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How Do Tiered Networks Affect Patient Choices?

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Outline

- Introduction and Background
- Massachusetts Group Insurance Commission (GIC) Tiered Physician Networks
- Impact of tiered networks on GIC patient choice of physician
- Conclusions and Implications

What are tiered provider networks?

- Reflect the lessons learned from the managed care backlash and recent advances in provider profiling
- Insurers sort providers into tiers based on cost-efficiency and quality performance measures
- Patient financial incentive to seek care from providers in top tiers while maintaining consumer choice
- Threat of switching may affect provider behavior in ways that are consistent with payer objectives

Mechanism works through information and/or price

- Evidence on patient response to quality information is mixed
- Influence of copay differences likely different than formularies because physicians are different than prescription drugs
- Early results suggest some consumer response to tiering when price differences are large
- Survey in MA suggested low consumer awareness and use of physician tiering in 2008

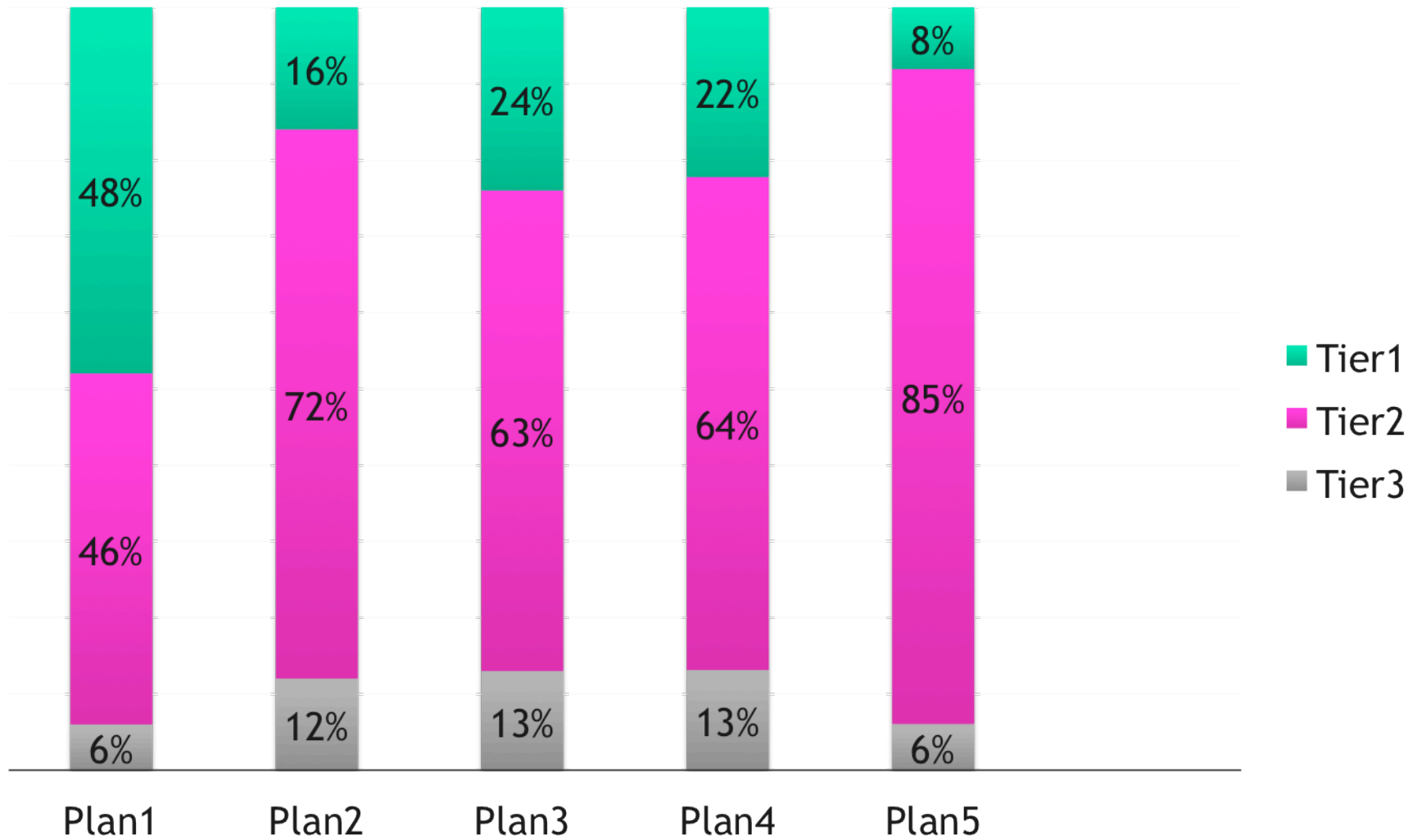
Massachusetts Group Insurance Commission (GIC) Physician Tiering Initiatives in FY2009-10

- Assigning physician tier rankings based on quality performance first and then efficiency
- 3-tiered model with thresholds of approximately 20% of physicians in the top tier, 65% classified in the middle, and 15% assigned to the bottom tier
- Co-payment differences across tiers typically \$10-\$35 in FY2009 (\$10 higher at all levels in FY2010)

Tiered Specialties

	Plan 1	Plan 2	Plan 3	Plan 4	Plan 5
Cardiology	X	X	X	X	X
Endocrinology	X	X	X	X	X
Gastroenterology	X	X	X	X	X
OB/GYN	X	X	X	X	X
Orthopedic Surgery	X	X	X	X	X
Rheumatology	X	X	X	X	X
Allergy/Immunology	X	X			
Dermatology	X	X	X	X	
General Surgery	X	X	X		
Hematology/Oncology	X				
Internal Medicine	X			X	X
Nephrology	X				
Neurology	X	X	X		
Ophthalmology	X	X	X		
Otolaryngology	X	X	X	X	
Pediatrics	X				
Pulmonary Diseases	X				
Urology	X				

Allocation of physicians across GIC tiered networks (FY2009)



Source: GIC Administrative Claims, FY2009

What is the effect of tier-rankings...

- On a physician's market share of new GIC patient visits?
- On the percent of a physician's existing GIC patients who switch to other physicians?

Tiering had an impact on GIC patient selection of new physicians

Predicted market share of new patients

All doctors ⁽¹⁾	
Top tier	0.57%
Average tier	0.57%
Bottom tier	0.50%*
"Specialist" Physicians	
Top tier	0.64%
Average tier	0.63%
Bottom tier	0.56%*
"Usual Care" Physicians	
Top tier	0.34%
Average tier	0.35%
Bottom tier	0.33%

Relative decrease
in a physician's
market share of
11% -12%

(1) N=15,401

Physician Loyalty results

- We observed no effect of a physician's tier-ranking on whether his patients returned to for another visit or switched away
- Patients were equally loyal to specialists as they were to their “usual care” physicians

Limitations

- Early evidence - long run implications remain to be seen
- Results may not generalize to tiered networks that impose larger copayment differences across physicians or that tier hospitals

Conclusions

- Significant loyalty to physicians seen previously -- in contrast to prescription drugs
- The effect of tiering may be at the lower end of the distribution rather than moving patients to the “best” performers

Key Take-Aways

- New (and unknown) physicians are more likely to be viewed by patients as substitutable
- Choosing a provider or a health plan is complicated for patients - tiered networks can be one element of this process
- It will be important to understand whether patient response to tiering of hospitals is different
- Patient shifts may ultimately be constrained by capacity making provider response to tiering increasingly important