NARROW NETWORKS & EMPLOYER-SPONSORED INSURANCE:

HAVEN’T I SEEN THIS MOVIE BEFORE AND IT DIDN’T HAVE A HAPPY ENDING?
Will the Differences This Time Around Lead to a Different Ending?

What might make a difference
- Quality along with cost is being used to form the networks
- Consumers in general are better educated about healthcare costs and the need for trade-offs
- The sector is more prepared for the change: accreditation programs for narrow networks, e.g., NCQA are already in play, etc.
- Insurance exchanges make the savings more explicit

What probably won’t be any different
- Disenfranchised hospitals and physicians will see an economic threat and not agree with metrics
- Politicians are still likely to see more gain from siding blindly with consumers than managing costs
- Execution errors by network developers – provider friction, inadequate messaging to enrollees, inaccurate provider directories – will cause unnecessary negativity
- Lack of choice feels differently when you or your family get a bad diagnosis

Two phenomenon that could be game-changers
- There is choice: people have the freedom to buy up for more access
- If costs remain sufficiently high people will accept less choice for lower price
ESI-covered individuals significantly less likely to choose narrow networks

Employer Actions to Minimize the Impact of the Excise Tax

- Add or expand tools to encourage plan participants to be better consumers: 73%
- Implement or expand account-based CDHPs: 57%
- Add or expand incentives/disincentives to engage employees in wellness programs: 53%
- Increase employee cost sharing: 42%
- Reduce spousal subsidy or implement spousal surcharge: 37%
- Eliminate high cost plans: 33%
- Add or expand high performance networks, ACOs, PCMHs or similar delivery models: 27%
- Move to a defined contribution model: 10%

Note: Respondents were allowed to select more than one option. Other responses included: benefit changes to drive low cost consumer choices.
Moderating Costs Will Freeze All Tough Decisions

Cumulative Average Premium Increases for Employer-provided Family Coverage over Three Five-year Periods from 1999 to 2014


(1) Premium change is statistically different from previous, shown (P<.05).
Will There Be A Different Ending This Time?

Yes, but more of a whimper than a bang

- Narrow networks will survive - but they will be purchased by the most price-sensitive consumers
- They won’t grow as fast outside the exchanges– ESI will see a slow migration
- Growth in ESI will be driven by move to private exchanges
- The pace of growth will be largely determined by healthcare inflation overall

Two final cultural caveats

- Never underestimate how much choice means to Americans
- It’s hard to underestimate what restricted choice means until you’re really ill and most people aren’t ill most of the time