

# Narrow Network Insurance Plans




*Image courtesy of [www.nytimes.com](http://www.nytimes.com)*

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Aparna Soni, PhD

American University

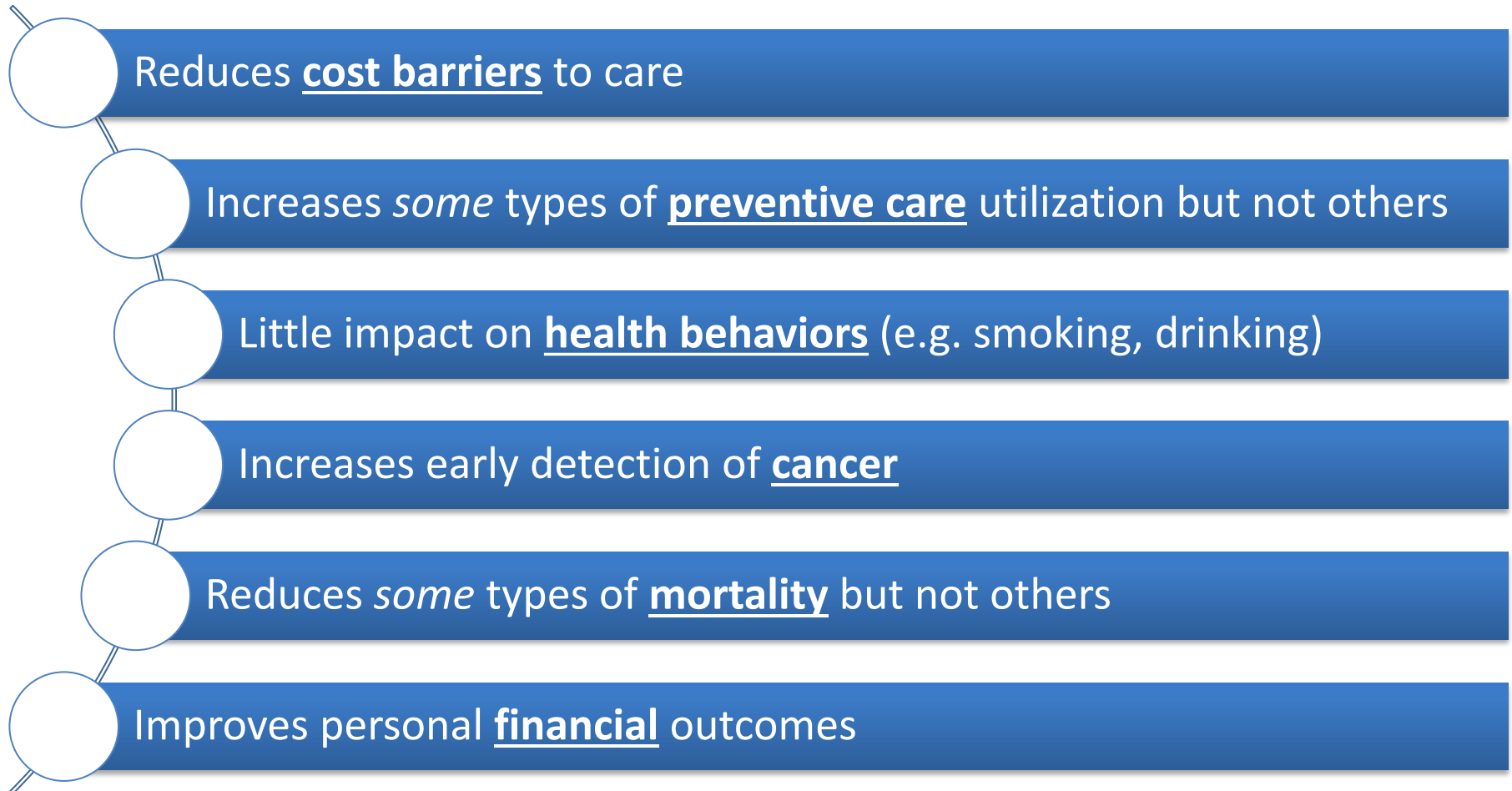
 [asoni@american.edu](mailto:asoni@american.edu)

 [@AparnaSoni7](https://twitter.com/AparnaSoni7)

 [www.AparnaSoni.com](http://www.AparnaSoni.com)



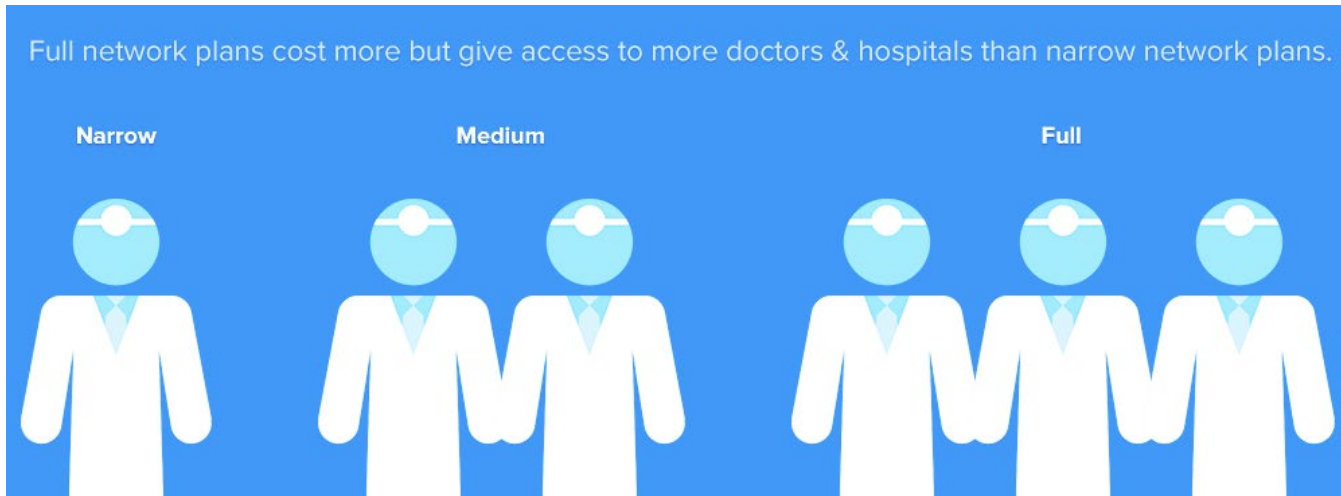
# What Does Health Insurance Do?\*



**BUT...the impact of insurance coverage depends on the quality of the plan!**

\*See slide 9 for references.

# Networks are a product of insurer-provider negotiations.



*Image courtesy of [www.benefitscave.com](http://www.benefitscave.com)*

Narrower  
network

Providers face  
less competition

Insurer offer  
smaller  
reimbursement  
rates to providers

Lower premiums,  
and less provider  
choice/coverage,  
for patients.

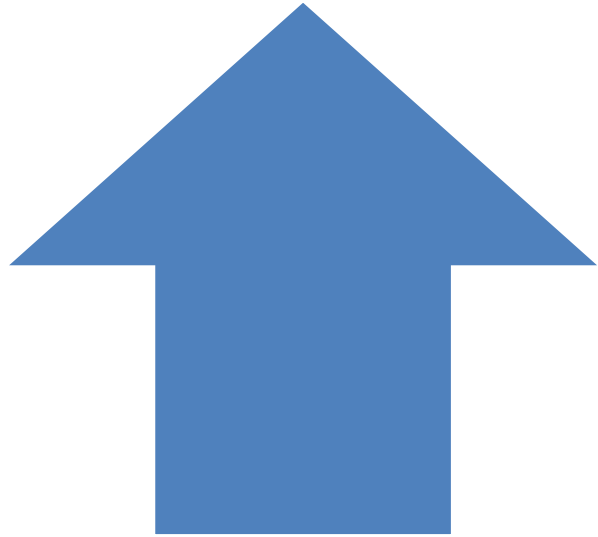
# Narrow network plans are growing rapidly.\*

- In employer-based insurance
  - Narrow networks made up 15% of plans in 2007 and 23% in 2012.
- In the individual market
  - 75% of ACA marketplace plans have narrow networks
- In Medicare Advantage
  - 35% of enrollees have narrow physician networks
  - 16% of enrollees have narrow hospital networks

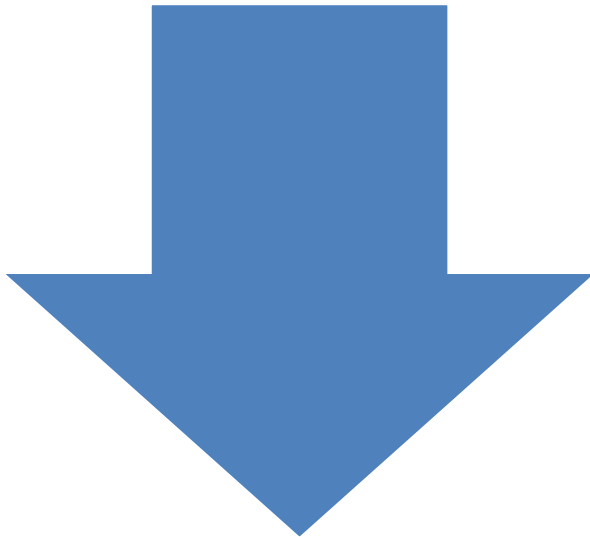
\*Graves, J. A., Nshuti, L., Everson, J., Richards, M., Buntin, M., Nikpay, S., ... & Polsky, D. (2020). Breadth and Exclusivity of Hospital and Physician Networks in US Insurance Markets. JAMA network open, 3(12), e2029419-e2029419.

\*Jacobson, G., Trilling, A., Neuman, T., Damico, A., & Gold, M. (2016). Medicare advantage hospital networks: How much do they vary?. Menlo Park, CA: Kaiser Family Foundation.

# Impacts of Narrow Network Plans on Patients\*



-Surprise billing



-Premiums & total spending

-Specialty & hospital utilization

-Provider choice, especially for mental health

\*See slide 10 for references.

# Are patients aware of network size when selecting plan?\*

- Historically, consumers focus more on premiums and cost sharing and **tend to ignore non-salient product characteristics** like network composition, drug formularies, etc.
- Average Marketplace consumer in California is **willing to pay \$46 per month for a broad network plan** (as opposed to narrow network)

\*Abraham, J., Drake, C., Sacks, D. W., & Simon, K. (2017). Demand for health insurance marketplace plans was highly elastic in 2014–2015. *Economics Letters*, 159, 69-73.

\*Drake, C. (2019). What are consumers willing to pay for a broad network health plan?: Evidence from covered California. *Journal of health economics*, 65, 63-77.

# Current Regulations Regarding Network Sizes

- Mostly at the state level
- Coverage
  - ACA requires that marketplace plans maintain a provider network that is “**sufficient**” in numbers and types of providers, including providers that specialize in **mental health and substance abuse services**, to assure that all services will be accessible **without unreasonable delay.**”
  - Cannot charge out-of-network prices for **emergency** services.
- Transparency
  - ACA requires that the plan’s **network directory** must be available online and in hard copy upon request.

# The Bottom Line

## Narrow network plans...

- Reduce insurers' costs – some of which is passed to consumer in the form of lower premiums.
  - Do not affect primary care utilization.
  - Reduce utilization of specialty and hospital care.
  - Increase surprise billing.
  - Reduce health spending overall.
- Challenges for regulators
    - Balancing affordability with quality of care
    - Increasing transparency



# Peer-Reviewed Studies on What Health Insurance Does\*

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\*A non-exhaustive list

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