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## Putting Physicians at Financial Risk Might Reduce Misdiagnosis

By Ken Terry  
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**M**isdiagnosis leads to an estimated 371,000 deaths and 424,000 permanent disabilities in this country each year. I believe that market incentives may lie at the root of this problem. If so, changes in how we finance healthcare can help fix it.

Today, most U.S. healthcare is still paid for on a fee-for-service basis. This means that there is no financial penalty — other than a possible malpractice suit — for misdiagnosing a patient's health issue. Of course, doctors want to find the correct diagnosis as swiftly as possible, and health organizations want to minimize systemic errors such as performing the wrong test, misplacing specimens, or failing to report results in a timely manner. But most health systems do not prioritize the improvement of diagnostic accuracy, and physicians are not rewarded financially for raising the percentage of cases they diagnose correctly. In fact, cases that are incorrectly diagnosed, often causing harm to patients, increase healthcare revenues by requiring further care.

Another factor that blocks diagnostic improvement is the increasing corporatization of the U.S. healthcare system. Today, most doctors work for hospital systems, insurance companies or other corporate entities such as private equity firms. As a result, they must meet organizational goals for productivity, such as the number of patients they must see per hour or per day. They have limited flexibility to take into account the complexity of a patient's condition. Moreover, they must spend an inordinate amount of time documenting each encounter in their electronic health record. These



employment conditions may induce some physicians to speed through diagnoses faster than they'd like. Instead of taking time with a differential diagnosis, a busy doctor might assume that a patient's symptoms and signs point to a disease he/she has seen before in similar patients. Consequently, even if the test results are equivocal, he/she may settle on the preconceived diagnosis in the interest of saving time.

Theoretically, physicians in practices that assume financial risk should have a greater incentive to improve their diagnoses than those in fee-for-service groups. That's because these physicians benefit financially by keeping patients well and out of the hospital. It stands to reason that they'd want

to make sure they got the right diagnosis, not only for professional reasons, but also so that their patient wouldn't incur unnecessary healthcare expenses.

I'm not aware of any study that has compared rates of misdiagnosis in risk-taking and fee-for-service groups. It would be difficult to do, since most practices that assume risk do so for only a portion of their population, such as Medicare patients. But in an interview for a recent WebMD article on misdiagnosis, David Newman Toker, M.D., Ph.D., professor of neurology

and director of the Center for Diagnostic Excellence at Johns Hopkins Medicine, told me this:

**"If you get better bedside diagnosis, you reduce the false negatives for dangerous diseases, where you miss a stroke or an embolism or an aortic dissection, and you get the benefit of not working up all those unnecessary cases. So if you can improve diagnostic accuracy, you can win on quality and cost all the time."**

Of course, risk-taking groups are aware of this. Let's hope they're taking the logical next step to prioritize diagnostic accuracy.

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