

Thoughts on Narrow Networks

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Advantages

- Lower provider prices
 - Narrow networks increase plan negotiating power
- Improve practice efficiency
 - Narrow networks allow exclusion of inefficient physicians (or encourages improved efficiency)
- Improve appropriability of managerial interventions

Spillovers

- Examined effects in on Medicare beneficiaries for practices that joined a commercial bundled payment initiative (AQC)
- AQC was associated with lower spending, but not improved quality for Medicare beneficiaries
 - Total quarterly spending per beneficiary dropped from \$150 to \$51 in year 2 of exposure of practice to the AQC

Concerns

■ Quality/ access

- Will chosen providers be less expensive but lower quality
- Will there be incentives to stint on care
- Will beneficiary access diminish

■ Lock in

- Beneficiaries less willing to switch plans