

Study Snapshot:

Tiered Physician Networks: A Tool to Promote Value

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key findings

- Patients exhibit strong loyalty to their physicians; patients with a physician in the bottom or non-preferred tier were no more likely to switch to a new physician than were other patients.
- Tiered networks channeled patients selecting a new physician away from doctors in a bottom or non-preferred tier.
- Patients whose physician was in a bottom tier were more likely to switch health plans following the introduction of tiered networks.

The Question

How do tiered physician networks affect consumer choice of physician or health plan?

Increasingly, health plans, employers, and other payers are developing tiered provider networks, which rank and stratify providers according to cost and quality performance. Patients are provided with a financial incentive (lower cost sharing) to see a top-ranked provider. Tiering is designed to encourage value-based choices without restricting access. It may also motivate physicians to improve clinical performance in order to raise their ranking. In a HCFO-funded study,¹ Meredith Rosenthal, Ph.D., and Anna Sinaiko, Ph.D., from the Harvard School of Public Health examined the effect of a three-tiered network on patients' choice of physician or health plan. Using data from the Massachusetts Group Insurance Commission, the researchers examined whether new patients prefer higher-ranked physicians, whether higher-ranked physicians maintain their existing patients, and whether tiering causes patients to change health plans. The full results of the study are available in *Health Services Research*. An overview and summary of the key findings are available in the related *HCFO Findings Brief*.

The Implications

Results indicate that a physician in the worst-performing tier attracts fewer new patients. However, the researchers found that patients stay with their current physician, even if that physician is not in a preferred tier. In addition, the researchers determined that only a small percentage of patients who have a relationship with a physician switched health plans during the study period but that patients with a physician in the worst-performing tier were more likely to switch plans. Overall, the results of the study indicate strong patient loyalty to providers, and the researchers posit several reasons for such loyalty. The findings may provide evidence that the patient/physician trust relationship supersedes the influence of the quality and efficiency information conveyed through tiering and/or that the financial incentive was not sufficiently great to induce patients to switch physicians. The findings may also point to inertia and low consumer awareness of tiering. However, tiering does seem to play a role in steering new patients away from the tiered physicians with the worst tier rankings, perhaps suggesting that physicians unknown to a patient are substitutable. The researchers also noted that the factors influencing plan switching remain unclear but may include greater dissatisfaction with the plan, along with or perhaps instead of the individual physician. The researchers conclude that tiered networks are one among a set of tools that policymakers are using to incent value. They suggest that future refinement of tiered networks and a greater understanding of consumer decision-making are likely needed to optimize the use of tiered networks.

Contact Us

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¹ The Robert Wood Johnson Foundation Changes in Health Care Financing and Organization (HCFO) Initiative supports timely and policy relevant health services research on health care policy, financing, and organizational issues.

**If you would like to learn more about other HCFO-funded work, please contact:
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