Going Out of Network: Why It Happens, What It Costs, and What Can Be Done

Kelly Kyanko, MD, MHS
Assistant Professor of Population Health and Medicine, NYU School of Medicine
Assistant Attending Physician, Bellevue Hospital Center, NY, NY

National Health Policy Forum, Washington, D.C.
December 6th, 2013

This research was funded by:
Women’s Health Research at Yale Pilot Project Program
Robert Wood Johnson Foundation Clinical Scholars Program
Why networks?

Advantages to:

**Insurers/Employers**
- Ability to negotiate lower price

**Providers**
- Patient volume

**Patients**
- Lower premiums
- Increased quality?
A Popular Option

• **88%** of privately insured adults in plan with network (PPO, POS, or CDHP)

• **8%** will use an out-of-network physician (in a year)

• **10-13%** of covered expenses


### Out-of-Network Costs: The example of cataract surgery

<table>
<thead>
<tr>
<th></th>
<th>IN-NETWORK</th>
<th>OUT-OF-NETWORK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Charge</td>
<td>$1000</td>
<td>$1000</td>
</tr>
<tr>
<td>UCR* or In-Network Rate</td>
<td>$600</td>
<td>$600</td>
</tr>
<tr>
<td>Co-Insurance</td>
<td>$120</td>
<td>$240</td>
</tr>
<tr>
<td>(20% in-network rate)</td>
<td></td>
<td>(40% of UCR)</td>
</tr>
<tr>
<td>Balance Billing Charges</td>
<td>$0</td>
<td>$400</td>
</tr>
<tr>
<td>(held harmless)</td>
<td></td>
<td>($1000-$600)</td>
</tr>
<tr>
<td>Total Out-of-Pocket Costs</td>
<td>$120</td>
<td>$640</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($400 + $240)</td>
</tr>
</tbody>
</table>

*UCR = Usual Customary Rate
Methods

- Novel internet survey
  - Administered by GfK KnowledgeNetworks®
  - Online research panel constructed with probability-based sampling and representative of U.S. population
  - Fielded February, 2011
  - N=721 / 7812

- In-depth interviews
  - 28/247 survey respondents experiencing involuntary out-of-network care
  - Recurrent themes generated using the constant comparison method of data analysis
Problems

1. Narrow or limited network plans

2. Financial burden of high out-of-pocket costs for out-of-network care

3. Involuntary or unexpected out-of-network charges
   - Inadequate networks
   - Lack of transparency
   - Emergency care
   - Hospital-based providers
“Problem” #1: Narrow Networks

• Narrow network plans that exclude high-cost providers increasingly popular way to cut costs.
  – Exchange plans
  – UnitedHealth Medicare Advantage plans

• High-performing (low-cost, high quality)?

• Tactic to exclude high cost patients?

• Compromise continuity of care?
Why do patients go out-of-network?

<table>
<thead>
<tr>
<th>Primary Reason</th>
<th>Unweighted n (Weighted %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuity with previously known physician</td>
<td>175 (27%)</td>
</tr>
<tr>
<td>Recommendation of another doctor, family, or friends</td>
<td>111 (20%)</td>
</tr>
<tr>
<td>Physician skill</td>
<td>126 (19%)</td>
</tr>
<tr>
<td>Illness that needed care right away</td>
<td>31  (9%)</td>
</tr>
<tr>
<td>No in-network physician available in area</td>
<td>16  (4%)</td>
</tr>
<tr>
<td>Convenient location</td>
<td>16  (4%)</td>
</tr>
<tr>
<td>Service or specialty not covered by insurance</td>
<td>13  (2%)</td>
</tr>
<tr>
<td>Could schedule appointment sooner</td>
<td>8   (2%)</td>
</tr>
<tr>
<td>Second opinion</td>
<td>7   (1%)</td>
</tr>
<tr>
<td>Other</td>
<td>59  (14%)</td>
</tr>
<tr>
<td>Total</td>
<td>566 (100%)</td>
</tr>
</tbody>
</table>

Problem #2: High out-of-pocket costs

• Little objective data on net consumer out-of-pocket payments
  – Some list prices >10 (or even 1,000) x Medicare rate

• Increasing use of % of Medicare fee schedule rather than UCR
  – In New York: 19% → 40% between 2008-2011

• Increasing number of plans with deductibles over $1000 for out-of-network care

Problem #3: Involuntary Out-of-Network Care

- Inadequate networks
- Lack of transparency
- Emergency care
- Hospital-based providers
Problem #3: Involuntary Out-of-Network Care

- 40% of patients using out-of-network physicians experience unexpected or involuntary out-of-network charges (n=247/721)

- 3.1% of patients who used any physician in last year (n=247/7,812)

- Almost 3 million patients annually in the United States


Reported sample sizes are unweighted, percentages are weighted.
Proportion of out-of-network contacts associated with involuntary use

- Total: 57.7%
  - Inpatient: 14.7%
  - Outpatient:
    - Specialist: 13.4%
    - Mental Health: 8.3%
    - Primary Care: 24.2%
Involuntary Out-of-Network Care: Lack of Transparency

- Inaccurate website or paper directories
- Unclear mechanisms and responsibilities for determining network participation
- Inconsistent physician billing and disclosure procedures
“We had switched insurances and I said, do you guys take this insurance? And they told me yes. So I went, saw him for a regular doctor visit and all of a sudden I get a big bill from him. … And I called the office and she said, well we do take your insurance but out-of-network. Well, why didn’t you tell me that when I called and asked?…So I ended up having to pay that bill too and switch doctors.”

[Participant #10]
Involuntary Out-of-Network Care: Emergency Care

- Emergency
- Out-of-Network Status Unknown
- No In-Network Available

Among inpatient out-of-network contacts. N=247
“I don’t think it’s fair that just because you have to go out of network, I can see if you go out of network when you’re in your hometown because you choose to do so. But I had no choice. So that I couldn’t believe what I had to pay … And I can understand if I just decided, well, I want to go try this doctor. But I don’t think it’s fair [when] it’s a life or death situation, or at least I thought it was. And we have no choice and they still sting you with it.”

[Participant #7]
“I just never even questioned who was going to do what because I knew the hospital was in network, I knew this doctor that was doing the procedure was in the network and because the hospital was in network that means their anesthesiologists are all in-network. And I just assumed that pathology would be in-network also. But that was an assumption that I guess I shouldn’t have made.”

[Participant #27]
Involuntary out-of-network charges occurred due to systems-level factors.

Patient education may not be sufficient to reduce the prevalence and financial burden of involuntary out-of-network care.

Understanding and addressing consumer complaints with networks will help prevent backlash against this cost-saving tool.
Acknowledgements

Research Team

• Susan Busch, PhD
  Yale School of Public Health

• Leslie Curry, PhD, MPH
  Yale School of Public Health

• Denise Pong, MPH
  Duke School of Medicine

• Kathleen Bahan, MPH
  Columbia Mailman School of Public Health

Funders

• Women’s Health Research at Yale Pilot Project Program

• Robert Wood Johnson Foundation Clinical Scholars Program