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EDITORIAL

## A Rip-Off by Health Insurers?

Have health insurers been systematically cheating patients and doctors of fair reimbursement for medical services? That is the disturbing possibility raised by an investigation of the industry's arcane procedures for calculating "reasonable and customary" rates.

The investigation, by the New York State attorney general, Andrew Cuomo, and his staff, suggests that these procedures — used by major insurance companies to determine what they will pay when patients visit a doctor who is not in the company's network — may be rigged to shortchange the beneficiaries.

When patients visit an out-of-network doctor, insurers typically agree to pay 80 percent of the reasonable and customary rate charged by doctors in the same geographic area. The patient is stuck with the rest, and as any patient knows, that rate always seems to fall short of what their own doctor is charging. If the attorney general's investigators are right, we can understand why.

The numbers are mainly compiled by an obscure company known as Ingenix, which — as it turns out — is owned by UnitedHealth Group, one of the nation's largest health insurers. Ingenix collects billing information from UnitedHealth and other health care payers to compile a database that is then used by the insurers to determine out-of-network reimbursement rates.

This system is an invitation for abuse. UnitedHealth owns the company whose database will affect its costs and profitability, so both have a strong financial interest in keeping reimbursement rates low. Even Ingenix seems unwilling to stand behind its numbers. In licensing its database to insurers, it stresses that the data is "for informational purposes only" and does not imply anything about "reasonable and customary" charges. Yet that is precisely what the health insurers use the data for, as Ingenix knows, according to investigators.

Mr. Cuomo and the American Medical Association, which has a long-standing suit filed against Ingenix and various UnitedHealth companies, claim that the data is manipulated. They claim that health insurers and Ingenix disproportionately eliminate high charges, thus skewing the numbers for customary charges downward.

Mr. Cuomo also says that Ingenix pools the charges for services performed by low-paid nurses and physician assistants with those performed by high-paid doctors. And he says the company fails to account for the patient's condition and type of facility where the service was provided — factors that can drive up costs. He also contends that Ingenix uses outdated information, which would guarantee that reimbursement rates will always lag behind medical inflation.

The A.M.A.'s more detailed legal complaint also charges that the database dilutes prices in high-cost locations by combining them with low-cost areas, and includes prices that reflect in-network discounts.

The attorney general's investigators did their own survey and concluded that \$200 is the fair market rate in

New York City and Nassau County for a 15-minute consultation with a doctor for an illness of low to moderate severity. Ingenix, the investigators said, calculated the rate as \$77, of which United would pay \$62, leaving the patient to pay \$138. UnitedHealth disputes those numbers, so the attorney general will need to offer a fuller explanation of how they were derived.

Mr. Cuomo has announced his intention to sue UnitedHealth, Ingenix and three other subsidiaries, and has subpoenaed data from 16 other health insurers. Whatever that investigation unearths, it is already clear that the system for calculating "reasonable and customary" charges ought to be reformed by making it truly independent and objective. No consumer can reasonably trust numbers generated by a company whose loyalties and financial interests lie with the health insurers.

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