BENEFITS INSIGHTS

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Examining Narrow Provider Networks

In recent years, narrow networks have gained popularity. Narrow networks are health plans that offer their subscribers a limited choice in health care providers. Health plans contract with a small group of doctors, specialists and hospitals, and those entities are then considered in-network.

Because all plan participants are directed toward certain facilities and physicians, these providers can then reduce the cost for each visit and service—operating under the idea of "buying in bulk." This, in turn, results in lower premiums for the consumer and cost savings for insurers.

Why are narrow networks becoming more popular?

Narrow networks have been around long before the Affordable Care Act (ACA). In fact, 23 percent of employer-sponsored health plans offered narrow networks in 2012. However, their popularity has accelerated since the ACA was signed into law and the Health Insurance Marketplace was created.

Since insurers can no longer compete to cover the healthiest group of individuals or raise deductibles past the ACA's limits, some have turned to narrow networks as a way to manage expenses. According to a study by McKinsey & Co., a consulting firm, 70 percent of the plans sold on the Marketplace in 2014 featured a limited network. Premiums for those plans were 17 percent cheaper than those with wider networks. In this study, narrow networks were considered those that had at least 30 percent of the 20 largest hospitals in the region not participating in the plan.

Benefits of Narrow Networks

As outlined above, lower premiums are one of the major benefits of narrow networks. The following are other potential benefits:

- **Lower Costs**—There is huge variation in health care prices in the United States. A hip surgery at one hospital can cost $8,000, but at another hospital in the area it may cost $15,000. By narrowing networks and only signing contracts with select providers, employers can direct employees to providers in the $8,000 range and reduce expenses.
- **Improve the care relationship**—Narrow networks allow doctors to get to know their patients better. These doctors may all use the same electronic medical

Many insurers and employers are turning to narrow networks as a way to reduce costs. Narrow networks offer participants a limited choice in health care providers in exchange for lower monthly premiums.

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record system—allowing for the quick sharing of important medical information among health care providers. This can enhance care coordination and improve outcomes.

- **Greater consumer awareness**—As health care consumerism continues to grow, narrow networks offer individuals the opportunity to take control of their health care. It allows employees to better understand and budget for their health care expenses.

Disadvantages of Narrow Networks

Despite these benefits, many people have concerns about narrow networks and their long-term success. Below are a few disadvantages of offering plans with a narrow network:

- **Inadequate access**—Narrow networks have been criticized for being too restrictive. For instance, some employees may have been going to the same primary care doctor for years, but all of a sudden, they have to change doctors and find a new in-network provider. In addition, some narrow networks exclude children's hospitals and cancer treatment centers due to their high costs, which may cause employee dissatisfaction.
- **Surprise out-of-network bills—**Despite their efforts to lower costs, oftentimes individuals in narrow network plans are left with surprise out-of-network bills. This can be due to a multitude of reasons, such as out-of-date provider directories or patients getting inaccurate information about a doctor's in-network status when making an appointment or scheduling a surgery. Furthermore, many hospitals contract out for emergency physicians, radiologists and anesthesiologists. So while a hospital may be in-network, the doctors performing a certain surgery may not be, resulting in huge out-of-network bills that can blindside your employees.
- **Similarity to health maintenance organizations (HMOs**)—Some experts have compared narrow network plans to HMOs, which resulted in employee backlash in the 1990s. While HMOs are still around, they have fallen in popularity due to their perceived care limitations. Some experts believe that narrow network plans will follow a similar course.
- **Rural care**—Narrow networks may not be as effective in rural areas. Oftentimes there are not enough in-network providers, resulting in long wait times or employees having to drive a long way to see an in-network doctor. For instance, Montana's insurance commissioner urged insurers to sell plans that included at least 80 percent of providers in its state, since the 30 percent federal standard could result in patients having to travel 400 miles away for in-network care.
- **Legal issues**—While state and local laws on narrow networks vary and remain vague, the potential for future legal repercussions remains. Several hospitals are suing insurers over allegations of being wrongly excluded from their state's marketplace. In addition, some states are considering legislation regarding limiting surprise out-of-network bills and network restrictions.

What to Consider

If you're thinking about switching to a narrow network, communication and education will be key. The challenge is to overcome the perception that a narrow network means less

access to care and lower quality services. Instead, you must stress that it is a way to empower employees and improve care management. One way to do this is to highlight providers in your network who are high-performers or who have won distinguished awards.

In addition, educating your employees about network restrictions is imperative. Provider directories must be kept up to date, and employees should have an easy and convenient way to access this information. Transparency about access and costs is key, since failing to provide accurate information could result in surprise out-of-network bills. Employees that are stressed about their health and finances are more likely to miss work, be less productive and make mistakes on the job.

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