



Robert Wood Johnson
Foundation

National Network Trends

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Tiered and Narrow Networks, the New Frontier in Health Insurance:
Implications for New Jersey's Regulatory Framework

October 18, 2016

New Brunswick, NJ

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Historical context: Growth of tiered networks was predicted

- ACA created incentives for new focus on provider networks
- Increased regulation along with emergence of direct-to-consumer market
- More standardization along with increased need to compete on price.
- Individual market as “frontier” for group.

“When you think about all the risk-selection elements and pricing removed from the market, where are carriers going to compete? They’re going to compete on their networks. That’s what is left to them.”

Actuary David Shea, quoted in:

“Blues increasingly Turn to Tiered Networks to Compete in Transparent 2014 Market”

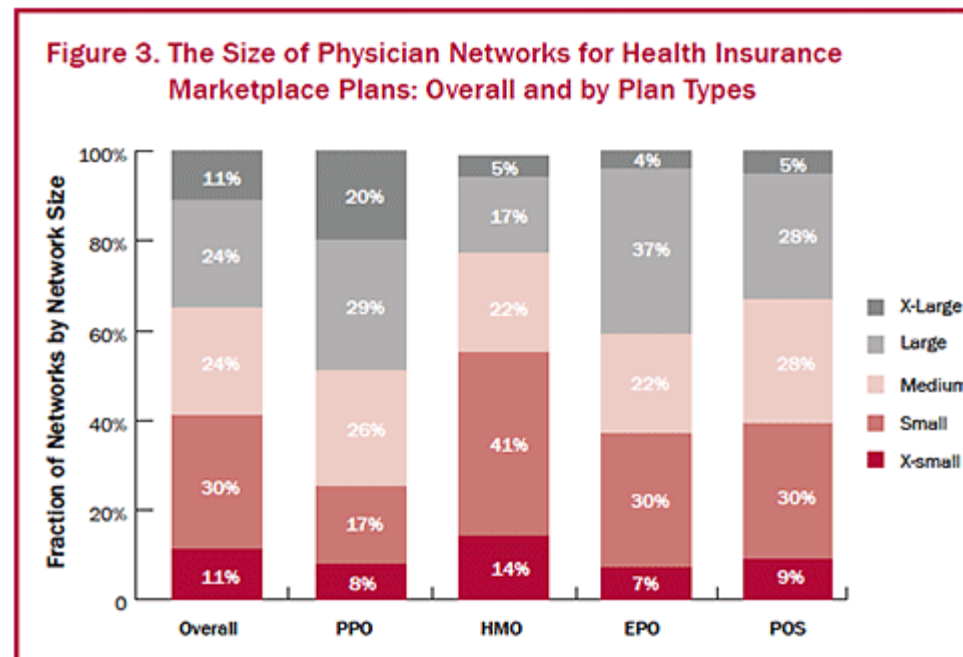
Health Business Daily, April 2013

What trends have we seen?

- On-exchange Individual market - since 2014:
 - Increase in “closed” or managed plans - HMO and EPO
 - Trend toward less generous OON benefits within PPOs
 - Growth of narrower provider networks
 - Changes in benefit design
 - higher deductibles,
 - more care subject to deductible
 - Tiered networks

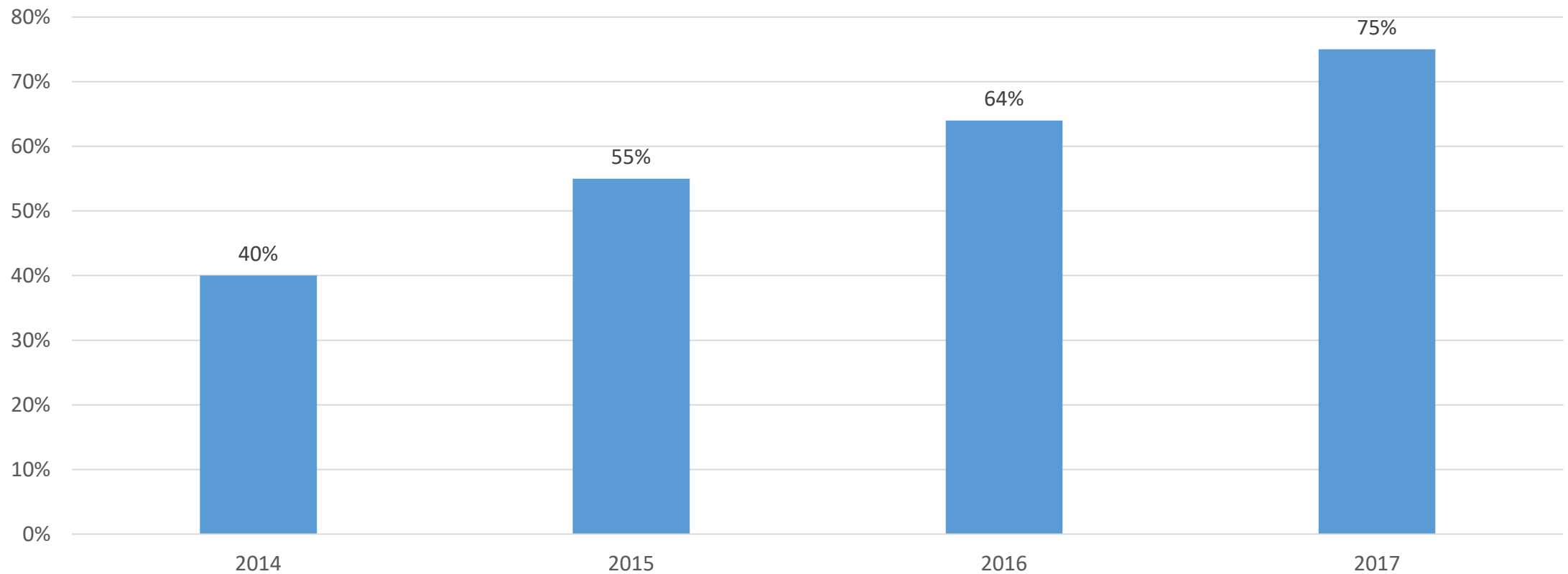
Prevalence of narrow networks

- 2014: 40% of ACA networks are “small” or “extra small”
 - 55% of HMOs and 25% of PPOs
 - Based on percent of area providers that are included
 - Research by Dan Polsky, et al Leonard Davis Institute (LDI)



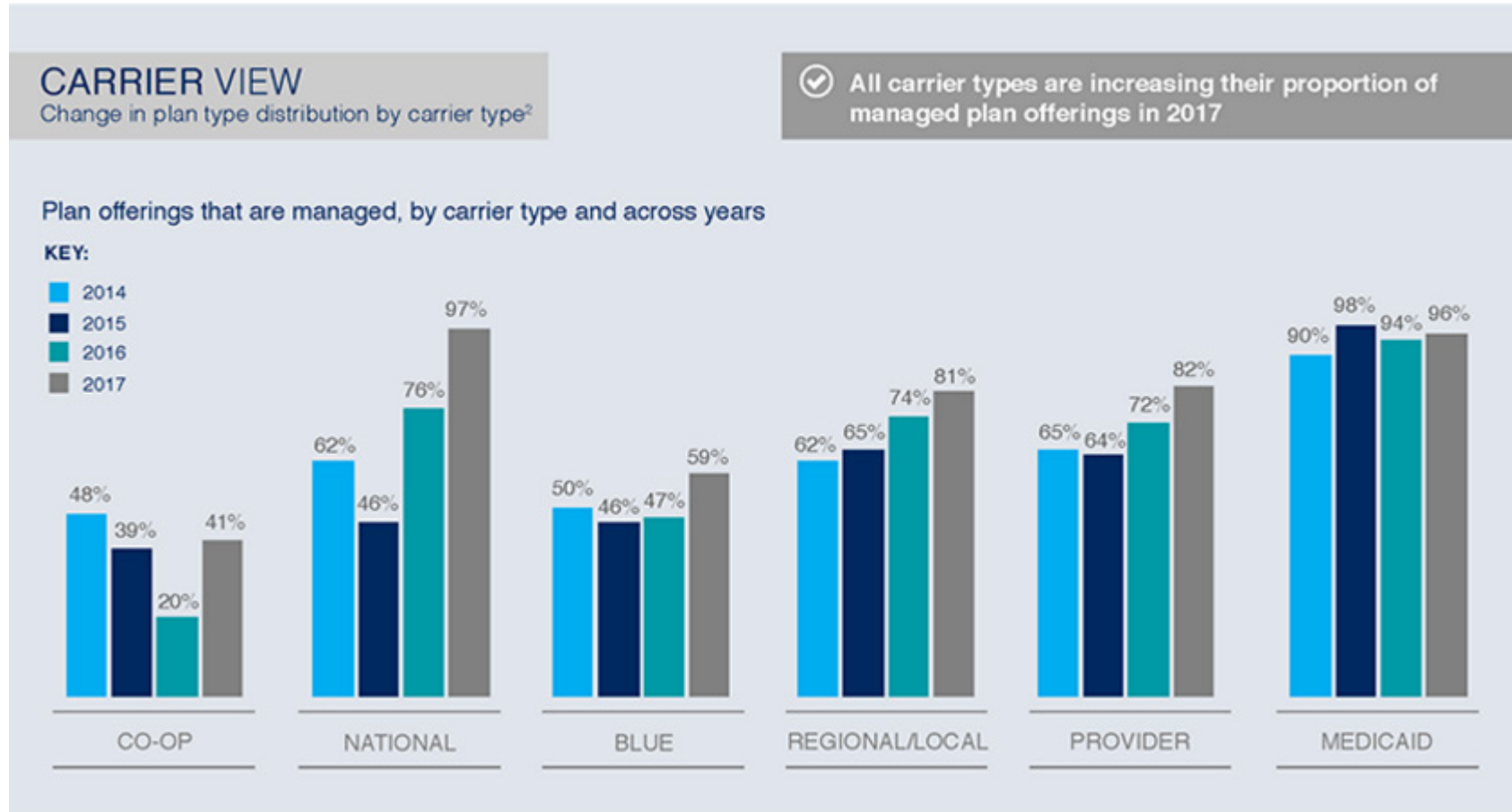
Increasing prevalence of narrow networks in marketplace plans selective exits may accelerate in 2017

Percent of ACA on-exchange plans that are Narrow Networks



Different definitions 2015-2016, 2017 estimate – McKinsey

Mckinsey: % of plans that are “managed” increasing among all carriers



Narrow networks are cheaper

- 2014: LDI - narrow networks are 6.7% cheaper than large networks
- Savings of \$212-339 per year – depending on family size
- McKinsey – price increases of HMO/EPO half as large as PPO/POS
- Selection effect:

“It's very difficult to be the only company in the market that has a PPO offering...”

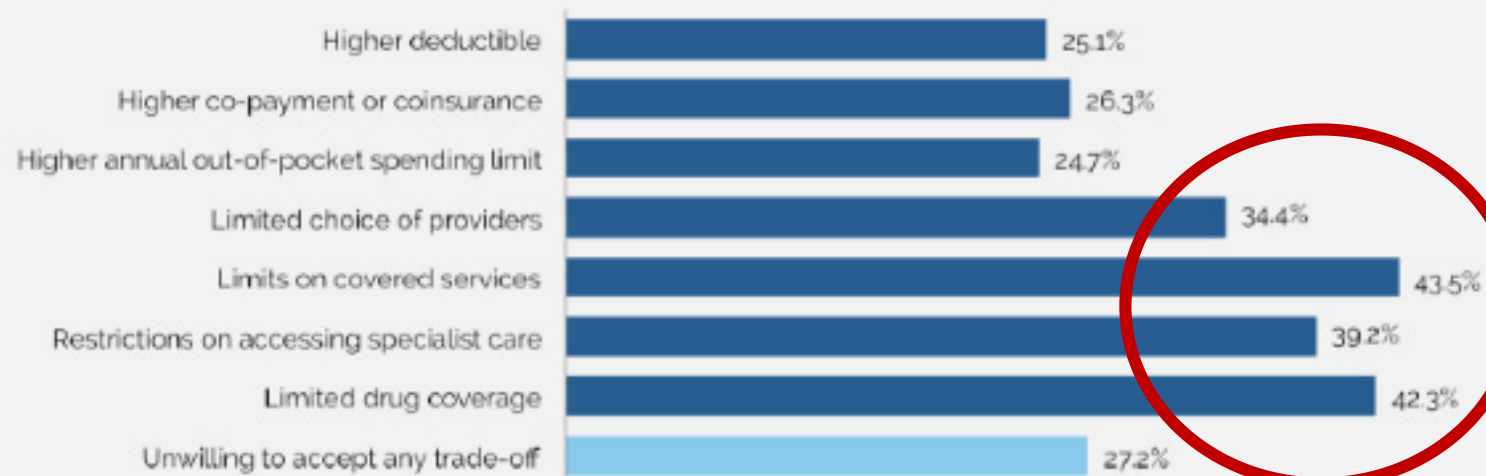
- Carl McDonald, SVP Health Care Services Corporation (HCSC)

Consumer preferences

- Many surveys find - consumers are willing to trade provider access for lower prices
- Example - McKinsey survey:
 - > Half of consumers value lowest price most
 - Only 12% value losing access to providers

Health Reform Monitoring Survey

Figure 1. Exchange Target Population Willingness to Accept Trade-Offs in Order to Pay a Lower Premium



Emerging evidence on narrow networks

- Not all narrow networks are the same
- MA: Gruber/McNight – MA Group Insurance Commission
 - Experimental conditions – narrow network enrollees spent 36% less
 - Selection effect, but also more efficient use of system, lower costs per visit, no gap in quality
 - Travel time to PC low
- CA: Haeder et al, Secret shopper study of Covered CA plans –low ability to make appointments with PC

As a consumer issue...
NAIC and some states addressing network adequacy
CMS Network Breadth Pilot...6 states...delayed...

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



Date: August 19, 2016
Title: Network Breadth Pilot
Subject: CMS Bulletin on Network Breadth Information for Qualified Health Plans on Healthcare.gov

I. Purpose

The Centers for Medicare & Medicaid Services (CMS) is releasing this bulletin to announce that, during the open enrollment period for the 2017 coverage year, information on the relative size of provider networks will display for plans in a limited number of states on Healthcare.gov. The

Good financial performance of many Blues tied to narrow networks

“How some Blues made the ACA work while others failed”

Bob Herman

MH, October 15, 2016

Best

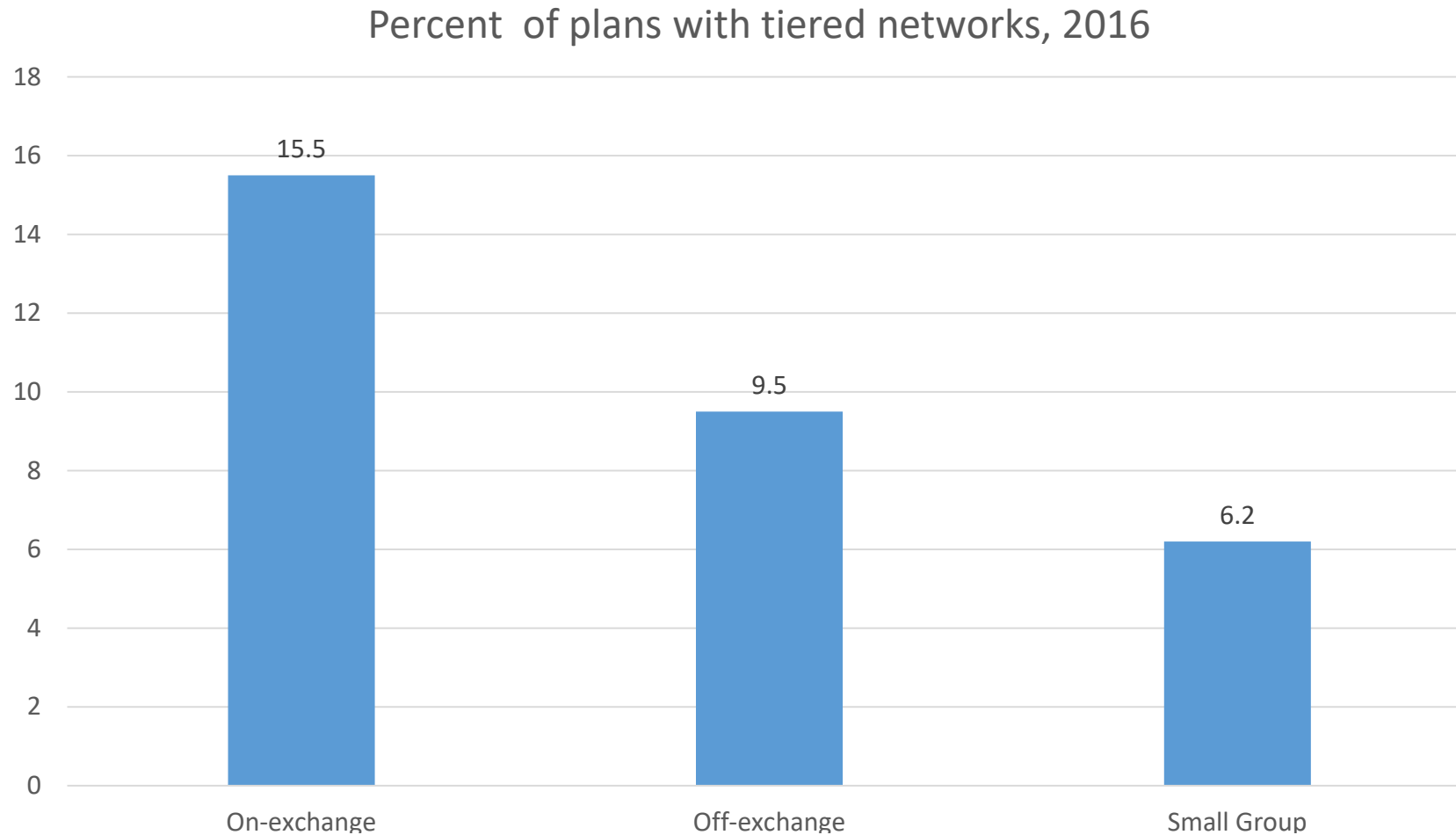
Company or subsidiary	States covered	Individual underwriting margin	Individual gain/loss (millions)
Excellus Blue Cross and Blue Shield	Western/central New York	22.6%	\$60.8
Horizon Blue Cross and Blue Shield of New Jersey	New Jersey	17.9%	\$142.4
Florida Blue PPO	Florida	17.0%	\$471.1
Michigan Blue Care Network	Michigan	16.9%	\$83.4
HealthNow New York	Western/northeast New York	16.7%	\$8.1

Worst

Company or subsidiary	States covered	Individual underwriting margin	Individual gain/loss (millions)
Highmark	Delaware, Pennsylvania West Virginia	-39.3%	-\$293.5
Blue Cross and Blue Shield of Minnesota PPO	Minnesota	-34.8%	-\$280.1
Blue Cross and Blue Shield of Minnesota HMO	Minnesota	-30.8%	-\$8.5
Blue Cross and Blue Shield of Tennessee	Tennessee	-22.6%	-\$195.7
Blue Cross and Blue Shield of Alabama	Alabama	-21.2%	-\$169.7

What about tiers?

Tiered networks are less common than narrow networks in ACA-compliant plans

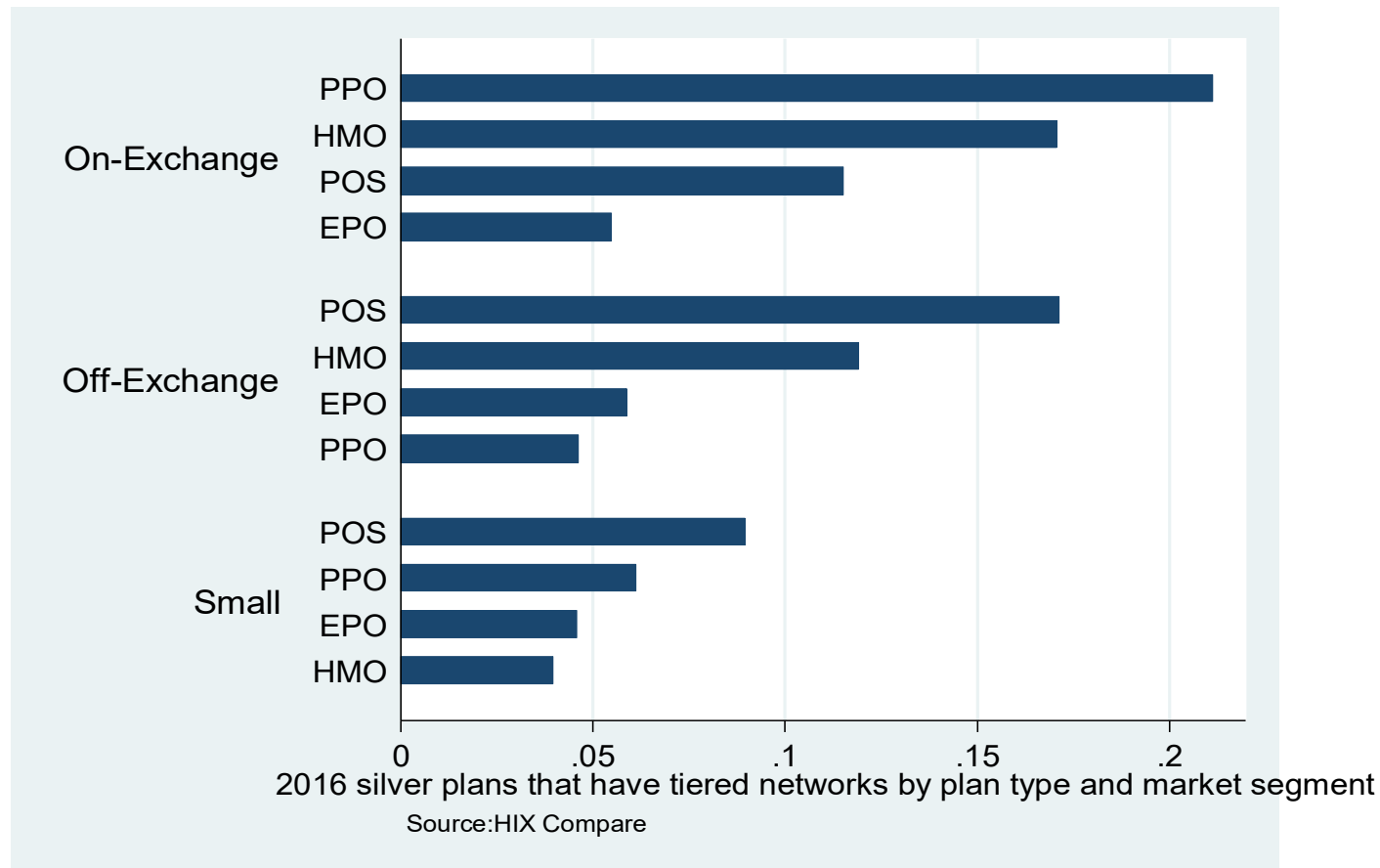


Source: HIX Compare, RWJF

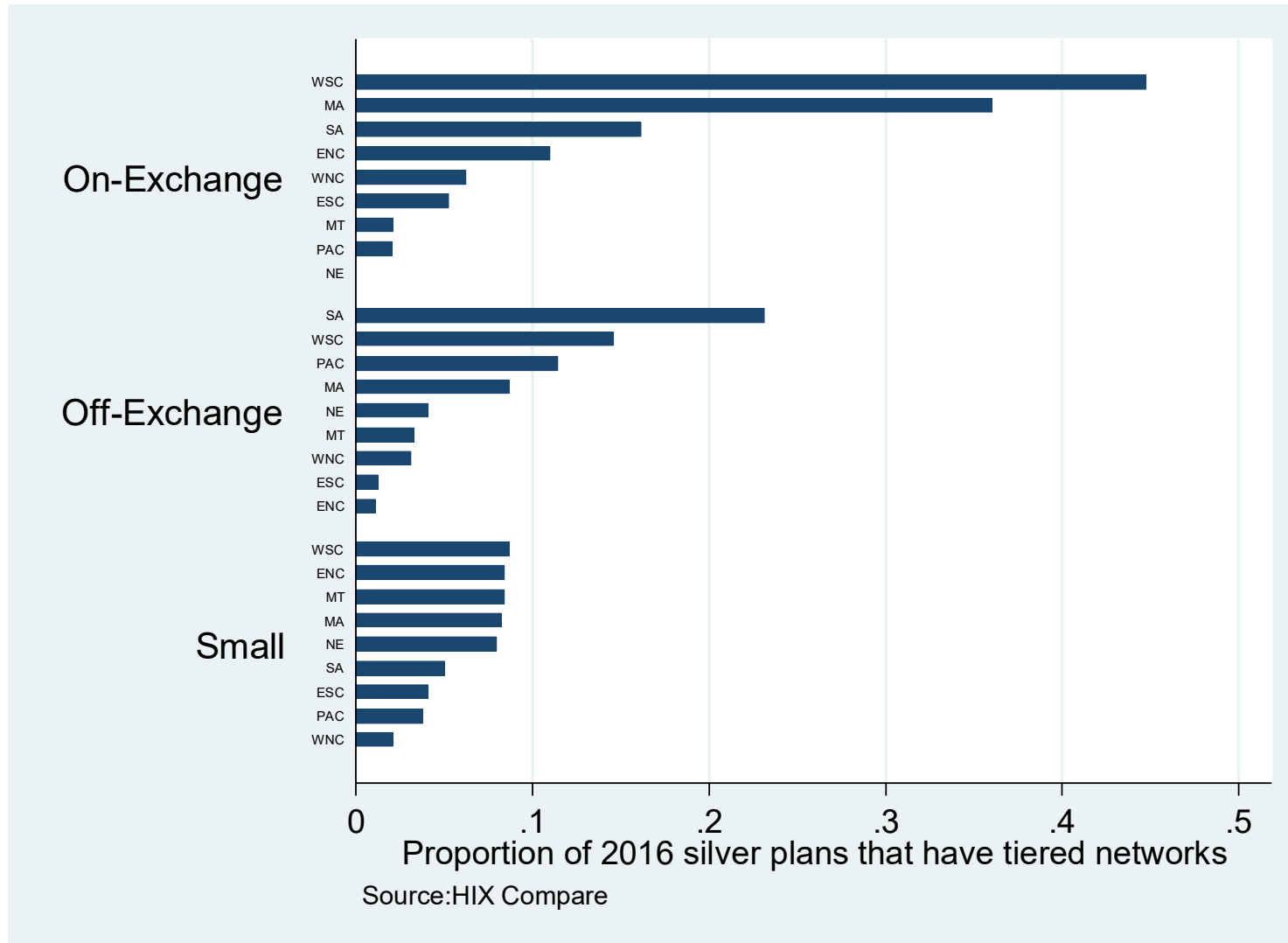
Gold plans most likely to have tiers

- On-exchange – 17%
- Off-exchange -13%
- Small group – 8%

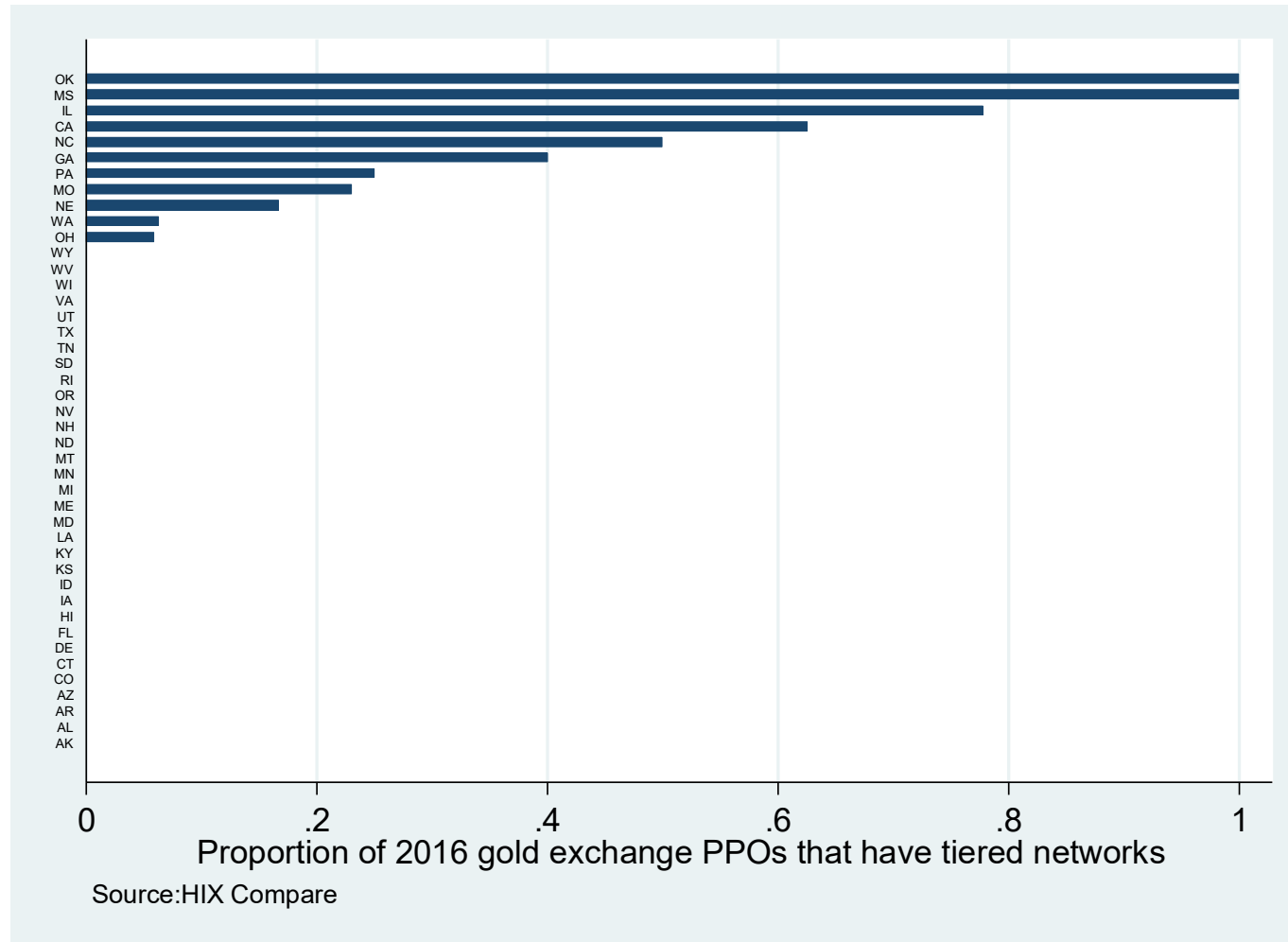
Some difference in plan type by market segment



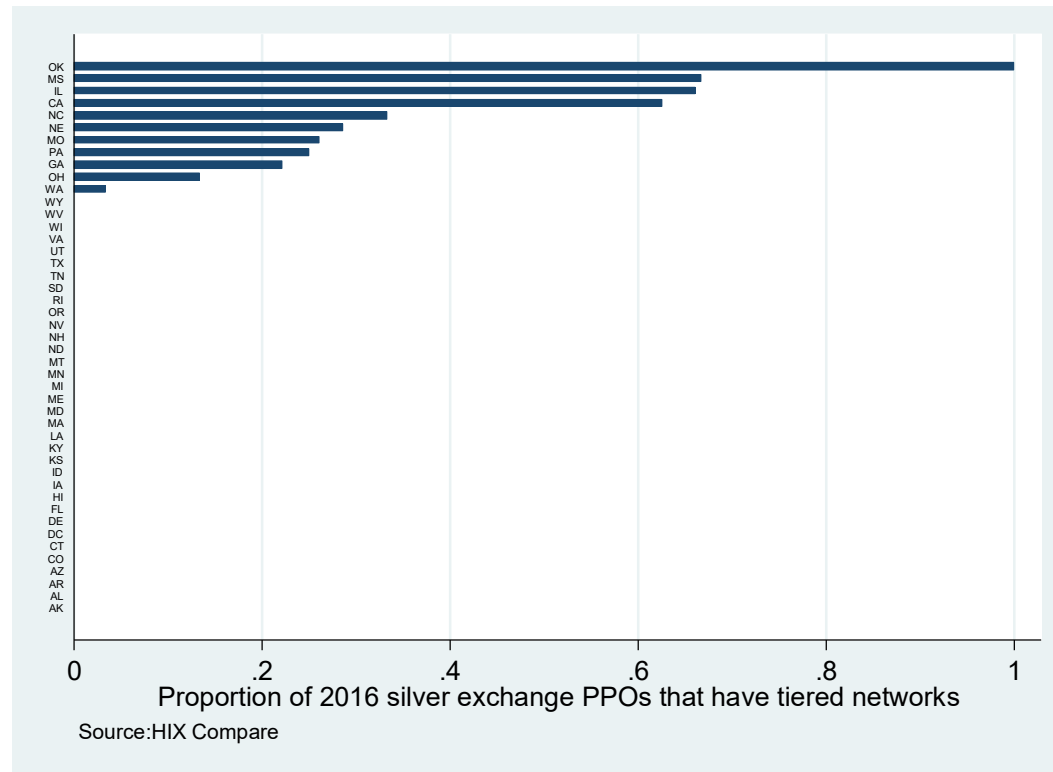
Regional variation



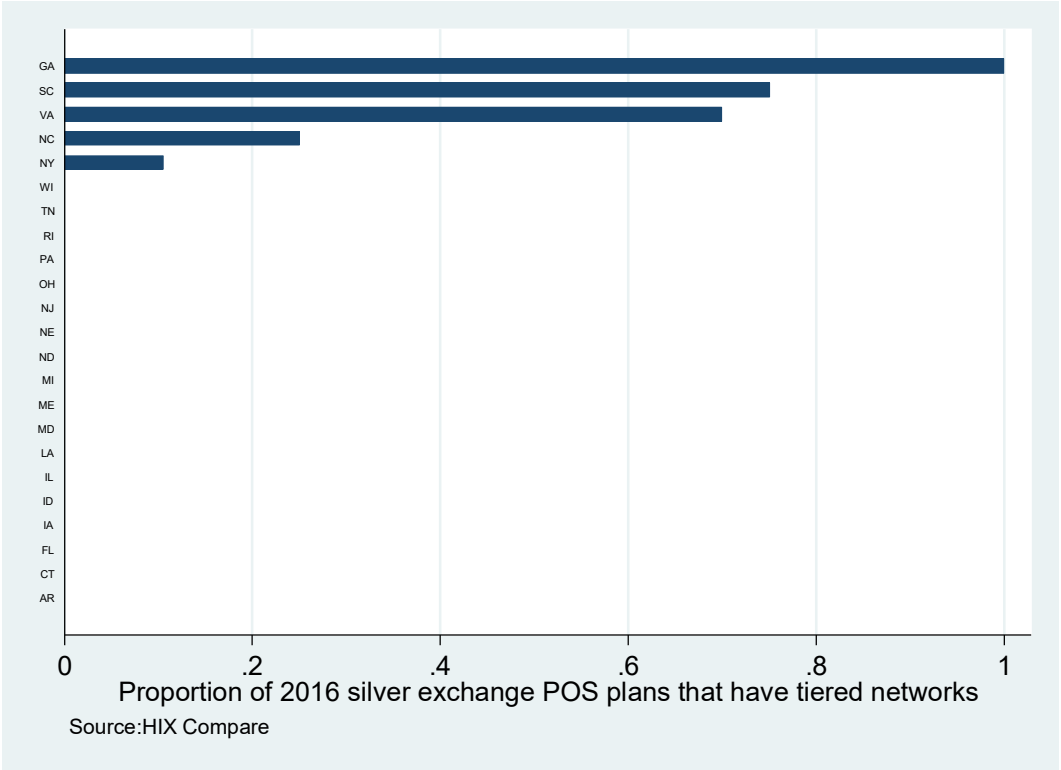
Highly concentrated in a few states



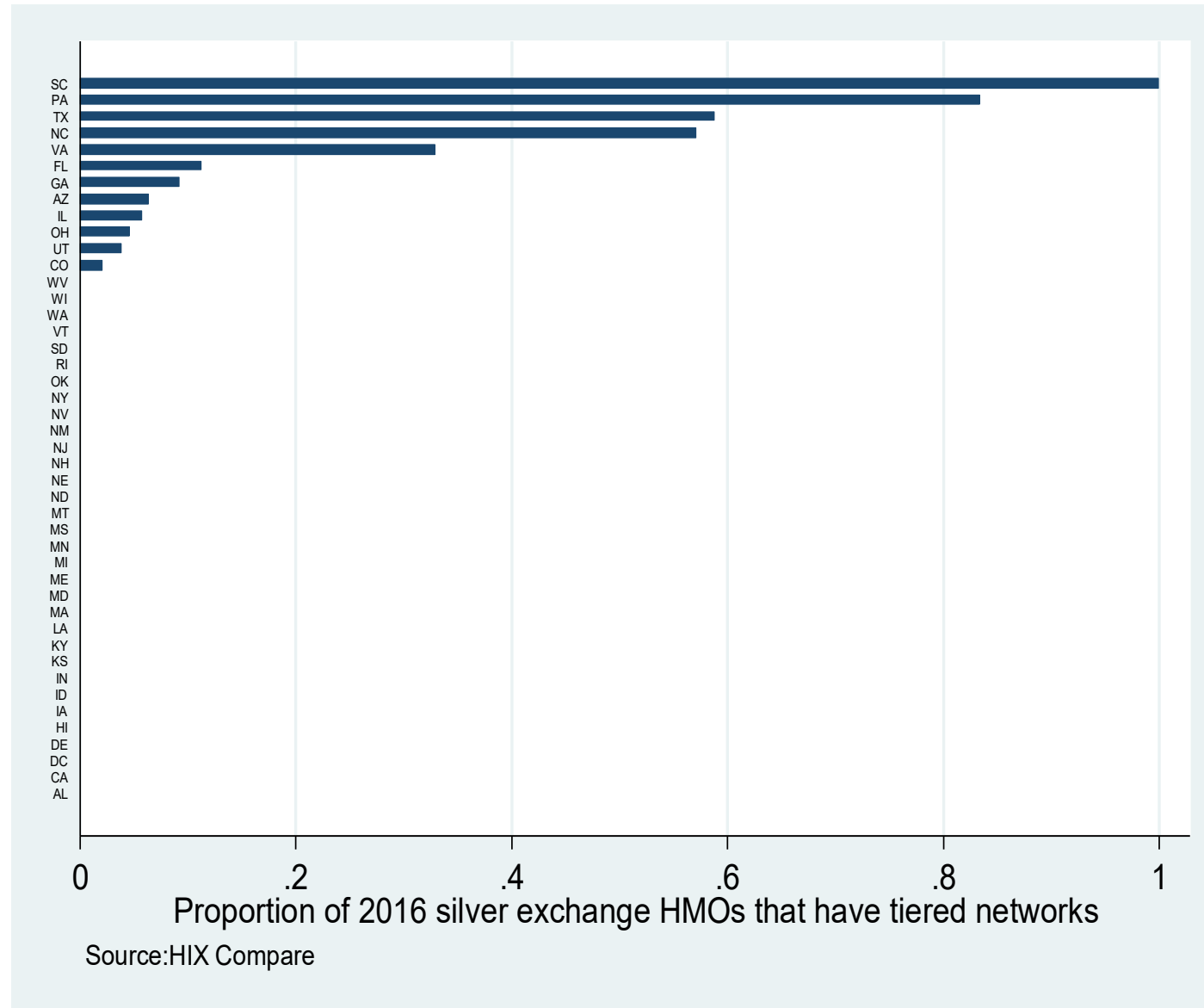
Silver PPOs



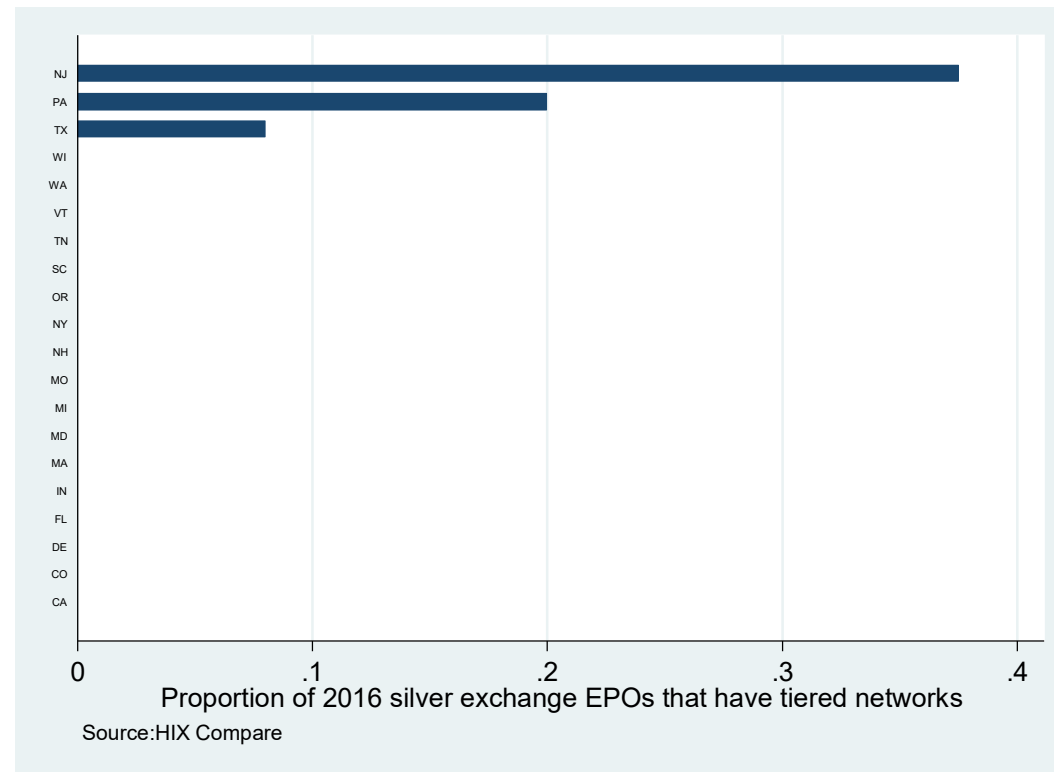
Silver POS



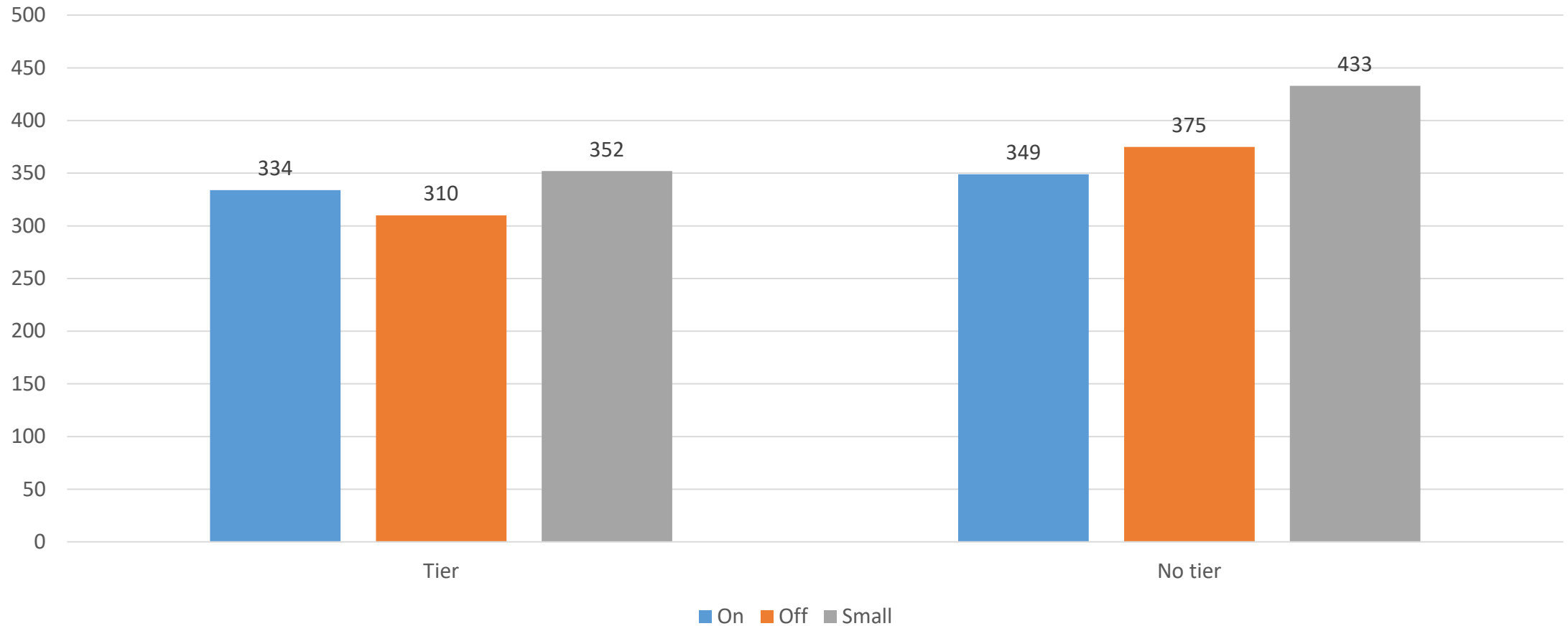
HMOs



Silver EPOs with tiers



Premiums for gold PPOs by market segment



Source: HIX Compare, RWJF

Hard to compare plans – many dimensions

- Relative size of two networks
- Differences in cost-sharing/deductible by tier
- Much variation in benefit design and cost sharing within categories

Why aren't tiers more common?

- Difficulty in network formation/small market?
- Change in plan type away from PPO and POS?
- Financial problems – reduce exposure?
- Consumers willing to buy narrow network HMO/EPO?
- Will tiers become more or less common?

Not all tiered networks are the same

- Relative size of two networks
- Plan design
- Method by which members of tier are selected
- Relationship/ degree of Integration between payer and provider
- Spectrum:
 - List of providers who meet benchmarks (BCBS NC)
 - Providers at risk (Anthem/Franciscan ACO Alliance)
 - Providers and payer collaborate on new enterprise: Innovation Health (Aetna and Innova)