Consumer Information and Narrow Networks

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Consumer Information and Narrow Networks

- In general, constructing and presenting information about an entire insurance provider network is difficult for the <u>purpose of</u> <u>consumer plan choice</u>
 - Summarizing information about network breadth / scope in simple measures may not convey that much information
 - ➤ If healthy ex ante, consumers may not benefit much from targeted searching (apart from primary care doctor)
- Once enrolled, consumers can also have substantial difficulty identifying in-network providers
 - Complex search process, often with high transaction costs
 - Sometimes seems impossible at point of care (recent NYT article)
- Targeted search issues should already have been solved and there is substantial room for improvement. Broad / ex ante representation of narrow networks to consumers is harder

Example: Covered California

- Blue Shield plan in Covered California
- Substantial details on cost sharing provisions
- No detail at all on provider network on any dimension
- Instead, must search externally, and take many steps to get any information at all (though no summary measures)

STANDARD BENEFITS FOR INDIVIDUALS	
Key benefits	Bronze 60 Health Savings Account
Individual Deductible	\$4500 deductible for medical & drugs
Family Deductible	\$9,000 deductible
Preventative Care Copay ¹	no cost at least 1 yearly visit
Primary Care Visit Copay	40%
Specialty Care Visit Copay	40%
Urgent Care Visit Copay	40%
Generic Medication Copay	40%
Lab Testing Copay	40%
X-Ray Copay	40%
Emergency Room Copay	40%
High cost and infrequent services (e.g. Hospital Stay)	40% of your plan's
	negotiated rate
Preferred brand copay after Drug Deductible (if any)	40%
Maximum Out-of-Pocket For One	\$6,350
Maximum Out-of-Pocket For Family	\$12,700
¹ in-network only	

Call Us: 1-888-626-6780 [TTY (888) 595-0000]

If you have additional questions about finding a plan, please call Blue Shield at 1-888-626-6780 [TTY (888) 595-0000] 8 a.m. to 5:30 p.m. Monday through Friday or contact your local authorized broker.

Is your Doctor in our network? Find a doctor
If you're already a Blue Shield member, visit www.blueshieldca.com

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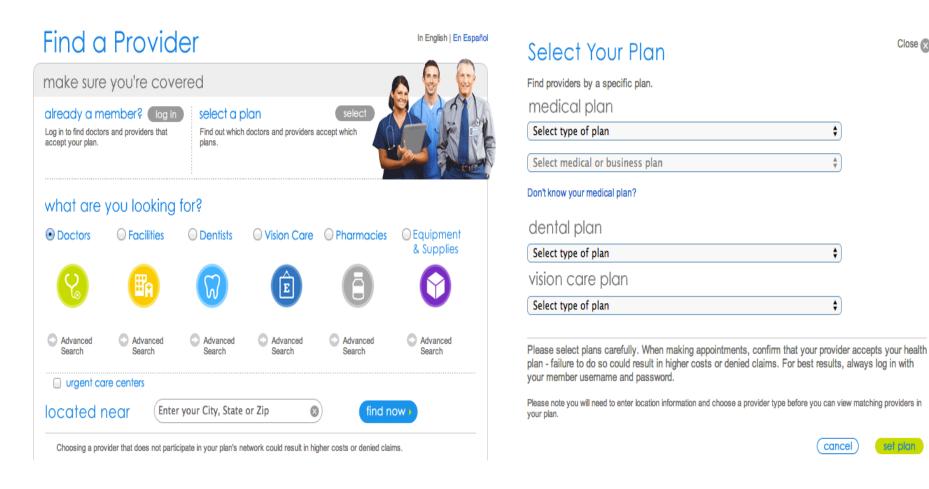
*Although most individuals who enroll in an HSA-compatible high deductible health plan (HDHP) are eligible to open a Health Savings Account (HSA), your clients should consult with a financial adviser to determine if an HSA/HDHP is a good financial fit for them. Blue Shield does not offer tax advice or HSAs. HSAs are offered through financial institutions. For more information about HSAs, eligibility, and the law's current provisions, your clients should ask their financial or tax adviser.

Close 🕟

set plan

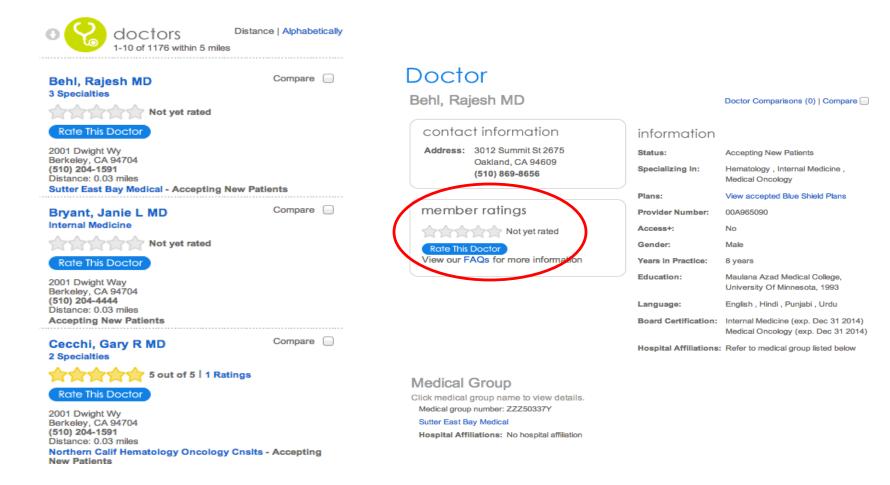
Example: Covered California

Once you reach search page, select plan from long list of plans



Example: Covered California

 Once you actually get to place you can search, only targeted searches possible at all and limited information on each provider



Evidence

Information:

- McKinsey 2014 survey on ACA exchange purchase finds 26% of consumers don't know whether network broad or narrow. 58% think network is broad, very likely higher than actual market outcomes.
- Handel and Kolstad (2014) show consumers have limited knowledge about comparability of networks in simplified large employer setting.

Market Structure / Take-Up:

- McKinsey study shows narrow network plans 13-17% cheaper relative to comparable broad network plans.
- Gruber and McKnight (2014) show consumers very willing to choose these plans:
 10% of Massachusetts employees given \$500 premium discount switch from broad network plan to comparable narrow network option

Spending / Health Outcomes

- Gruber and McKnight (2014): 40% reduction in spending from marginal switchers, increase in spending on primary care, reduction for downstream care, no evidence of reduced quality conditional on treatment (all from people with same PCP)
- Shephard (2014): When Partners removed from some networks in market, 15% risk-adjusted drop in spending, only 35-50% of that drop from adverse selection

Implications for Current Policy

- Early evidence suggests limited to no important quality reductions, but does show premium reductions
 - More evidence needed, but likely coming soon
 - Networks limited, but given current regulation are they that limited?
- ACA regulations restrict insurer innovation on almost all other dimensions. Ability to form narrow networks primary mechanism for competing insurers to generate social value.
- More broadly, if policy designed to help control health care costs, one primary alternative discussed is higher cost-sharing where limited consumer information is major barrier to reducing costs
 - Consumers with limited information about networks likely also limited if forced to price shop themselves, seems reasonable to let insurers do this
 - Risk from ex post access (within year!!) vs. financial risk protection potential implicit tradeoff though it depends on information / potential on each dimension.

Bottom Line

- Clear that insurer information provision about whether targeted providers / care processes are in network or not should be clear before consumer is at provider (ex post information)
- Clear that, while efforts should be made to improve consumer (broad) information about network at time of choice, that this is ultimately quite difficult to do effectively
 - Provider consistency valuable ex ante objective (related to targeted search)
- Given this, it seems that current environment is not too lax (could also be too restrictive) and that regulators should allow insurers enough leeway in network formation to generate meaningful cost savings (imagined welfare benefit of competition)
- Recent cases suggest common for providers to sue for inclusion
 - Seattle Children's and Washington Exchange, Yale Medical Group and United