

Enrollment in a Health Plan with a Tiered Provider Network Decreased Medical Spending by 5 Percent

SYNOPSIS

Employers and health plans are increasingly using tiered provider networks to steer patients to doctors and hospitals that provide higher-quality care at a lower cost. An analysis of tiered network plans in Massachusetts found that they were associated with a 5 percent decrease in spending—\$43.36 less per member per quarter compared with per-member spending in similar plans not offering tiered networks.

THE ISSUE

In health insurance plans featuring tiered provider networks, providers (e.g., physicians and hospitals) are categorized by the quality and cost of their patient care. Providers with higher quality and lower costs are typically placed in the most-preferred tier rankings. Plans furnish their enrollees with information about providers' relative value and use financial incentives like lower cost-sharing to steer them to preferred providers. In this Commonwealth Fund–supported study, researchers examined the impact of tiered primary care physician groups and hospitals—offered through Blue Cross Blue Shield of Massachusetts (BCBSMA)—on inpatient care, outpatient care, outpatient radiology, and total health care spending.

KEY FINDINGS

- ▶ The tiered network plans offered by BCBSMA were associated with lower total adjusted medical spending of \$43.36 per member per quarter relative to enrollee spending in similar plans without a tiered network (\$830.07 vs. \$873.43). This represents a 5 percent decrease in spending.
- ▶ The tiered network plans were also associated with 4.6 percent lower spending on outpatient care per member per quarter compared with nontiered network plans (\$576.89

May 10, 2017

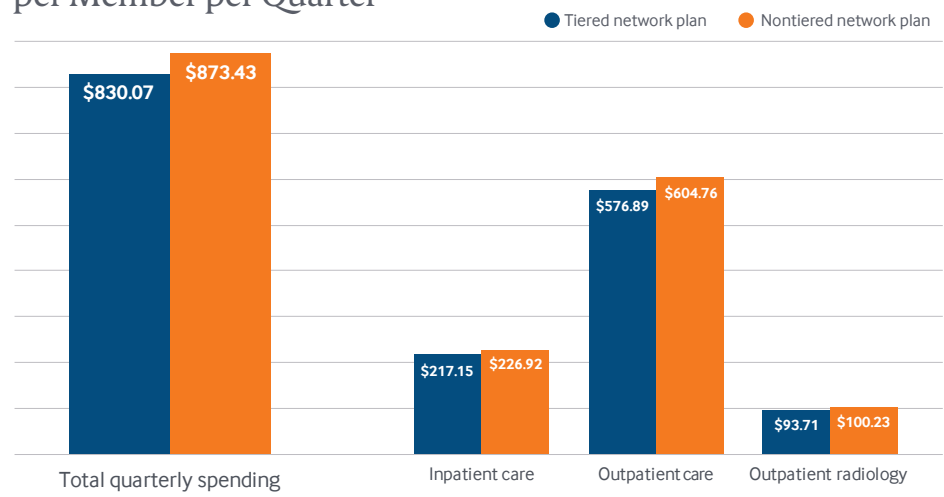
Authors Anna D. Sinaiko, Mary Beth Landrum, Michael E. Chernew

Journal *Health Affairs*, May 2017

Contact Mary Mahon, Vice President, Public Information, The Commonwealth Fund, mm@cmwf.org

[Access to full article.](#)

Tiered Network Associated with Lower Medical Spending, per Member per Quarter



Note: The differences for total spending, outpatient care, and outpatient radiology are statistically significant.

Adapted from A. D. Sinaiko, M. B. Landrum, and M. E. Chernew, "Enrollment in a Health Plan with a Tiered Provider Network Decreased Medical Spending by 5 Percent," *Health Affairs*, May 2017 36(5):870–75.



vs. \$604.76) and 6.5 percent lower spending on outpatient radiology (\$93.71 vs. \$100.23). Savings for inpatient care were not significant.

- ▶ Results were similar when the researchers compared spending only within large-group plans, and only within small-group plans.

THE BIG PICTURE

Tiered network plans may be more palatable to consumers than narrow-network plans, the authors say, since they cover care from nonpreferred providers, albeit with higher cost-sharing. These findings also suggest that tiered network plans may be a valuable tool for providers that are under pressure to decrease spending. Provider groups could mirror their referral patterns to match tiered networks.

ABOUT THE STUDY

The study population consisted of 184,385 nonelderly enrollees (age 64 and younger) who were enrolled in a Blue Cross Blue Shield of Massachusetts small- or large-group tiered network plan for at least one quarter in 2008–2012 and 927,491 nonelderly enrollees in health plans with matched benefit designs, except for no tiered network, in the same period. Enrollees in the tiered network plans paid different cost-sharing levels depending on the tier ranking of their provider.

Tiered-network benefit designs have the potential to deliver higher value and be a tool that employers and other payers can use to decrease spending in the U.S. health care system.

THE BOTTOM LINE

Tiered provider networks have the potential to reduce overall health care spending.

A. D. Sinaiko, M. B. Landrum, and M. E. Chernew, "Enrollment in a Health Plan with a Tiered Provider Network Decreased Medical Spending by 5 Percent," *Health Affairs*, May 2017 36(5):870–75.

This summary was prepared by Lillian Ann Slugocki.