Limited Network Health Plans and Network Adequacy

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Limited Networks Can Lower Cost (1)

• Identify which providers are lower cost or higher value
  – Opportunity to use broader measures of costs than unit prices
  – Measures can parallel payment reforms
• Steer volume to lower-cost providers
  – Negotiate lower unit prices with some providers
  – Strengthen provider incentives to lower costs
    • Develops with market-level use of approach
Limited Networks Can Lower Cost (2)

• Support integration in delivery
  – Limited networks critical to provider-led plans
    • Steer enrollees to delivery system’s providers
  – Approach began in 1990s
    • Abandoned when limited networks disappeared
Experience in Public Exchanges (from June 2014 McKinsey report)

- Narrow network plans available to 92 percent of consumers using ACA exchanges
  - Broad network plans available to 90 percent
  - Narrow network products account for 48 percent of the offerings (60 percent in metropolitan areas)
- Broad network offerings have premium increases 13-17 percent greater than narrow network offerings
Factors behind Growth of Limited Networks

• Increasing health spending in relation to income
  – Advancing technology and higher unit prices
  – Broad provider choice a luxury fewer can afford

• Development of public and private insurance exchanges
  – Freedom from one-size-fits-all requirements
  – Fixed contributions mean consumers spending own money for marginal cost of more expensive plan
  – Striking contrast to most employer-based coverage
Basic Tasks that Need to be Done Well (1)

- Accurate and accessible consumer information on network status of providers
  - Roles for plans and for exchanges
    - Strong tool used in FEHB, but few exchanges offer much
  - Monitoring of network provider capacity
    - Participation by some providers in multiple networks
- Recognition of subspecialties and attention to hospital admitting privileges
Basic Tasks that Need to be Done Well (2)

- Speedy exceptions mechanism for allowing a patient with highly specialized needs to meet them at network pricing
- Ensuring that broad network plans also available
Regulation of Network Adequacy (1)

• Need for regulation, but high cost for going too far

• Key needs
  – Ensuring that the basic tasks done well
    • Transparency
  – Prevent risk selection strategies based on poor coverage of some specialties
  – Consumer protection: preclude networks that few informed consumers would find acceptable
Regulation of Network Adequacy (2)

• The dangers
  – Disarming the most powerful market tool to address increasing provider leverage
    • Substantial implications for health spending, especially for lower-income consumers
    • Interfering with steps towards clinical integration
Regulation of Network Adequacy (3)

- The politics
  - Inevitable pressure from providers to be included in narrow networks
    - Pediatric hospitals have been most outspoken
    - AWP laws (many date to 1980s) seem particularly misguided response to pressure
  - But in contrast to 1990s, consumers see a stake in having lower-cost products available as a choice
    - Federal government also has stake in silver plan premiums