# Medical Plan Preferences in an Environment of Choice

Real-world results show that the vast majority of Americans are open to in-network and referral-based plan types when provided with choice

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Premier Benefit Plans, Inc.

# Introduction

The Affordable Care Act has triggered a tidal wave of changes in all aspects of the U.S. health care system from the way Americans buy their insurance to which doctors they can see to the way doctors are reimbursed. Today, companies are increasingly embracing various emerging payment strategies to reduce unit costs by holding providers accountable for costs and shifting towards smaller networks of doctors and hospitals. These new models include centers of excellence, high performance networks based on lower costs and higher quality care and emerging care delivery models like Patient-Centered Medical Homes and Accountable Care Organizations.

In particular, more restrictive or narrow networks have been growing in popularity in recent years. A recent Towers Watson research report shows that **18% of employers have already adopted plans with more limited networks and an additional 20% plan to in 2015**. Tighter networks have also received considerable media attention as core features of many plans on the public exchanges.

A key question in this evolving marketplace is the extent to which employees, when provided with choice, will embrace more limited or restricted access to care. In this white paper **we look at the willingness of a large group of employees to willingly choose two familiar models in return for reduced health insurance premiums**. The first is a model in which individuals take on a lower cost policy that only covers visits to doctors and other providers that are in their network, but with no need for a "pro forma" nod from the PCP's to see a specialist (often key features of Health Maintenance Organization, HMO, or Exclusive Provider Organization, EPO, health insurance plans). The second is the willingness of individuals to get a cheaper policy but to use a family doctor such as a PCP, Internist or Pediatrician to coordinate their care, including referrals to see a specialist (often referred to as a "gatekeeper" model).

## About the Data

This paper draws on 8,803 customer profiles from the Liazon exchange platform for data extracted in July 2013. As part of the recommendation process, employees are asked a number of questions about their health status, expected health care utilization, finances, lifestyle, and preferences. A unique aspect of this data is that they are collected during the benefits selection process and are utilized as an input to develop personalized recommendations. As such, the information provided has real-world consequences, as it supports the choices each respondent makes in spending their own dollars on the various benefit options. Another unique feature of this survey is that each employee completes the questionnaire during the enrollment process, which minimizes the selection bias that is a systemic but unavoidable challenge for many employee surveys. In order to most accurately profile the Liazon database, data used was limited to employers with 10 or more employees, exchanges with 5 or more medical choices and responses where the final recommendation preceded the purchase confirmation.

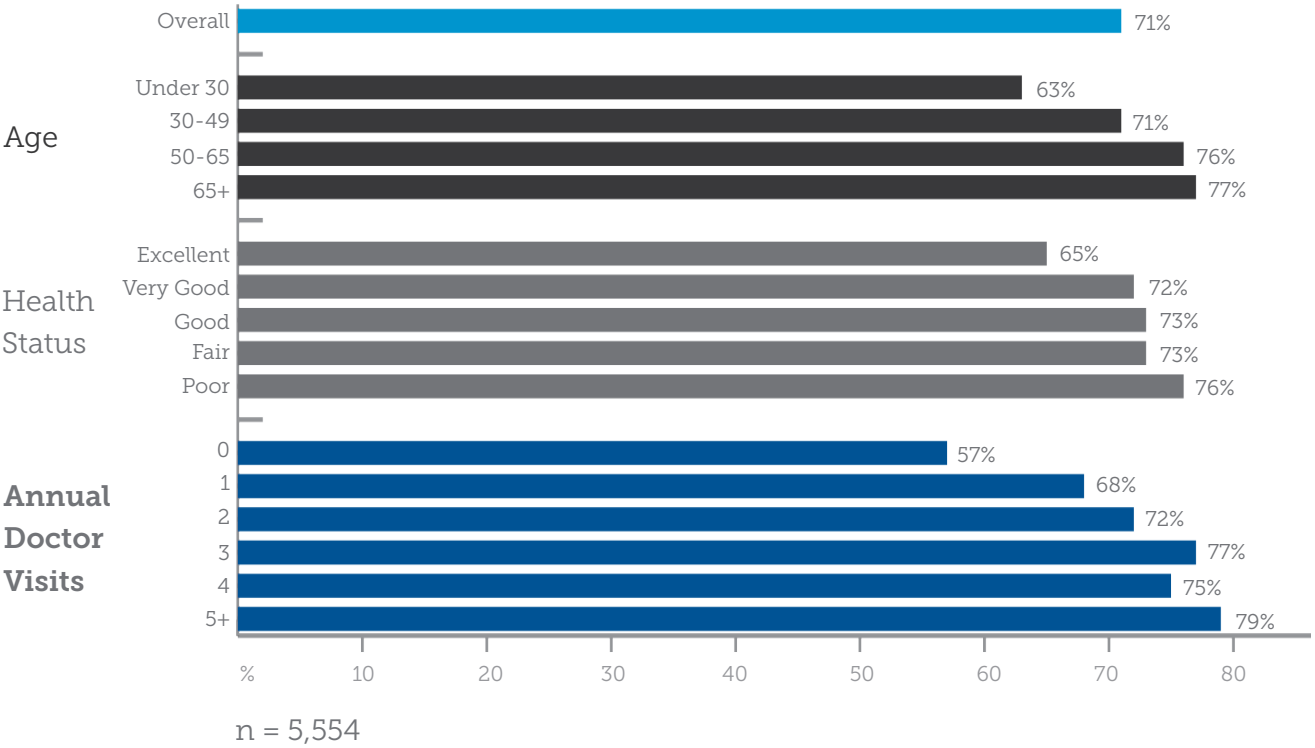
# Provider-patient relationships remain important

The provider-patient relationship has been and remains a keystone of care. It is the way data are gathered, diagnoses and plans are made, compliance is accomplished and treatment, patient activation and support are provided. This research shows that the desire to have access to a certain provider is entrenched among a wide cross-section of the population.

Seven in ten individuals want to have a certain doctor, hospital or other medical provider in their health plan network (Figure 1). This is especially true for older people and those in poor health. Those who go to the doctor more frequently likely have certain doctors they trust and want them in-network. A majority, 79%, of those who see a doctor frequently (5 or more annual visits), want to have a certain provider in their network. It is interesting to note that even among those who never go to the doctor, over half – a full 57% – still indicate that they want access to a certain provider.

Figure 1. Importance of in-network doctors/hospitals by age

Are there certain doctors, hospitals and other health care providers that you want in your network?




n = 5,554

# Employee acceptance of in-network only and gatekeeper plans

During the last two decades, enrollees have enjoyed broad networks with few restrictions on who was in their network. With rapidly rising health care costs and the corresponding increases in insurance premiums, the industry has trended to plans with more restricted networks and that more tightly coordinate care. What do employees think about this?

More limited networks have become increasingly popular with employers to help deliver superior health outcomes and service at a more affordable price. Enrollees in such plans have **limited or no coverage if they seek care outside their plan network**, but also pay lower premiums than they would with a broad network plan. Insurers are able to charge these lower premiums because they can select more cost-effective providers and in some cases are able to pay them lower reimbursement rates in exchange for funneling more patients to them.

Alternatively, **a gatekeeper plan limits patients' access to care that is authorized through a medical professional**, usually a primary care physician or internist, who coordinates all care a patient receives. Under this type of plan, specialist visits and other medical services are typically not covered unless accompanied by a referral from the doctor who coordinates care. These plans attempt to reduce costs by using the coordinator to screen unnecessary services depending on the patient's needs.

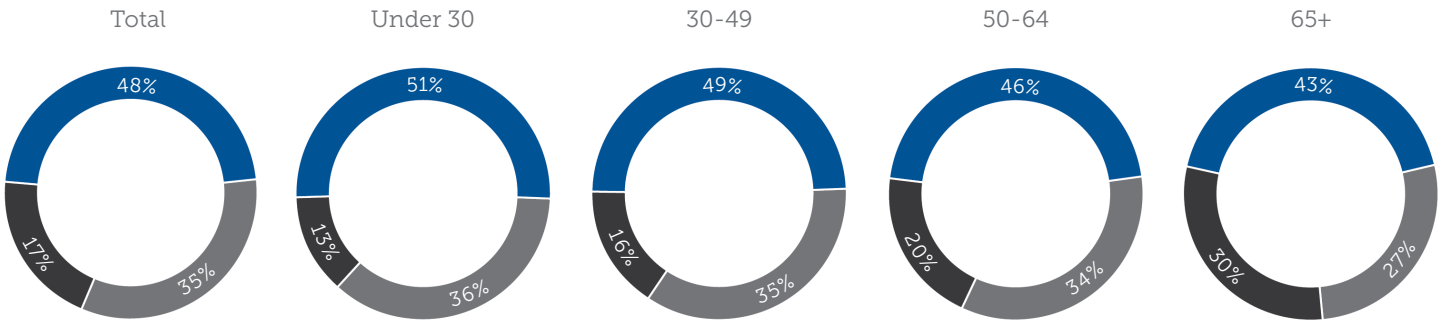
Our data show that employees are warming to these more restricted models, especially if it leads to lower health care premiums.

Employee acceptance of plans with only in-network coverage is more widespread now and is stronger than acceptance of plans with gatekeeper restrictions. **The vast majority, 83%, of the employees in this sample would be open to a less expensive plan with coverage restricted to in-network providers.**[1] Those open to this type of plan seem to include people who are not as concerned about their choice in providers. Younger employees, at 87%, are the most open to this arrangement (Figure 2). Older employees are the most concerned about having a trusted doctor in their network, which is probably driving their apprehension of a plan with in-network restrictions. Employees with lower salaries are the most premium sensitive and are roughly 25% more likely to consider a limited network plan than those with higher salaries (Figure 3). As a whole, there is willingness among employees in all pay levels to accept some additional restrictions on how they access health care services if it reduces the cost of coverage.

[1] Question asked was "I would consider a health insurance plan that provides only in-network coverage. (Remember that emergency care is considered in-network if you're traveling or out-of-area.)"

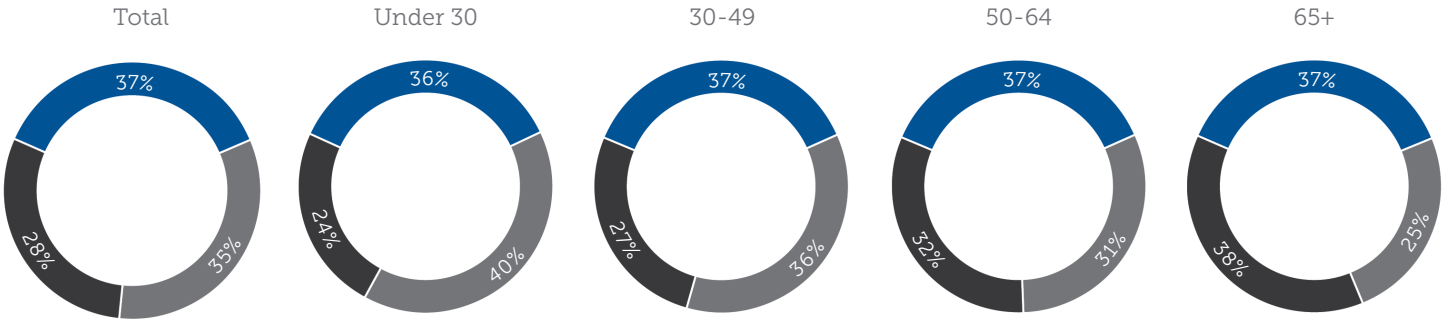
Figure 2. Consideration of in-network restrictions or gatekeeper plans by age group

Would consider a less expensive plan with in-network only coverage:




n = 5,559

Would consider a less expensive plan that requires referrals from a "gatekeeper":




n = 5,528

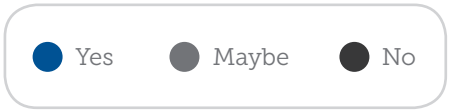
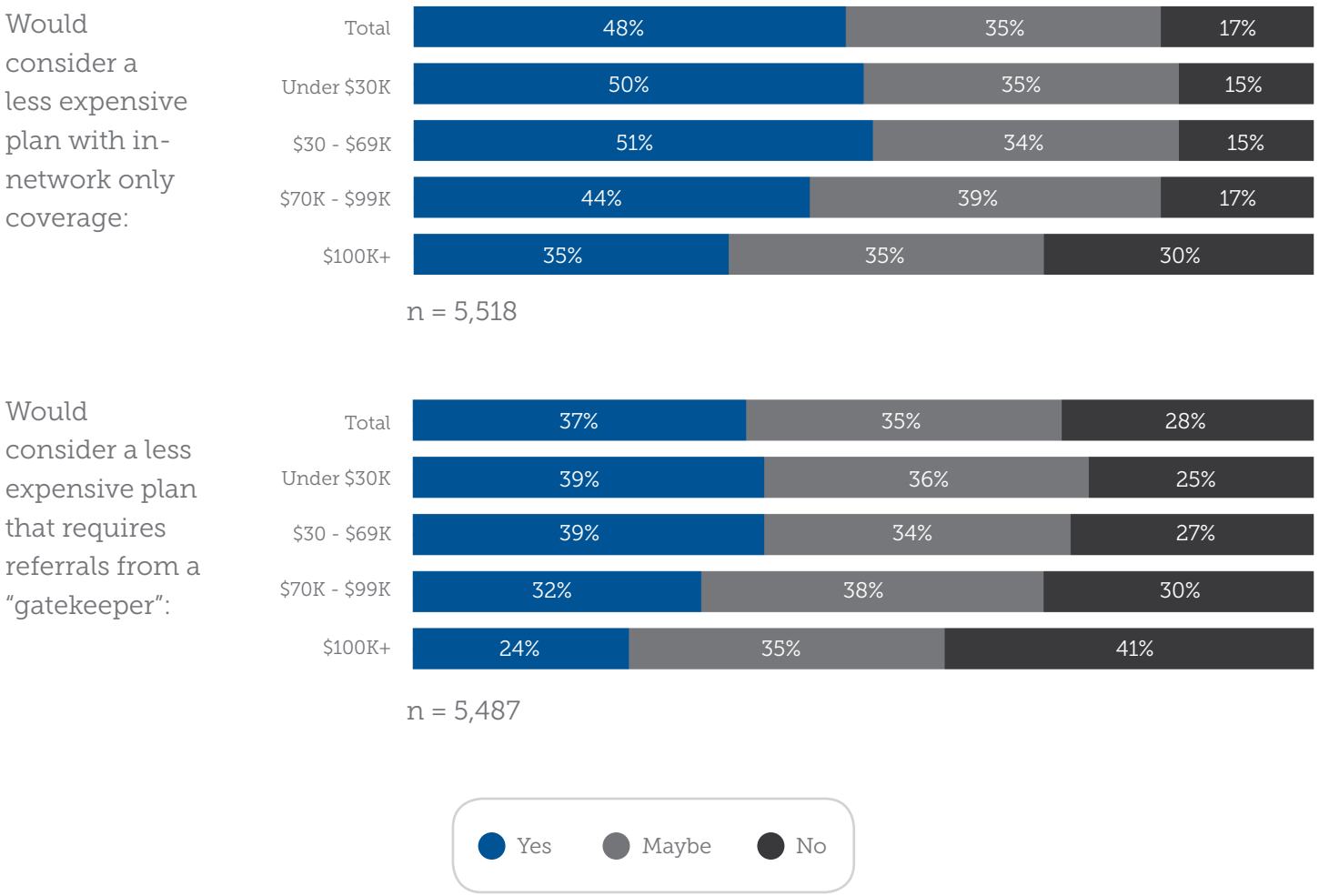


Figure 3. Consideration of in-network restrictions or gatekeeper plans by salary




Plans requiring referrals are a less popular option than in-network only plans, but almost 3 out of 4, 72%, of the employees in this sample would consider them.[2] Older individuals are more apprehensive of this model (Figure 2). All age groups show similar definite acceptance ("yes" responses), but 38% of older employees are against these plans, while only 24% of younger employees are. Salary is also a defining factor in acceptance of these plans; 59% of those with incomes over $100,000 would consider a plan that requires referrals while 75% of their lower-paid counterparts (those making $30,000 or less) would (Figure 3). This suggests that those with less disposable income are willing to sacrifice flexibility in their health plans through coordinator plans.

[2] Question asked was "I would consider a health insurance plan that requires me to see a Primary Care Physician and get a referral for any other non-emergency, in-network care."

# Link between gatekeeper and in-network only plans

Overall, when given the option to pay lower premiums, most employees are accepting, in varying degrees, restricted access to care. **Nearly 90% of all employees would be open to, or might be open to, either a plan with only in-network coverage or one that requires referrals.** In fact, 28% of all employees would be open to a plan with both restrictions for lower costs of health care coverage. Conversely, just as many, 28%, of all employees would not consider a gatekeeper plan. Clearly cost considerations weigh heavy on employees' minds and therefore they are willing to explore alternative health plan options with potentially less provider choice.

But how do these preferences play out when it comes to making actual decisions? A previous analysis of Liazon enrollment data indicated that the majority of employees, 55%, in the Metro New York City area, actually chose an HMO plan with multiple restrictions – including in-network only coverage, a narrow limited network, and referral requirements. These employees had a choice of 8 plans, 2 of them being narrow network HMO plans, with premiums priced at approximately 60% of the most expensive plan choice. Similarly priced HSA-qualified plans were only selected by fewer than 15% of the employees.[3]

Figure 4. Consideration of in-network only plan by consideration of a gatekeeper plan

| | | Would consider a less expensive plan that requires referrals from a "gatekeeper": | | |
|---|---|---|---|---|
| | | Yes | Maybe | No |
| Would consider a less expensive plan with in-network only coverage: | Yes | 28% | 11% | 9% |
| | Maybe | 6% | 21% | 7% |
| | No | 3% | 3% | 12% |

[3] Alan Cohen and Christopher Condeluci, "Private Exchanges: Data Illustrating the Impact of a Retail Shopping Experience Aided by Decision Support and Education Tools," Liazon White Paper, 2013. Accessed at: http://www.liazon.com/wp-content/uploads/2013/07/White-Paper-Data-on-What-People-Choose.pdf

# Conclusion

These data show that when people have choice and bear the cost of these trade-offs, they are willing to accept plan restrictions, either by means of a more restricted network or a plan with tightly coordinated care, in exchange for lower premiums. Plans with in-network only coverage are more popular than those that require referrals. This may be a result of the HMO era and employees who may have had negative experiences with these types of plans.  This difference suggests that plan design is still important in health care choices. **Employees are open to plans with lower premiums but differ in what they will trade to receive them.**

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