around the country.**

Dear :

The American Medical Association (AMA) and its partners in organized medicine have been actively involved in engaging health insurers and the Centers for Medicare & Medicaid Services in discussions regarding their implementation of various programs that use administrative claims data to rate physicians. We feel very strongly about the importance of getting accurate and understandable data in the hands of practicing physicians to promote improvements in the quality and efficiency of healthcare services. We also believe that information that is publicly reported or used in programs evaluating physician performance must accurately reflect the quality and value of the services provided.

The AMA, Massachusetts Medical Society and other state medical associations have been working together to identify the many problems with, and find alternatives to, the continued use of physician rating programs that use opaque methodologies and report inaccurate results. While we understand and support health insurer and payers' desires to provide the public with information on high quality and efficient health care, the AMA and the Federation of Medicine cannot support payer programs designed to steer patients to certain physicians and practices based on inaccurate physician ratings or primarily on physician cost of care profiles without regard to the quality of the services provided.

The publication of a series of recent RAND Corporation studies, commencing with "Physician Cost Profiling – Reliability and Risk of Miscalculation" in the March 18<sup>th</sup> edition of the *New England Journal of Medicine*; "Incorporating Statistical Uncertainty in the Use of Physician Cost Profiles" in the March 5<sup>th</sup> edition of *BMC – Health Services Research*; and, "The Effect of Different Attribution Rules on Individual Physician Cost Profiles" in the May 18<sup>th</sup>, *Annals of Internal Medicine*, confirm our concerns. A Research Brief (RB), summarizing the basic findings of all these Reports, has also been prepared by RAND and is included with this letter.

According to "Physician Cost Profiling – Reliability and Risk of Miscalculation," physician ratings, based on cost of care, can be ***incorrect up to two-thirds of the time for some physician specialties*** while ***misclassifying one-fourth of all physicians under the best-case scenario used by most health insurers***. This and the other studies call into question the advisability of the high-stakes use of cost-profiling tools to create tiered health plan products in an attempt to control health care spending.

Numerous additional studies have been published (e.g. "Health Care Efficiency," Health Research and Educational Trust, June 2009; "Benchmarking Physician Performance," *American Journal of Managed Care*, December 2008; and "Relationship of Primary Care Physicians' Patient Caseload with Measurement of Quality and Cost Performance," *JAMA*, December 9, 2009), that all conclude that quality or cost ratings for individual physicians are unreliable. The publication of "Physician Cost Profiling" confirms that profiling individual physicians on their cost of care, using the tools that are currently available, is woefully inaccurate!

July 16, 2010

Page 2

We have been talking for years about the unreliability of physician profiling, particularly in regards to the Rube Goldbergesque systems used to assess so-called physician efficiency. In light of all this new evidence, it is time to reassess the potential damage these error plagued reports can cause. Patients are being encouraged, and often incentivized, to leave longstanding relationships with physicians they trust, or see certain physicians and physician groups, based on information that RAND has shown to be incorrect 25 percent or more of the time. Physicians' reputations are being unfairly tarnished using unscientific methodologies and calculations. Some physicians have even been placed in three different efficiency tiers by three different insurers based on calculations using **the same data**. Moreover, these inaccurate reports and erroneous physician assignments not only have the potential to harm patients and physicians, but they divert scarce resources from meaningful efforts to help physicians evaluate and address unwarranted variation in health care delivery.

For these reasons, the AMA and the undersigned state medical associations ask you and other health insurers to work with the AMA, and the physicians and state medical societies for each state in which you offer health coverage, to formally reevaluate your physician rating program(s) and demonstrate that they are reliable, accurate and valid; drive quality improvement efforts; and address the concerns raised in RAND's research findings. This reevaluation should include an external review and assessment of the program's misclassification rates by unbiased, qualified experts and also consider whether these programs or alternative strategies are needed to improve quality and system efficiency.

There are many other private and governmental entities that have a major stake in the operation of our health care system; however, we are asking you, and other insurers first, to work with us in this effort to specifically improve all of these aspects of physician profiling systems. We look forward to receiving your commitment and ideas to expedite this process as soon as possible.

Please contact Mr. Steve Ellwing, AMA's Director, Physician Practice Advocacy, at (312) 464-4367 or [steve.ellwing@ama-assn.org](mailto:steve.ellwing@ama-assn.org) and/or your state medical association to share your thoughts about ways in which we can work together to address these issues.

Medical Association of the State of Alabama  
Alaska State Medical Association  
American Medical Association  
Arkansas Medical Society  
California Medical Association  
Connecticut State Medical Society  
Medical Society of Delaware  
Medical Society of the District of Columbia  
Medical Association of Georgia  
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July 16, 2010  
Page 3

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Enclosure