#NetworkAdequacy

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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

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