FOR IMMEDIATE RELEASE: Dec. 14, 2016
CONTACTS: Stephen Blakely, EBRI, (202) 775-6341, blakely@ebri.org
Paul Fronstin, (author), (202) 775-6352, fronstin@ebri.org

New Research from EBRI:
“Narrow Provider Networks” So Far Not Spreading Quickly from Health Exchanges to Employer Plans

WASHINGTON—So-called “narrow provider networks,” which limit covered health providers in health plans, do not appear to be crossing over rapidly from the Affordable Care Act’s health exchanges into employment-based health plans, according to a new analysis by the nonpartisan Employee Benefit Research Institute (EBRI) and Mark A. Hall, J.D., Wake Forest University, with support from the Robert Wood Johnson Foundation’s (RWJF) Changes in Health Care Financing & Organization (HCFO) Initiative.

“Narrow networks,” which have grown in the individual market exchanges under the Affordable Care Act (ACA), are characterized by offering considerably fewer health providers than is typical in the group market and in which providers are included primarily based on price discounting.

“Narrow networks are receiving renewed attention, because of their increasing prominence in the ACA’s individual marketplace health exchanges,” said Paul Fronstin, director of EBRI’s Health Education and Research Program, and co-author of the report. “So far, this has not translated strongly to private-sector employers. But there are signs that employers’ interest in narrow networks may grow in the near future.”

To measure what is happening with narrow networks in employer health plans, the researchers conducted a literature review, interviews with HR directors at 11 large employers, and field research by health policy experts in 11 states. Among the major findings:

- Despite the increasing prominence of narrow networks in the ACA individual (nongroup) marketplace exchanges, this renewed interest so far has not translated strongly to employers. For example, in 2016, only 7 percent of employers with health plans offered a narrow network. Also, in 2014, employers ranked narrow networks the least effective among several strategies to manage health insurance costs.
- Reasons employers give for their subdued interest include absence of track record showing sustained (year-over-year) savings; concern about antagonizing workers; spotty availability of narrow networks, especially in rural areas; greater interest currently in other cost-savings strategies; and reluctance to adopt substantial changes in benefit structures until the future of the ACA’s so-called “Cadillac tax” is resolved.
There are signs that employers’ interest in narrow networks may grow in the near future. More than a third of employers with 5,000 or more workers now offer some type of alternative network, including tiered or “high-performance” networks. Field reports indicate increasing adoption of narrow networks by both large and small employers, particularly in urban markets around the country.

Where narrow networks are offered, their adoption could be increased by giving workers stronger financial incentives to consider them. Offering workers a fixed (“defined”) contribution that does not vary by choice of plan is one way to confer such incentives, and private exchanges are a way to offer workers a broader range of choice. Currently, however, neither defined contributions nor private exchanges are widely used by employers.

The full report, “Narrow Provider Networks for Employer Plans,” is being published in the Dec. 14 EBRI Issue Brief, online at www.ebri.org and is also posted at http://www.hcfo.org/

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or www.asec.org

###