



Changes in Health Care Financing & Organization (HCFO)

findings brief

key findings

- Patients exhibited strong loyalty to their physicians. There was no impact of tiering on whether patients decided to switch away from a physician who they'd seen previously.
- Tiering affected the choices of patients who were selecting new physicians. When patients visited a doctor for the first time, they were less likely to choose doctors in the bottom or non-preferred tier.
- Patients of the lowest-ranked physicians were more likely to switch health plans following the introduction of tiered networks.

The Impact of Tiered Physician Networks on Patient Choices

Overview

Several factors influence a patient's choice of health care providers, including cost and quality. Increasingly, health plans, employers, and other payers are creating tiered provider networks to help guide patients' decisions about care providers. A tiered network ranks providers according to cost and quality performance. Patients have a financial incentive (lower cost-sharing) to see a top-ranked provider. Even though tiering is most prevalent among private plans and employers, some state policymakers (e.g., in Massachusetts, Minnesota, Maine) have required health plans to begin developing or offering tiered network products.

Tiered networks are designed to encourage patients to make value-based choices without restricting access to physicians. A secondary consequence of the networks may be that physicians will improve their clinical performance in an effort to raise their ranking for their own sake. In a HCFO-funded study, Meredith Rosenthal, Ph.D., Harvard School of Public Health, and Anna Sinaiko, Ph.D., Harvard School of Public Health, examined

the influence of tiering on the choice of physician or health plan.¹ Specifically, the researchers tested:

- Whether new patients prefer higher-ranked physicians
- Whether higher-ranked physicians maintain their existing patients
- Whether tiering causes patients to change health plans

Sample and Methods

The researchers focused their analysis on data from the Massachusetts Group Insurance Commission (GIC), a quasi-state agency that provides health insurance coverage to public employees, retirees, and their dependents in Massachusetts; GIC implemented physician tiering across all of its non-Medicare health plans. The tiered networks offered by GIC health plans are structured on a common database of performance profiles, including cost-efficiency scores and quality scores, and on specialty designation for individual physicians. The database uses pooled data from all GIC health plans to maximize sample size and to



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eliminate potentially confusing and conflicting performance measurement. Each plan used the database to create a tiered network with three tiers of physicians, with approximately 20 percent of physicians in the top tier, 65 percent in the middle tier, and 15 percent in the bottom (worst-performing) tier. Each plan then tiered at least six types of physician specialties. Several marketing and education tools were used to explain how tiering could make a positive difference in patients' care-seeking decisions.

The researchers obtained administrative enrollment data and claims data for 171,581 non-Medicare individuals enrolled in five of the six GIC health plans over July 2004–June 2010 and who had at least one visit with a tiered physician. The claims data included patient age and gender, diagnosis code, and the providing physician's name, practice tax identifier, and tier-ranking. The researchers also obtained the unique physician identifier and specialty designation for the providing physician on the claim.

The researchers performed three sets of analyses. First, they conducted a “new visit analysis” in which they evaluated the effect of tier-rankings on a physician's market share of new patient visits following the introduction of three-tier networks. Second, they conducted a “physician loyalty analysis” to examine how the tiered networks affected patients' existing relationships with a physician. Third, they considered whether a patient's decision to remain enrolled in his or her health plan was affected by how that plan tiers a physician whom the patient previously saw.

Results

Results from the “new visit analysis” indicate that a physician in the worst-performing tier sees fewer new patients. Relative to their average-tier colleagues, bottom-tier physicians experience a loss in market share of 12 percent for all physicians and 11 percent for specialists among new GIC patients. Analyses of the effect of physician ranking on patient loyalty showed that the three-tier system produced no changes in the percentage of patients switching to other physicians.

The researchers also determined that only a small percentage of patients who have a relationship with a physician switched health plans during the study period (2 percent or fewer in all years). In the analysis of plan switching, patients who saw a physician in the worst-performing tier were significantly more likely to switch health plans following the introduction of tiered networks than were patients who had an existing relationship with an average-tier physician. The researchers observed no health plan effect among patients who saw top-tier physicians versus average-tier physicians.

Limitations

The researchers note that, while GIC-covered employees represent a highly diverse population, the study's findings may not generalize to other populations, particularly Medicare and Medicaid beneficiaries. Moreover, the size of the copayments may be determinative and have a different effect on patient behavior, particularly among those who access tiered networks that impose larger copayment differences across physicians or that tier hospitals. Finally, consumers appear to have a limited awareness of tiered networks. As they gain a greater understanding of their ability to make higher-value choices and recognize the consequences of choosing the worst-ranked providers, consumers may modify their behavior.

Discussion and Policy Implications

The study finds evidence that patients exhibit strong provider loyalty. Patients who stayed in their health plan over time were no more likely to switch from a worse-tier physician than from a top or average-tier physician. These findings may be evidence that the information on physician quality in tier-rankings was not important to patients of the worst-ranked physicians and/or that the design of tiered networks did not provide sufficient financial incentive for these patients to switch. The finding may also be attributable to inertia and low consumer awareness of tiering.

The study does find that tiered networks channeled new patients away from the worst-performing physicians. The researchers note that such behavior is “consistent with ... common sense: unknown physicians are more likely to be viewed by patients as more substitutable than physicians with whom patients have a relationship.”

More examination and refinement of tiered networks is likely needed. One challenge for plans and employers is to continue to develop and refine the mechanisms that equitably evaluate and rank providers, along with the development and dissemination of useful educational tools appropriately targeted to consumers. Achieving the goals of tiering may also be complicated by patients' access to care, including geographic access and a provider's willingness to accept new patients, especially high-risk patients.

Conclusion

Tiered physician networks offer policymakers, employers, and insurance plans a tool that encourages use of high-quality, cost-efficient health care, thereby helping to rein in health care spending while achieving higher value for employers and insurers. In comparison to more restrictive, narrow network plans, tiered networks may be more acceptable to consumers because they allow access to a broader range of providers. Yet, future refinement of tiered networks and a greater understanding of consumer decision making are likely needed to optimize tiered networks' value.

For More Information

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Endnotes

1. For complete findings, see Sinaiko, A.D. and Rosenthal, M.B. “The Impact of Tiered Networks on Patient Choices,” *Health Services Research*, Vol. 49, No. 4, 2014, pp. 1348-63.